
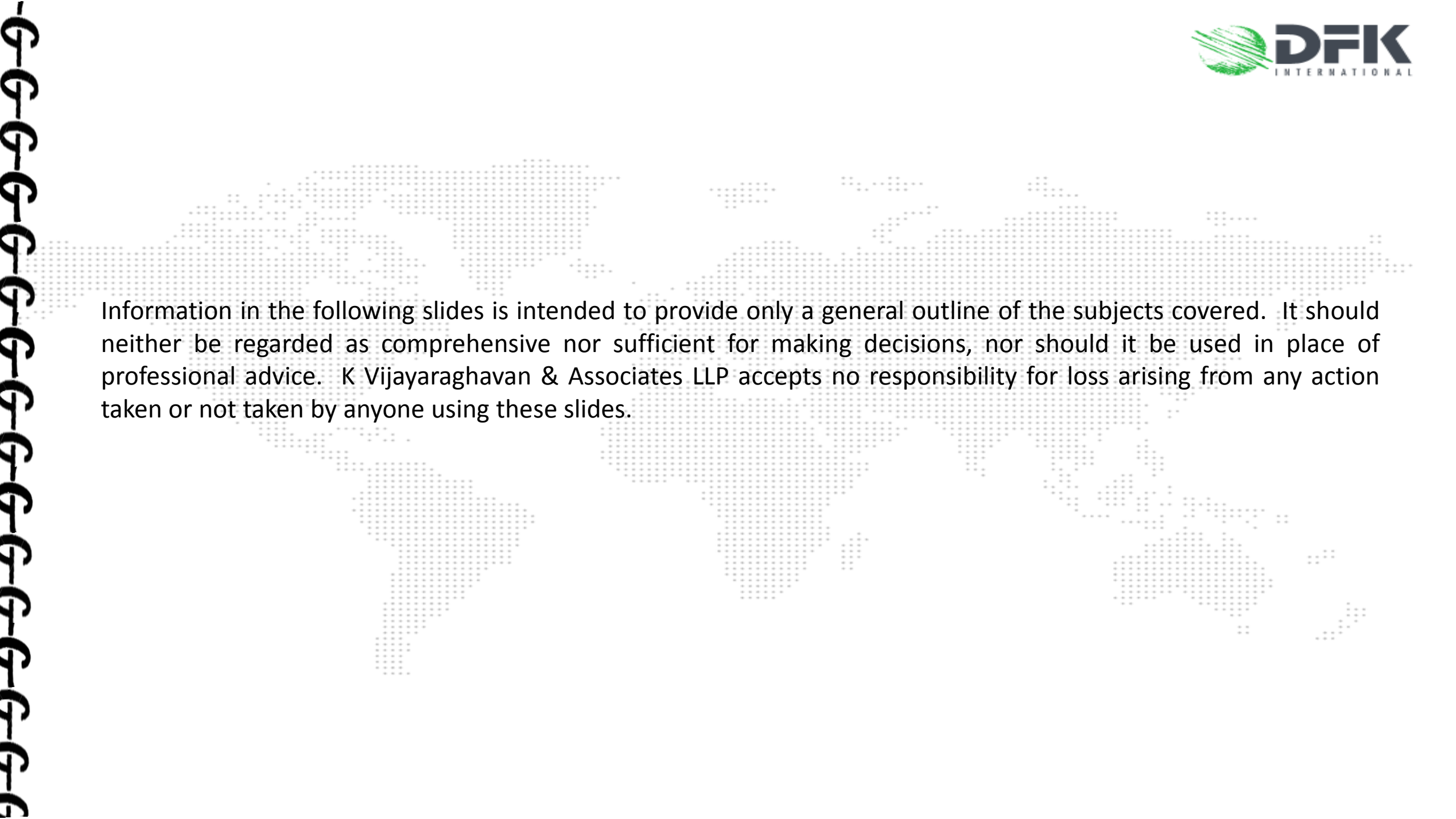




UNION BUDGET 2020

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Foreword




Soon for better, Optimism of future and *Governance of Macro*, these three are our reactions that maybe the budget outcomes, coming out of three cross-cutting themes presented by FM in her budget speech. Overall, the budget has been a perfect balancing exercise by FM, keeping current difficult economic conditions. More than what is pleasurable, the removal of pain points is crucial.

Abolition of DDT, ESOP taxation relief for start-ups, retaining interest rate lower for foreign bond and loans etc., direct tax dispute settlement scheme, incentive to sovereign wealth funds, increased exemption limit for compulsory audit with good rider on cashless transactions are some of the good pains which FM has removed.

While good intent has been placed on several economic boosters for the pleasure, the quick implementation will be the key to achieve 5 trillion economy. Several measures to boost farmer income are commendable but again, the application at the rural level will be the critical factor to make any positive impact on this front.

No doubt, the job to present a budget in this challenging economic scenario is a daunting task, but the FM scores off well on her thoughtful balance of growth, protection, innovation, education, liquidity and rural development. We hope consumption will improve; India will be driven by higher entrepreneurship and wealth creation will follow.

The year of 2020-2021 will be crucial for the current government to create momentum and scale to greater heights in the next three years to achieve their dreams of promised growth and fully digital governance.

Is. Jambhaz 

Direct tax reforms

INDIVIDUAL TAX RATES

Income	Old Scheme	New Scheme
CONDITIONS	No conditions	Subject to conditions*
Upto 2,50,000	Nil	Nil
250,001 – 500,000	5%	5%
500,001 – 750,000	20%	10%
750,001 – 10,00,000	20%	15%
10,00,001- 12,50,000	30%	20%
12,50,001 – 15,00,000	30%	25%
Above 15,00,001	30%	30%

Around 70 exemptions and deductions would be removed under the new simplified income tax regime.



*Subject to following conditions :

- For Individual and HUF having business income, once opted shall continue to apply for every subsequent years as well.
- Others shall have an option to opt or opt out of the new scheme every year.



To provide relief and simplify taxation regime



CONCESSIONAL CORPORATE TAX RATE

Concessional Rate of 15% extended to companies engaged in generation of electricity.



IMMOVABLE PROPERTY

Increase in safe harbor limit from 5% to 10% for immovable property valuation.

AFFORDABLE HOUSING

Approval of project and sanctioning of loan for Affordable Housing extended to 31st March 2021.

AMALGAMATION

Carry forward of losses for banking and government companies in case of amalgamation.

OPTIONAL DEDUCTION

Conditions relaxed for claiming deduction for specified businesses.

To boost supply and purchase of affordable houses, attract investment in power sector and facilitate companies opting for concessional rate scheme

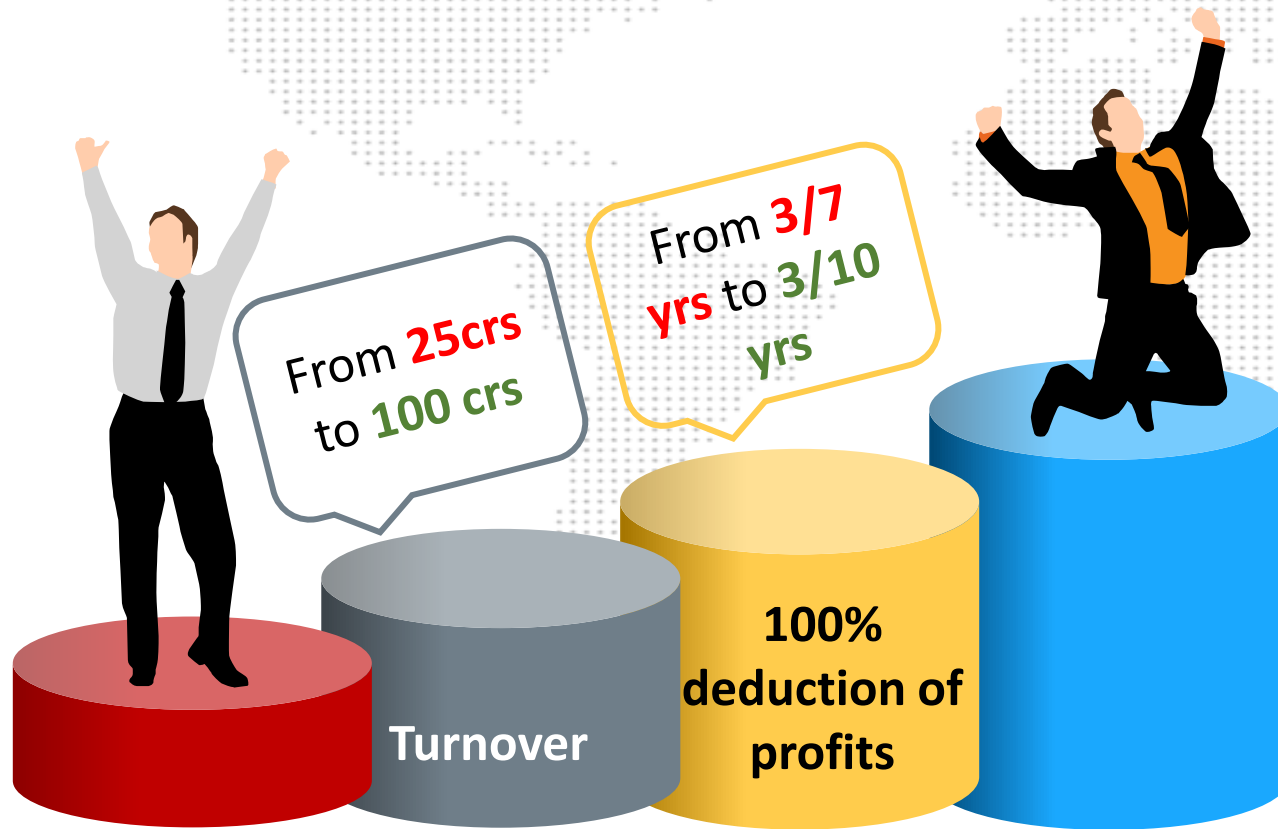


INCENTIVES TO START-UPS

Deferment of TDS on Income from ESOP's

Within 14 days from *earliest* of the below:

- **END** of 48 months from the R.A.Y
- From date of **SALE** such security.
- From date when assessee ceases to be an employee.



To encourage start-ups to employ highly talented employees at lower salary +ESOP's.



To extend the benefit to large start ups and address the concern of loss making start-ups



OFFSHORE FUNDS EXEMPTION FROM BUSINESS

CONNECTION



EARLIER

- Aggregate participation in the fund < **5% of corpus fund**.
- Monthly average corpus fund not less than 100 crs @ end of a period of **6 months** from last day of the month of its establishment.



PROPOSED

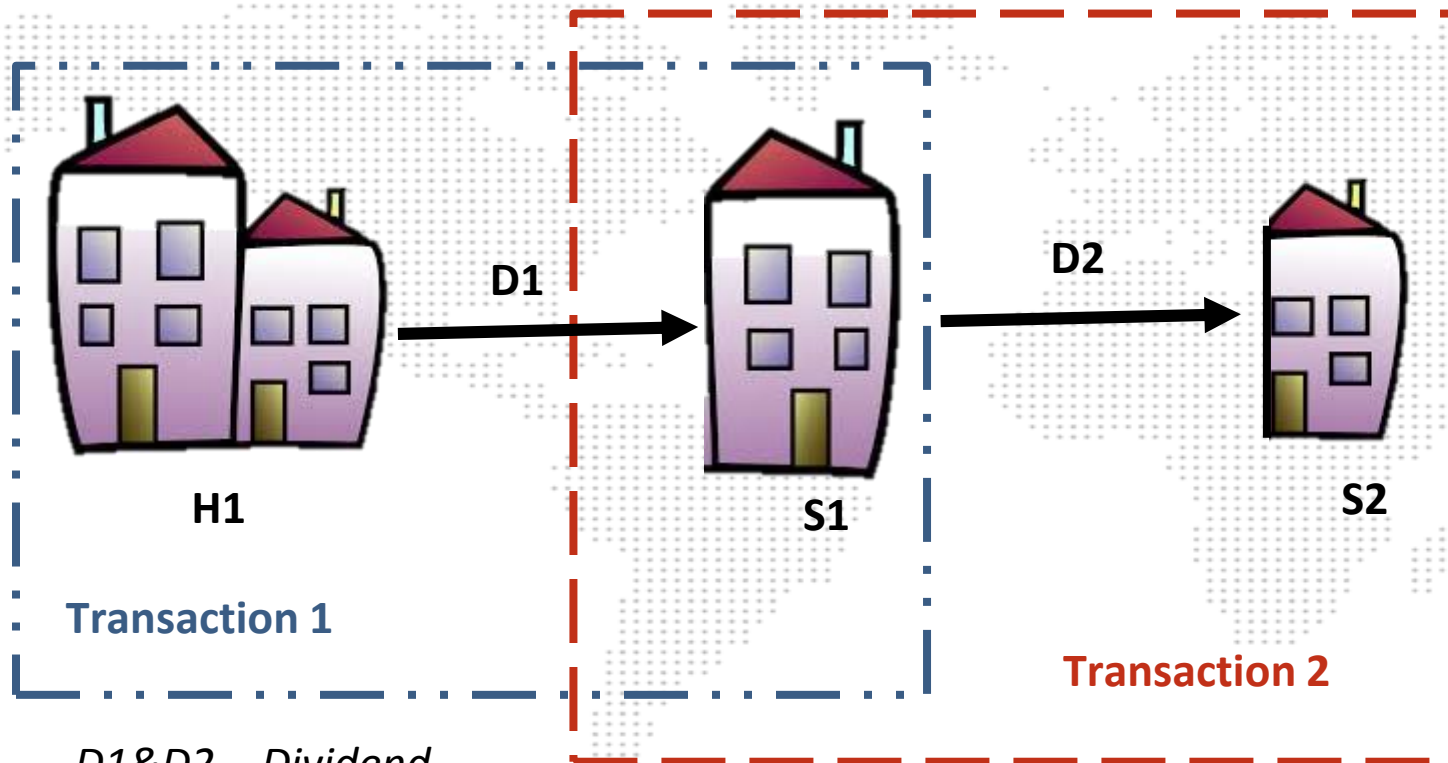


- Aggregate participation for first 3 years **upto 25 crs not be counted**.
- Monthly average corpus fund not less than 100 crs @ end of a period of **12 months** from last day of the month of its establishment.

ABOLISHMENT OF DDT

- Domestic companies are no more required to pay any distribution taxes.
- Such incomes shall be taxable in the hands of the share/unit holders.

INTER CORPORATE DIVIDENDS



Transaction 1

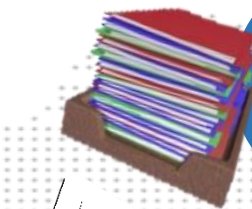
Transaction 2

D1&D2 – Dividend
H1 – Holding Company
S1 – Subsidiary of H1
S2 – Subsidiary of S1

Transaction	Before
1	DDT to be paid by H1 on D1. S1 is exempted to pay tax on D1.
2	DDT to be paid by S1 on D2 in excess of D1.

Transaction	Now
1	Income tax to be paid by S1 on D1. S1 can claim deduction of D2 u/s 80M.
2	Income tax to be paid by S2 on D2.

DIRECT TAX DISPUTE RESOLUTION



PENDING CASES

Over 4,83,000 Direct Tax cases pending at various appellate levels



Why?

Vivad se Vishwas scheme has been introduced in order to reduce such litigations.



What?

Complete waiver of interest & penalty provided the disputed amount is paid by 31-03-2020.



When?

Additional amount to be paid by those who avail the scheme after 31-03-2020.



Opportunity for taxpayers to get relief from the vexatious litigation process pending at any level



RATIONALISATION MEASURES



Tax Audit

1. Turnover > Rs 5 crs,
Only if cash transactions are less than 5%
2. Due date – 31st Oct of A.Y
3. No distinction b/w working and non working partner.
4. Can use the data of tax audit report for prefilling ITR if filed one month before ITR



Capital Gains

For the purpose of C.O.A in computation of Capital Gains, Fair Market Value of the asset is now restricted to Stamp Duty Value.



Annual Information System



Form 26AS is now replaced with a new form “Annual Information System” with detailed information.

TP Documentation & Form 3CEB



The due date for maintenance of TPD and filing of Accountant's report in Form 3CEB will be **advanced by one month** to 31st October of the relevant AY.

To reduce compliance cost, promote cashless economy and in order to help small and medium enterprises



EXEMPTIONS & RELIEFS TO NON-RESIDENTS



Tax Deducted at Source

Concessional rate of **TDS at 4%** for NRIs and FIIs for investment in long term and rupee denominated bonds .



Non Filing of Return

If his or its total income consists of only dividend or interest income or **royalty** or **FTS income** of the nature specified in section 115A and TDS on such income has been deducted.



EASE OF TAX ADMINISTRATION

E-Assessment



Expansion of e-assessment schemes by including best judgment and ex-parte cases.

E-Appeal



Faceless E-appeals schemes introduced in line with E-Assessments

ITAT POWERS



Amendments proposed to curtail ITAT powers w.r.t to stay on taxes

To impart greater efficiency, transparency & accountability



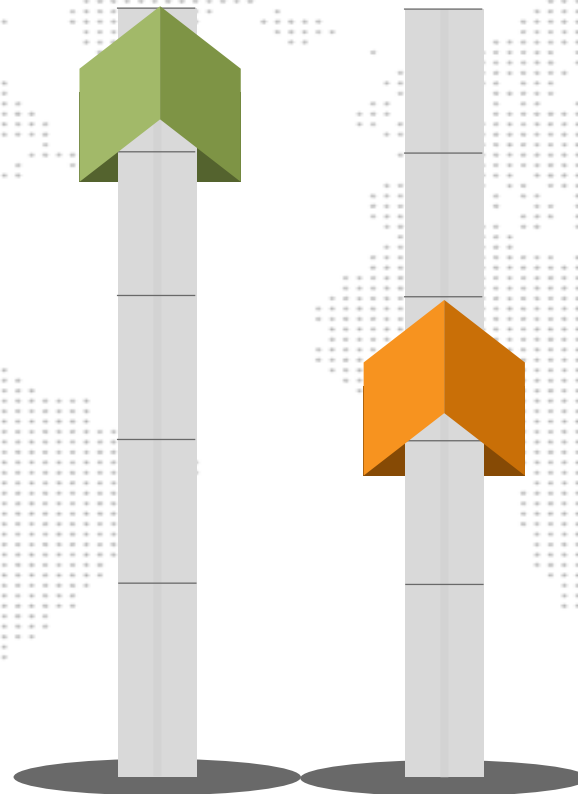
ANTI ABUSE MEASURES – RESIDENTIAL STATUS

For an Indian citizen and PIO who came to visit India in PY

To determine the residential status, instead of the erstwhile at least 182 days of presence in India, “at least 120 days” is substituted

Clarification: in case of an Indian citizen who becomes deemed resident of India under this provision, income earned outside India by him shall not be taxed in India unless it is derived from an Indian Business or profession

182 days 120 days



For a Citizen of India or PIO

For RNOR

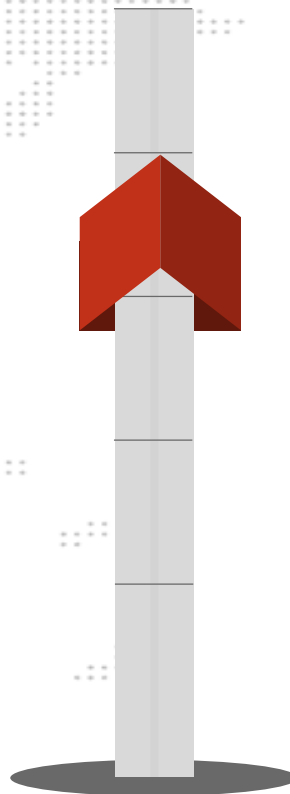
For a resident to become a RNOR, he should be a Non-Resident in 7 out of the 10 preceding previous years

Earlier provisions: He should have been Non resident in 9 out of the 10 preceding previous years or stay in India is less than 730 days in the preceding previous years

9Yrs



7Yrs



For RNOR

To tighten the residency provisions and sovereignly tax Indian earnings of NRI's



WIDENING & DEEPENING OF TAX BASE



New Section 194-O of TDS at 1% on e-commerce transaction.



Definition of work u/s 194C amended to include the raw material provided by the assessee or its associate.



Foreign remittance through LRS and selling of overseas tour package are bought under the pervue of at the rate of 5%.



Employers contribution towards NPS, RPF and super annuation funds in excess of Rs 7.5 lakhs shall be table in the hands of employee.



Rationalizing definition of Royalty to include consideration for the sale, distribution or exhibition of cinematographic films.

Extending source based taxation to include income from:

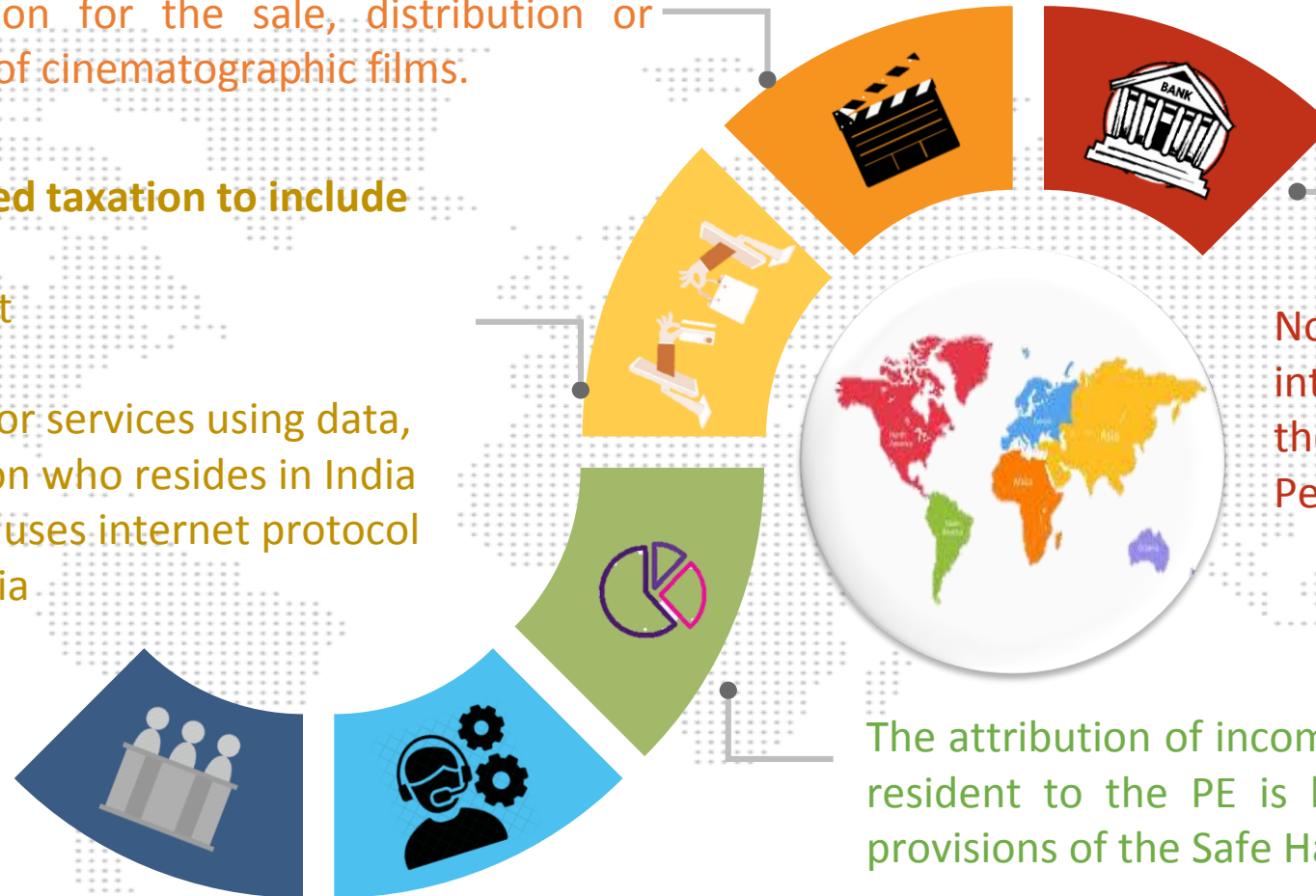
- Advertisement
- Sale of data,
- Sale of goods or services using data, collected from a person who resides in India or from a person who uses internet protocol address located in India

Eligible assessee definition broadened for DRP

Reduction of TDS on Fee for Technical Service to 2% from erstwhile 10%

No limitation on deduction of interest paid or payable to the Non-resident bank by its Permanent Establishment

The attribution of income in case of a non-resident to the PE is brought under the provisions of the Safe Harbour Rules



OTHER DIRECT TAX MEASURES

Tax deduction on interest income

194A not applicable where such income credited or paid by a co-operative society to a member/society.

The same is not applicable only if turnover of the co-operative society exceeds fifty crores.

Tax deduction on income in respect of mutual funds

TDS of 10% on the income from units of a Mutual fund or units from specified companies.

Penalty for false accounting

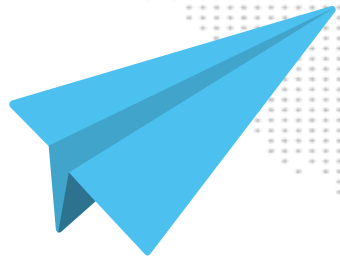
The amount of transactions falsely reported or not reported shall be liable to pay penalty equivalent to the amount of false accounting.





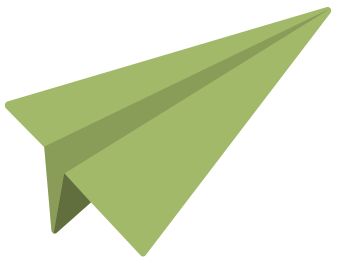
Exemption of wholly owned subsidiary of Abu Dhabi Investment Authority and Sovereign Wealth Fund

Exemption of income in nature of dividend, interest or long term capital gains arising from investment in India in form of debt or equity.



Exemption income of Indian Strategic Petroleum Reserves Limited

Any Income accruing or arising to ISPRL, as a result of an arrangement for replenishment of crude oil within 3 years from end of FY in which the crude oil was removed from the storage facility for the first time.



Exemption from taxability of FPIs on indirect transfer of assets

Amending the scheme and bringing in line with SEBI Rules.



Indirect Tax Reforms

Health Cess



Health Cess of 5% to be introduced on imported Medical equipments.

Anti Dumping



Anti-Dumping rules made comprehensive & wider to strengthen anticircumvention measures.

Duty Credit



To provide for creation of an Electronic Duty Credit Ledger in the customs system.

Policy & Procedure



Procedure for administering preferential tax treatment under Trade Agreements laid down.

Imports



Goods imported against the provisions of preferential duty liable for confiscation.

Safeguard Measures



To introduce measures on articles imported in India in increased quantities.

SIMPLIFIED RETURNS

Introduction of new simplified return system from 1-04-2020 & implementation of e-invoicing.

AADHAR VERIFICATION

Aadhar based verification introduced to ease GST compliance

COMPOSITION LEVY

Composition levy now available to services.

EXEMPTIONS

Exemptions made with respect to supply of fishmeal extended retrospectively from 01-07-2017 to 30-09-2019.



CANCELLATION OF REGISTRATION

Powers of officers increased w.r.t cancellation of registration on voluntary basis.

DISALLOWANCES

Refund of accumulated credit of compensation cess on inverted duty structure for tobacco products disallowed retrospectively from 1-07-2017.

DEBIT NOTE

ITC on debit note can be claimed based on date itself rather than the date of underlying invoice.

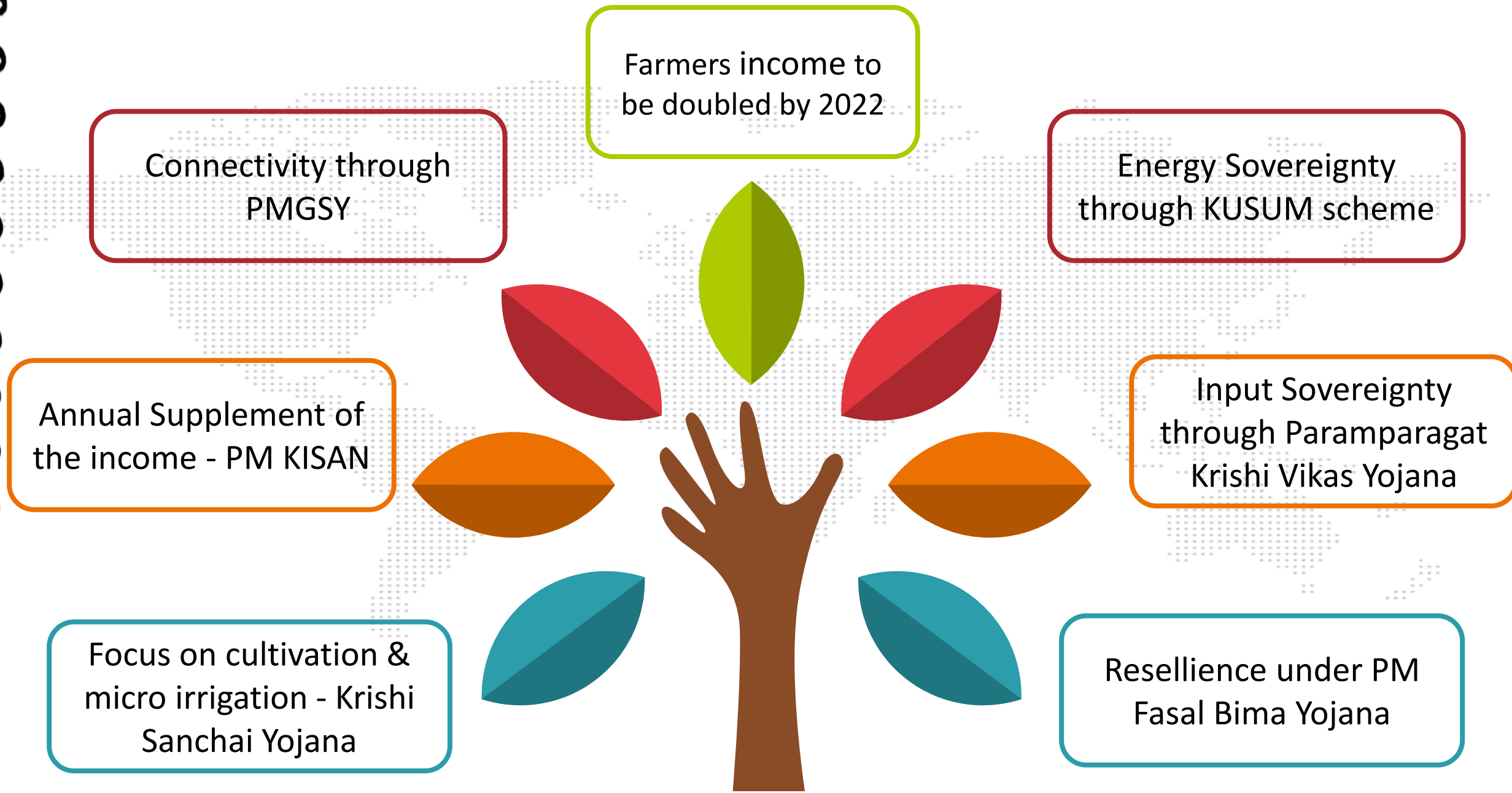
PENALTIES

Stringent penalties for issuing of fake invoices & fraudulent availment of ITC.

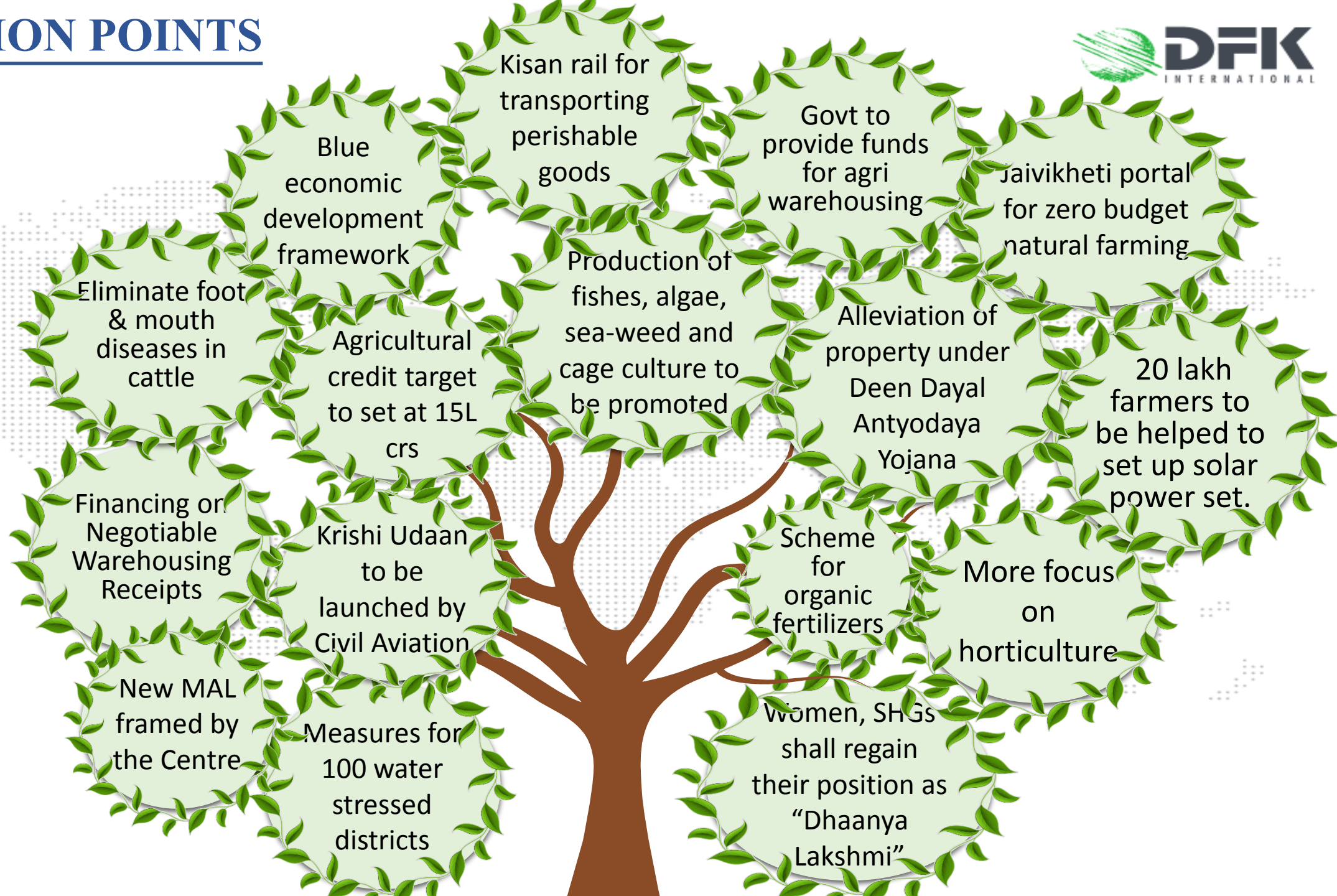
Offences regarding wrong availment of ITC will be made cognizable & non-bailable.

Sectoral reforms

Sectoral reforms



16 ACTION POINTS



WELLNESS & SANITATION



"TB Harega Desh Jeetega" campaign



Jal Jeevan & Swachh Bharat Mission to support FIT India Movement



Focus on Solid waste collection, source segregation and processing.



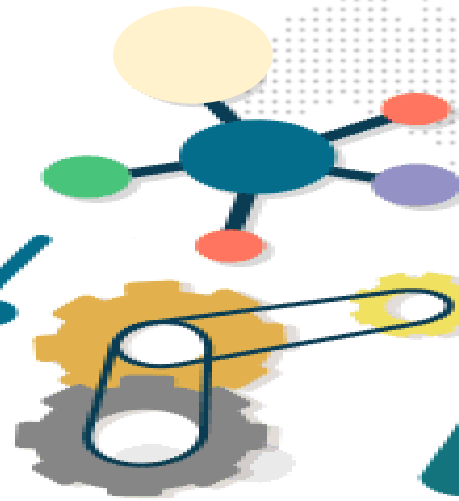
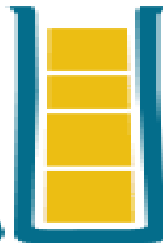
Use of machine learning and AI in the Ayushman Bharat scheme



Expansion of Jan Aushadhi Kendra Scheme to all districts



Viability Gap funding window for setting up hospitals in PPP mode.



National Police University and a National Forensic Science University to be established.

“Study in India” programme, Ind-SAT is proposed to be held in Asian and African countries.

About 150 higher educational institutions will start apprenticeship embedded degree/diploma courses by March 2021.

It is proposed to attach a medical college to an existing district hospital in PPP mode.

Special bridge courses be designed by the Ministries of Health, Skill Development together with professional bodies to bring in equivalence.

To start degree level full-fledged online education programme.



INDUSTRY, COMMERCE AND INVESTMENT

Investment clearance cell that will provide “end to end” facilitation and support.

Centre to develop five new smart cities in collaboration with states in PPP mode.

A scheme on encouraging manufacture of electronic equipment, & focus on unified procurement system in the country.



National technical textiles mission with a four-year implementation period (2020-21 to 2023-24)

Ministers to issue quality standard orders for “zero defect-zero effect”

NIRVIK scheme for higher export credit disbursement

INFRASTRUCTURE

Roadways

100 lakh crs would be invested on infrastructure over the next 5 years.

A National Logistics Policy to be released soon.

FASTag mechanism for commercialization of our highways.

Accelerated development of highways will be undertaken

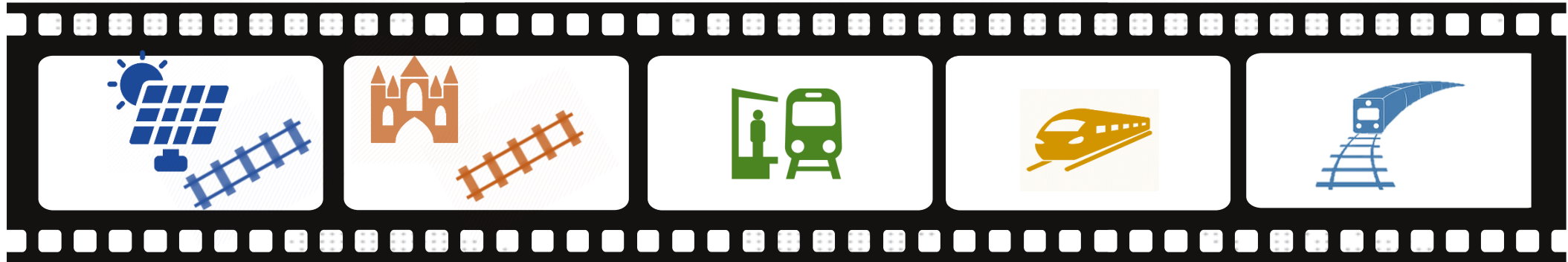
Monetize at least twelve lots of highway bundles of over 6000 Km before 2024.



Railways

More Tejas type trains will connect iconic tourist destinations.

High speed train between Mumbai to Ahmedabad would be actively pursued.



Setting up a large solar power capacity alongside the rail tracks

4 station re-development projects & operation of 150 passenger trains would be done through PPP mode.

148 km long Bengaluru-Suburban transport project

Others

WATERWAYS

- Corporatizing & listing of atleast one major port.
- 890 Km Dhubri-Sadiya connectivity to be done by 2022.
- Arth Ganga plans are afoot to energise economic activity along river banks.

AIRWAYS

- 100 more airports would be developed by 2024 to support Udaan scheme.
- Air fleet number to double up to 1200.

TELECOM

- Promote “smart” metering.
- Replace conventional energy meters by prepaid smart meters in the next 3 years.

OIL & GAS

- Expand the national gas grid from the present 16200 km to 27000 km.
- Reforms to be undertaken for price discovery & ease of transactions.

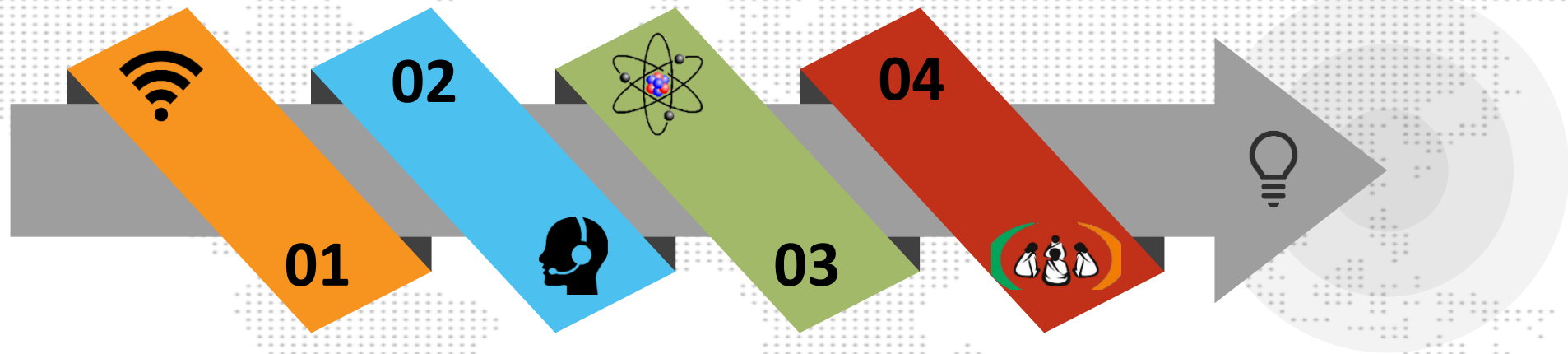


DATA CENTRE PARKS

Policy to enable private sector to build Data Centre parks throughout the country.

GRAM PANCHAYATS

FTTH connections through Bharatnet to link 1,00,000 gram panchayats this year.



BHARATNET

6000 crs to be provided to Bharatnet programme in 2020-21.

NATIONAL MISSION

8000 crs allocated over a period five years for the National Mission on Quantum Technologies and Applications.

SOCIAL WELFARE



9,500 crs is being provided for 2020-21 for the welfare of senior citizens and Divyang.

28600 crs proposed for programs that are specific to women.

35600 crs for nutrition-related programs for FY 2020-21.

53,700 crs allocated towards development & welfare of Scheduled tribes.

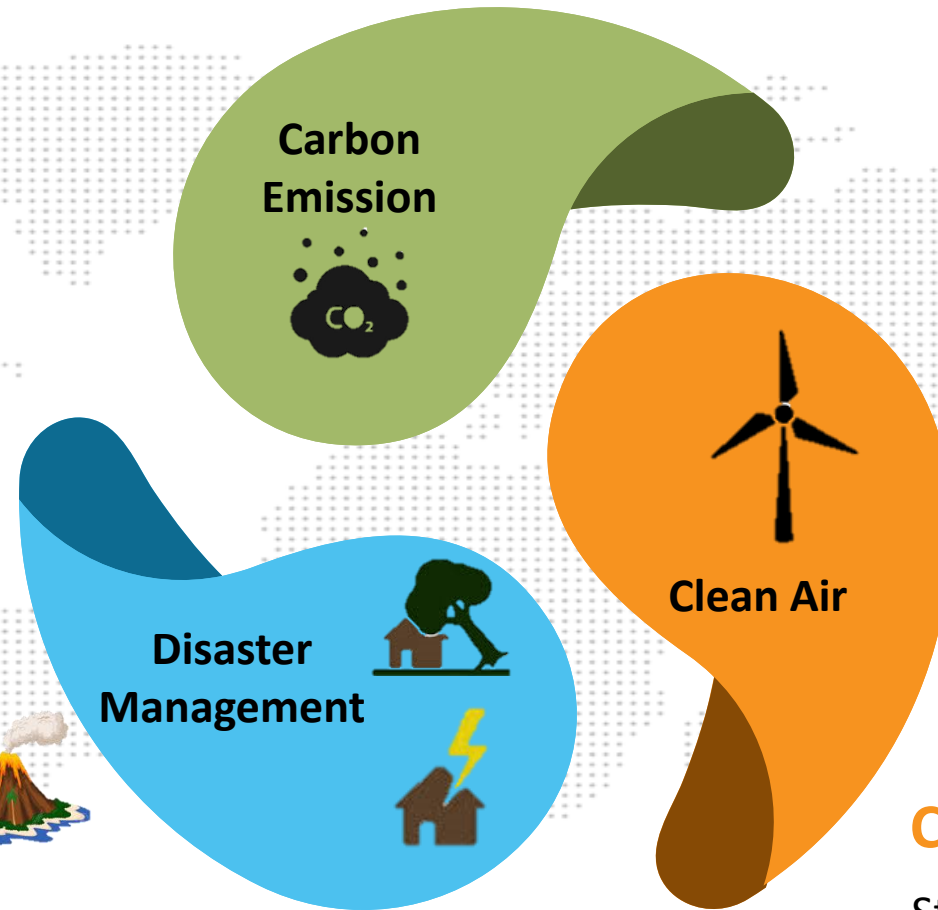
85,000 crs allocated towards the welfare of Scheduled Castes and Other Backward classes.



Setup of task force to help lower MMR and improve nutrition levels.

Nutritional status of 10 crs households monitored through smart phones by 6 lakh anganwadi workers.

Suitable technologies for no manual cleaning of sewer systems or septic tanks.



Carbon Emission



Utilities running old thermal power plants with high carbon emission level will be advise to be closed if their emission is above the pre-set norms.

Disaster Management



Coalition for disaster resilient infrastructure will help address a number of sustainable development goals and enhance climate change adaption

Clean Air

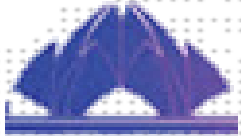


States that are formulating and implementing plans for ensuring cleaner air in cities above 1 million to be encouraged.

CULTURAL & TOURISM



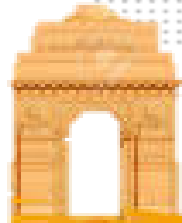
Establishment of an Indian Institute of Heritage and Conservation with the status of a deemed University.



Support for setting up of a Tribal Museum in Ranchi (Jharkhand)



5 archaeological sites to be developed as iconic sites with on-site Museums



3,150 crs allocated for Ministry of Culture and 2500 crs for the promotion of tourism.



Maritime museum to be set up at Lothal – the Harappan age maritime site near Ahmedabad.



BENEFITS TO MSME

Government asks RBI to consider extending the recast window till March 31, 2021.

Provide subordinate debt to entrepreneurs which would be counted as quasi-equity.

Launch of app-based invoice financing loans product to obviate the problem of delayed payments and consequential cash flows mismatches.

Allow NBFCs to extend invoice financing to MSMEs.



Opening of Certain Government securities for non-resident investors.

Disinvestment of Banks to private, retail & institutional investors.

Increasing the FPI limit in corporate bonds to 15% from 9%



To increase Deposit Insurance Coverage for a depositor to 5 lakh per depositor from 1 lakh

Float Debt ETFs consisting of government securities

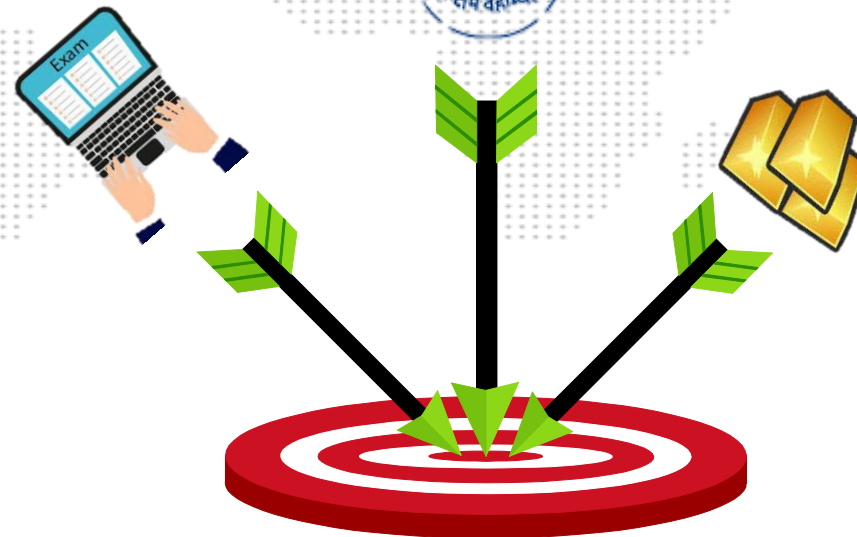
A legislation to be formulated for credit default swaps and investor confidence.

GOVERNANCE

- National Recruitment Agency to conduct exams for Non-Gazetted posts.
- Amendments to remove criminal liability for acts that are civil in nature.

DISINVESTMENT

The government now proposes to sell a part of its holding in LIC by way of Initial Public Offer (IPO).



INFRASTRUCTURE FINANCING

International bullion exchange to be set up in IFSC GIFT City.

Let's Talk...

For a deeper discussion on how this issue might effect your business, please contact

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