

INDIA BUDGET 2020



Shanker & Kapani
CHARTERED ACCOUNTANTS

FOREWORD.....

Smt. Nirmala Sitharaman, India's Finance Minister presented her second Budget on 1st February 2020. The budget has been presented in the backdrop of a sluggish world economy and India's lowest growth rate in the past decade by 5%. Finance Minister Smt. Nirmala Sitharaman, in her speech said that India is the fifth largest economy of the world and aspires to become a USD 5 trillion economy by 2025.

This budget is worn around three things Aspirational India, Economic Development for all and Caring Society which is bouquet of flowers held in two hands being good governance and sound financial sector. In each of these themes, several policy initiatives have been announced to continue towards the goal to achieve the USD 5 trillion.

The major policy announcements are:

- A slew of measures to fulfill the commitment of doubling farmers income by 2022 including funding of viability gap for setting up efficient warehouses at the Block/Taluka level, setting up "Kisan Rail" of refrigerated coaches and "Krishi Udaan" on International & National routes.
- Scheme for manufacture of networked products to enable India to be part of global value chains and act as a catalyst for more investment and more employment for youth. The focus would be on making mobile phones, electronic equipments and semi conductor packaging
- Infrastructure projects with investments of INR 100 Lacs Crore over next five years.

- Promotion of tourism for growth and employment.
- Initiative in Good Governance by incorporating "Taxpayer Charter" in the Tax Laws.
- Proposal for the micro small and medium sector (MSME) to include invoice financing loans, hand holding support for export in Pharma and auto components sectors and extension of tax benefits.
- Tax rate for income up to INR 15 Lacs for individual and HUFs reduced if they do not avail of specified exemptions/deductions.
- Residency rule made stringent for Indian Citizen & Persons of Indian Origin.
- Promotion of overseas funding tax exemption for Sovereign Funds and extensions of concessional tax regime of 5% to interest earned on overseas bond offerings.
- Dividend Distribution Tax abolished with a movement back towards taxing dividend.

With the thrust on Infrastructure and social spending and sluggish revenue the Finance Minister has ended up with her Fiscal Deficit of 0.5% in the Current Fiscal Year.

In the current scenario, the budget seems to have taken up the challenges of balancing the much required public spending by increased private participation & divestment programme.

Saturday 01st February, 2020
Mumbai
INDIA

(A) Personal Tax

New Regime under Section 115BAC for personal taxation

For Individuals and HUFs

Income	Rates of Tax (%)		
	Tax Rate (%)	Cess @ 4%(%)	Effective Rates (%)
Up to ₹ 2,50,000	0.00%	0.00%	0.00%
₹ 2,50,001 to ₹ 5,00,000	5.00%	0.20%	5.20%
₹ 5,00,001 to ₹ 7,50,000	10.00%	0.40%	10.40%
₹ 7,50,001 to ₹ 10,00,000	15.00%	0.60%	15.60%
₹ 10,00,001 to ₹ 12,50,000	20.00%	0.80%	20.80%
₹ 12,50,001 to ₹ 15,00,000	25.00%	1.00%	26.00%
Above ₹ 15,00,000	30.00%	1.20%	31.20%

Existing Surcharge*		Proposed Surcharge*	
Total Income	Rate of surcharge	Total Income	Rate of surcharge
Up to ₹ 2,50,000	0.00%	0.00%	0.00%
Up to ₹ 50,00,000	0%	Up to ₹ 50,00,000	0%
₹ 50,00,001 - ₹ 1,00,00,000	10%*	₹ 50,00,001 - ₹ 1,00,00,000	10%*
₹ 1,00,00,001 - ₹ 2,00,00,000	15%*	₹ 1,00,00,001 - ₹ 2,00,00,000	15%*
₹ 2,00,00,000 - ₹ 5,00,00,000	25%*	₹ 2,00,00,000 - ₹ 5,00,00,000	25% ^
₹ 5,00,00,000+	37%*	₹ 5,00,00,000+	37% ^

[***Note:** However, assessee would be entitled to Marginal Relief]

[^ **Note:** The surcharge will be restricted to 15% in case of STCG u/s 111A and LTCCG u/s 112A]

Rebate for Resident Individuals

The rebate u/s 87A for resident individuals whose total income is not exceeding INR 5,00,000/- will be the actual tax payable or Rs. 12,500/-, whichever is lower.

Note: There is no specific mention of surcharge under the proposed section 115BAC. However, Explanatory Memorandum has included Section 115BAC for the purpose of levy of surcharge.

Old Regime for Personal Taxation

The tax rates have remained the same as in the earlier year

(a) For Individuals, HUFs, AOPs, BOIs [not covered in (B) & (C) below]

Income	Rates of Tax (%)		
	Tax Rate (%)	Cess @ 4%(%)	Effective Rates (%)
Up to ₹ 2,50,000	0.00%	0.00%	0.00%
₹ 2,50,001 to ₹ 5,00,000	5.00%	0.20%	5.20%
₹ 5,00,001 to ₹ 10,00,000	20.00%	0.80%	20.80%
Above ₹ 10,00,000	30.00%	1.20%	31.20%

(b) Resident Senior individuals (Age 60 years or more)

Income	Rates of Tax (%)		
	Tax Rate (%)	Cess @ 4%(%)	Effective Rates (%)
Up to ₹ 3,00,000	0.00%	0.00%	0.00%
₹ 3,00,001 to ₹ 5,00,000	5.00%	0.20%	5.20%
₹ 5,00,001 to ₹ 10,00,000	20.00%	0.80%	20.80%
Above ₹ 10,00,000	30.00%	1.20%	31.20%

(c) Resident Very Senior individuals (Age 80 years or more)

Income	Rates of Tax (%)		
	Tax Rate (%)	Cess @ 4%(%)	Effective Rates (%)
Up to ₹ 5,00,000	0.00%	0.00%	0.00%
₹ 5,00,001 to ₹ 10,00,000	20.00%	0.80%	20.80%
Above ₹ 10,00,000	30.00%	1.20%	31.20%

Surcharge for Individuals, HUFs, AOPs, BOIs

Existing Surcharge*		Proposed Surcharge*	
Total Income	Rate of surcharge	Total Income	Rate of surcharge
Up to 50,00,000	0%	Up to ₹ 50,00,000	0%
₹ 50,00,001 - ₹ 1,00,00,000	10%*	₹ 50,00,001 - ₹ 1,00,00,000	10%
₹ 1,00,00,001 - ₹ 2,00,00,000	15%*	₹ 1,00,00,001 - ₹ 2,00,00,000	15%
₹ 2,00,00,000 - ₹ 5,00,00,000	25%*	₹ 2,00,00,000 - ₹ 5,00,00,000	25% ^
₹ 5,00,00,000+	37%*	₹ 5,00,00,000+	37% ^
[*Note: However, assessee would be entitled to Marginal Relief]			
[^ Note: The surcharge shall not exceed 15% in case of STCG u/s 111A and LTCG u/s 112A]			

Rebate for Resident Individuals

The rebate u/s 87A for resident individuals whose total income is not exceeding INR 5,00,000/- will be the actual tax payable or ₹ 12,500/-, whichever is lower.

(B) Corporate Tax

There is no change proposed in this Finance Bill for Tax Rates applicable on Domestic Companies and Foreign Companies.

Modification in residency provision [Section 6]

Section 6(1) provides for situations in which an individual shall be considered to be resident in India in a financial year. Currently, sub-clause (c) of clause (1) provides that an individual shall be a resident in India in the previous year if

- a) he has been in India for a period of 365 days or more within 4 years preceding that previous year; and
- b) he is in India for a period 60 days or more in that financial year.

Explanation 1(b) to the afore-stated clause provides an exception for an individual – who is citizen of India or a person of Indian origin and who comes on a visit to India, by substituting the ‘182 days’ with ‘60 days’.

It is proposed to amend the exception to reduce the number of days to 120 days instead of the existing 182 days for such individuals.

Further, a new clause (1A) is inserted to provide that irrespective of conditions given in section 6(1), an Indian citizen who is not liable to tax in any other country or territory by reason of his domicile or residence or any other criteria of similar nature shall be deemed to be resident in India.

Section 6(6) provides for conditions in which a person shall be considered to be resident but “not ordinarily resident” in India. Sub - clause (a) therein provides that an individual who has been non-resident in 9 out of 10 previous years preceding that year or he has been in India for 729 days or less during the 7 previous years preceding that year, shall be “not ordinarily resident” in India.

Similarly, it is also proposed to amend the said clause (6) to relax the said conditions whereby an individual or the manager of HUF has been non-resident in India in 7 out of 10 previous years preceding that year to be “not ordinarily resident” in that year.

These amendments will take effect from 1st April, 2021 i.e. from AY 2021-22 and onwards.

Income deemed to accrue or arise in India [Section 9]

(a) Deferring of “Significant Economic Presence” (‘SEP’)

The Finance Act, 2018, inserted Explanation 2A to section 9(1)(i) w.e.f. 1st April 2019 to clarify that the “Significant Economic Presence” (SEP) of a non-resident in India shall constitute “business connection” in India. The threshold of transactions constituting SEP was not prescribed. Further, discussions on the issue of taxation of digital/digitized businesses is undergoing in G20-OECD BEPS project of which India is a participant. The report on the same is expected by the end of December 2020 after consensus is development among various countries. Therefore, it is proposed to omit the said Explanation with effect from the 1st April 2021 i.e. from AY 2021-22 and onwards.

While existing Explanation is omitted, a new Explanation 2A with modified definition of SEP has been inserted which defines SEP to include transactions in respect of any goods, services or property carried out by a non-resident with any person in India. Further, SEP shall also mean systematic and continuous soliciting of business activities or engaging in interaction with such number of users in India. For this purpose, the threshold limit of interactions resulting into SEP may be prescribed. The words “through digital mean” in erstwhile Explanation 2A is deleted to mean that interactions with users in India by any means shall constitute SEP.

A corresponding amendment has also been proposed in clause (a) of Explanation 1 to section 9(1)(i) to provide that only such part of income from business which is reasonably attributable to the operations carried out in India is considered deemed to accrue or arise in India. It is proposed to amend said clause (a) so as to provide that the provisions contained therein shall not apply to the business having business connection in India on account of SEP.

It is also provided that newly inserted Explanation 3A relating to income attributable to the operations carried out in India will also apply to cases where business connection is established through SEP.

These amendments will be effective from 1st April 2022 i.e. AY 2022-23 and onwards.

(b) Extending the “Source Rule”

Further, a new Explanation 3A is inserted to clarify that the income attributable to the operations carried out in India, as referred in Explanation 1 to section 9(1), shall include (a) income from advertisement that targets customers who resides in India or a customer who accesses the advertisement through internet protocol address located in India; (b) income from sale of data collected from person who resides in India or who accesses the data through internet protocol address located in India; and (c) income from sale of goods and services using data collected from a person who resides in India or from a person who uses internet protocol address located in India.

(c) Aligning exemption from taxability of Foreign Portfolio Investors (FPIs), on account of indirect transfer of assets, with amended scheme of SEBI

Explanation 5 to section 9(1)(i) provides that an asset or a capital asset being any share or interest in a company or entity incorporated outside India shall be deemed to be and shall always be deemed to have been situated in India if the share or interest, derives, directly or indirectly, its value substantially from the assets located in India. The Finance Act 2017 inserted second proviso to said explanation to give exemption to the assets held by non-residents by way of investment in Category I and II FPI under SEBI (FPI) Regulations, 2014.

It is proposed to amend exception to said Explanation 5 is amended to cover both erstwhile Category I and II FPIs under the SEBI (FPI) Regulations, 2014 and investment in Category-I FPI under the SEBI (FPI) Regulations, 2019 in order to align it with amendments notified by SEBI.

These amendments will take effect from 1st April, 2020 i.e. AY 2020-21 and onwards.

(d) Definition of the term “Royalty”

“Royalty” as defined in Explanation 2 of section 9(1)(vi), *inter alia*, mean the transfer of all or any rights (including the granting of a licence) in respect of any copyright, literary, artistic or scientific work including films or video tapes for use in connection with television or tapes for use in connection with radio broadcasting, **but not including consideration for the sale, distribution or exhibition of cinematographic films.**

It is proposed to amend the definition of “Royalty” to even include consideration received from the sale, distribution or exhibition of cinematographic films under its scope.

This will also impact tax required to be deducted under section 194J.

This amendment will take effect from 1st April 2021 i.e. AY 2021-22 and onwards.

Tax on dividends, royalty and technical service fees in case of foreign companies [Section 115A]

Section 115A provides for determining tax liability of a non-resident or a foreign company where the total income consists of dividends from domestic companies, interest income, royalties and Fees for Technical Services (FTS).

Sub-section (5) of the said section provides that non-resident or foreign company need not file return of income if the total income consists only of income in the nature of dividend or interest provided tax has been deducted under the provisions of Chapter XVII-B.

With a view to reduce the burden of compliance, this relaxation is proposed to be extended to non-resident or foreign company earning income in the nature of royalties or FTS on which appropriate tax has been deducted.

This amendment will apply with effect from 1st April 2019 i.e. from AY 2020-21 and onwards.

Further, consequent to the proposed amendment to discontinue DDT regime, the dividend earned from a domestic company will be taxed in the hands of such non-resident or a foreign company with effect from 1st April 2020 i.e. AY 2021-22 and onwards.

Relaxation in conditions of special taxation regime for offshore funds [Section 9A]

Section 9A provides that in the case of an eligible investment fund, the fund management activity carried out through an eligible fund manager located in India and acting on behalf of such fund shall by itself does not constitute business connection in India of the said fund. The benefit under section 9A is available subject to the conditions provided in sub-sections (3), (4) and (5) of the section 9A. Such conditions, particularly in clause (c) and clause (j) of subsection 3, are proposed to be modified so as to provide that –

- (i) For the purposes of calculation of the aggregate participation or investment in the fund as mentioned in clause (c), any contribution made by the eligible fund manager during the

first three years of operation of the fund, not exceeding twenty-five crore rupees, shall not be taken into account;

- (ii) It is proposed to amend the first proviso to said clause (j) of said sub-section so as to provide that where the fund has been established or incorporated in the previous year, the fund shall be required to fulfil the condition of maintaining the corpus of one hundred crore rupees within a period of twelve months from the end of the month of its establishment or incorporation.

These amendments will apply from 1st April, 2020 i.e. AY 2020-21 and onwards.

Aligning purpose of entering into Double Taxation Avoidance Agreements (DTAA) with Multilateral Instrument (MLI) [Section 90 and 90A]

In order to align with the purpose of Article 6 (purpose of Covered Tax Agreement) of MLI to which India is a signatory, it is proposed to amend clause (b) of sub-section (1) of section 90 to provide that the Central Government may enter into said agreement for the avoidance of double taxation without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in the said agreement for the indirect benefit to residents of any other country or territory). It is also proposed to make similar amendment in clause (b) of sub-section (1) of section 90A.

These amendments will take effect from 1st April, 2021 i.e. from AY 2021-22 and onwards.

Power of Board to make Safe Harbour Rules [Section 92CB]

It is proposed to amend sub-section 1 in section 92CB to include determination of attribution of profit to the permanent establishment of a non-resident under Section 9(1)(i) within the scope of Safe Harbour Rules in addition to determination of the arm's length price under section 92C or 92CA.

This amendment will take effect 1st April 2020 i.e. from AY 2020-21 and onwards.

Advance pricing agreement [Section 92CC]

It is proposed to amend sub-section 1, 2, 3 and 9A in section 92CC relating to advance pricing agreement to include determination of attribution of profit to the permanent establishment of a non-resident under Section 9(1)(i) within the scope of Advance Pricing Agreement in addition to the determination of arm's length price of an international transaction.

This amendment will take effect 1st April 2020 i.e. from AY 2020-21 and onwards.

Definitions of certain terms relevant to computation of arm's length price [Section 92F]

It is proposed to amend the definition of 'specified date' i.e. date for the purpose of furnishing accountant report under section 92E to make it one month prior to the due date of filing return under section 139. Accordingly, it would be 31st October (as against 30th November) of the relevant assessment year.

This amendment will take effect 1st April 2020 i.e. from AY 2020-21 and onwards.

Extension of sunset clause for concessional rate on interest payable on bonds listed in stock exchanges in IFSC [Section 194LC]

Section 194LC is proposed to be amended to extend the period of rate of withholding tax of 5% on the interest payments against borrowing made under a loan agreement, issue of long-term bonds including infrastructure bonds and issue of rupee denominated bonds from the 1st July, 2020 to the 1st July, 2023.

It is also proposed to amend section 194LC to provide that the rate of TDS shall be 4% on the interest payable to a non-resident, in respect of monies borrowed from a source outside India, by way of issue of any long term bond or rupee denominated bond on or after 1st April, 2020 but before 1st July, 2023 and which is listed only on a recognised stock exchange located in any IFSC.

This amendment will take effect from 1st April, 2020 i.e. A.Y. 2020-21 and onwards.

Extension of sunset clause for concessional rate to municipal debt securities [Section 194LD]

Section 194LD is proposed to be amended to provide that the concessional rate of 5% shall be available on the interest payable on or after the 1st day of July, 2013 but before the 1st day of July, 2023, in respect of investments made in rupee denominated bond of an Indian company or a Government security.

It is proposed to amend section 194LD to provide that the concessional rate of TDS of 5% shall also apply on the interest payable, on or after 1st April, 2020 but before 1st July, 2023, in respect of the investment made in municipal debt securities as FPI's have been permitted to invest in municipal bonds.

It is further proposed to provide that the rate of interest in respect of rupee denominated bond of an Indian company shall not exceed the rate as may be notified by the Central Government in this behalf.

This amendment will take effect from 1st April, 2020 i.e. A.Y. 2020-21 and onwards.

Abolishing Dividend distribution tax [Section 115-O]

Section 115-O provides for levy of additional income tax at the rate of 15% plus surcharge and cess on any amount declared, distributed or paid by a domestic company by way of dividend, whether out of current or accumulated profits.

It is proposed that no dividend distribution tax shall be paid on the dividend declared, distributed or paid after 31st March 2020.

Amendments consequential to amendment made in section 115-O:

- (a) **Withdrawal of exemption under section 10(34)** - It is proposed to withdraw exemption under section 10(34) on dividend income received on or after 1st April 2020 from domestic companies.
- (b) **Withdrawal of exemption under section 10(35)** - It is proposed to amend this section to provide that the provisions of the said section shall not apply to any income, in respect of units, received on or after the 1st April, 2020.
- (c) **Section 115R - Tax on distributed income to unit holders** - It is proposed to amend section 115R to provide that the income distributed on or before 31st March, 2020 shall only be covered under the provision of this section.
- (d) **Section 10(23FC) - Exemption to business trust from SPVs** - It is proposed to amend the said clause so as to exempt all dividend received or receivable by business trust from a special purpose vehicle under the said clause.
- (e) **Section 10(23FD) - Dividend income received by a unit holder** - It is proposed to amend the said clause so as to exclude dividend income received by a unit holder from business trust from such exemption.
- (f) **Section 115UA** - It is proposed to amend sub-section (3) of section 115UA to delete the reference to sub-clause (a) to clause (23FC) of section 10 so that dividend income distributed by a special purpose vehicle to a business trust would be taxed in the hands of the unit holder.
- (g) It is proposed to remove reference of section 115-O dividend income in various sections like section 57, section 115A, section 115AC, section 115ACA, section 115AD and section 115C.
- (h) **Section 10(23D)** - It is proposed that reference to provisions of Chapter XII-E shall be omitted, as mutual fund no longer required to pay additional tax on dividend declared.
- (i) **Section 80M - Deduction in respect to dividend paid to Shareholders** - It is proposed to insert a new section 80M to allow deduction of dividend income received by one company from another domestic company if the said dividend is distributed by it to its shareholders one month prior the due date of filing return of income.

- (j) **Section 115BBDA - Tax on dividends received from domestic companies**
– It is proposed to amend section 115BBDA to provide that the tax will not apply in relation to dividend income received from a domestic company after 31st March, 2020.
- (k) **Section 57 - Rationalization of provision for Deductions** - It is proposed to allow deduction of any reasonable sum for the purpose of realising dividend income including the dividend referred to in section 115-O in clause (i) of the section 57.
- It is further proposed to insert a proviso to the said section so as to provide that no deduction shall be allowed from the dividend income, or income in respect of units of a Mutual Fund specified under section 10(23D) or income in respect of units from a specified company defined in the Explanation to section 10(35), other than deduction on account of interest expense and in any previous year such deduction shall not exceed twenty percent of the dividend income, or income in respect of such units, included in the total income for that year without deduction under that section.
- (l) **Section 194 - Tax Deduction at source on Dividends** - It is proposed to amend section 194 to provide that dividend shall be included for the purpose of tax deduction at source.
- (m) **Section 194LBA - Deduction of tax at source on dividend payable by business trusts to unit holders** - It is proposed to amend Section 194LBA to provide that tax is to be deducted on the dividend payable by a business trust to a unit holder at the rate of 10% in case of unit holder being a resident as well as non-resident.
- (n) **Section 194K - TDS on Income in respect of units** - It is proposed to insert a new section 194K to provide that any person responsible for paying to a resident any income in respect of units of a Mutual Fund specified under clause (23D) of section 10 or units from the administrator of the specified undertaking or units from the specified company shall at the time of credit of such income to the account of the payee or at the time of payment thereof by any mode, whichever is earlier, deduct income-tax there on at the rate of ten per cent along with a threshold limit of ₹ 5,000/-.
- (o) **Section 195 - Applicability of TDS on dividend** - Section 195 is proposed to be amended to provide for deduction of tax at source on dividends paid to non-resident.
- (p) **Section 196A - TDS on income in respect of units of a mutual fund** - Section 196A is proposed to be amended to revive the applicability of TDS at the rate of 20% on income in respect of units of a Mutual Fund at the time of credit of such income or payment, whichever is earlier. Further, such deduction of TDS shall not apply in case of income payable in respect of units to a non-resident Indian or a non-resident HUF, where the units have been acquired from the Unit Trust of India out of the funds in an NRE Account maintained with any bank in India or by remittance of funds in foreign currency.
- (q) **Section 196C - TDS on dividend from foreign currency bonds or shares of Indian company** It is proposed to amend section 196C to provide deduction of tax at source on dividends at the rate of 10% in the case of dividends on GDRs, at the time of credit of such income or at the time of payment, whichever is earlier.

- (r) **Section 196D - TDS on dividend payable to FII** - Section 196D is proposed to be amended to provide for deduction of tax at source on dividends at the rate of 20% in respect of securities referred to in section 115AD(1)(a) payable to an FII, at the time of credit of such income or at the time of payment, whichever is earlier.

Amendment in Definition of recognised association [Section 43]

It is proposed to substitute the words “recognised association” with “recognised stock exchange”.

Modification of definition of business trust [Section 2(13A)]

The Securities and Exchange Board of India (Infrastructure Investment Trusts) Amendment Regulations, 2019 has done away with the mandatory listing requirement for Infrastructure Investment Trusts. To align the definition of “business trust” under the Act with these amended provisions, it is proposed to amend clause (13A) of section 2 of the Act so as to omit the long line relating to the requirement of listing units of business trust on a recognised stock exchange.

TDS on E-commerce transactions [Section 194-O]

In order to bring the participants of e-commerce within tax net, it is proposed to insert a new section 194-O so as to provide for a levy of TDS at the rate of 1% to be deducted by an e-commerce operator on the gross amount of sales or services of an e-commerce participant. The tax is to be deducted by the e-commerce operator for sale of goods or provision of service facilitated by it through its digital or electronic facility or platform (by whatever name called). The tax is required to be deducted at the time of credit of amount of sale or service or both to the account of e-commerce participant or at the time of payment thereof to such participant by any mode, whichever is earlier.

Further, in cases where any payment is made by a purchaser of goods or recipient of services directly to the e-commerce participant, such payment shall be deemed to be the amount credited or paid by the e-commerce operator to the e-commerce participant and shall be included in the gross amount of such sales or services for the purpose of deduction of income-tax.

An exemption is proposed to be provided in the case of the e-commerce participant being an individual or HUF if the gross amount of sales or services or both of such individual or HUF, through e-commerce operator, during the previous year does not exceed five lakh rupees and such e-commerce participant has furnished his PAN or Aadhaar number to the e-commerce operator.

It has also is proposed to be provided that a transaction in respect of which tax has been deducted under this section or which is not liable to deduction under the exemption provided in this section shall not be liable to TDS under any other provision of Chapter XVII-B. However, it has been clarified that this exemption will not apply to any amount received or receivable

by an e-commerce operator for hosting advertisements or providing any other services which are not in connection with the sale of goods or services referred to in this section.

For the purposes of this section, “electronic commerce”, “e-commerce operator”, “e-commerce participant” and “services” are defined in this section.

Further, it is proposed to amend section 206AA by adding a proviso to limit the tax deduction at source in Non-PAN cases to 5% instead of 20% where the transaction is subject to TDS under section 194-O.

It is also proposed to amend section 197 to provide that that the sums on which tax is required to be deducted under section 194-O shall also be eligible for certificate for deduction at lower rate.

These amendments will take effect from 1st April, 2020 i.e. A.Y. 2020-21 and onwards.

New tax regime [Section 115BAC]

It is proposed to insert a new section 115BAC to provide concessional slab rate of tax for individuals and HUFs. Further, this section is optional and option has to be exercised on or before the due date of filing return. However, to avail the benefit of concessional rate, following conditions needs to be satisfied.

Following exemptions and deductions will not be available:

- (a) Leave Travel Concession (Section 10(5))
- (b) House Rent Allowance (Section 10(13A))
- (c) Allowances mentioned in Section 10(14)
- (d) Exemption of ₹ 1,500/- in respect of clubbing of minor child's income (Section 10(32))
- (e) Exemption in respect of SEZ units (Section 10AA)
- (f) Flat deduction of ₹ 50,000/- which available to salaried employees
- (g) Deduction of entertainment allowance
- (h) Deduction of professional tax
- (i) Deduction of interest on housing loans in case of self-occupied properties. (Section 24(b))
- (j) Additional depreciation of 20% of Actual Cost of New plant and machinery (Section 32(1)(ia))
- (k) Additional depreciation of 15% in respect of investment made in notified backward areas (Section 32AD)
- (l) Rebate in respect of amount deposited in Tea/Coffee/Rubber development A/c or Site Restoration Fund (Section 33AB and 33ABA)
- (m) Deduction in respect of amount paid for the purpose of scientific research as mentioned in section 35(ii), 35(ia) and section 35(iii)
- (n) Deduction in respect of any specified business as mentioned in section 35AD
- (o) Deduction in respect of Agriculture Extension Activities (Section 35CCC)
- (p) Deduction in respect of family pension (Section 57(ia))
- (q) Deduction under section 80C to 80U. However, deduction in respect of employer contribution to employees u/s. 80CCD(2) and deduction in respect of new employees 80JJAA can be availed.

Set-off of any carried forward loss and unabsorbed depreciation is not available if such loss or unabsorbed depreciation is attributable to any of the item mentioned in point no. 1 above.

Further, it will be deemed that such loss and unabsorbed depreciation have given the full effect.

If there is a loss under the head House Property, then set-off of such loss is not available with any other head of income.

Any other deduction or exemption provided under any other law is also not allowed.

In case a unit is located in IFSC, benefit of this section is available only if it complies with the condition mentioned in section 80LA in addition to conditions mentioned above.

If after exercising the option, any of the condition is violated then benefit of this section is not available for that year and any of the subsequent year and income will be taxed as per existing slab rate.

Concessional slab rates are as under:

Sr. No.	Total Income	Rate of Tax
1	Up to ₹ 2,50,000/-	Nil
2	From ₹ 2,50,001/- to ₹ 5,00,000/-	5%
3	From ₹ 5,00,001 to ₹ 7,50,000	10%
4	From ₹ 7,50,001 to ₹ 10,00,000	15%
5	From ₹ 10,00,001 to ₹ 12,50,000	20%
6	From ₹ 12,50,001 to ₹ 15,00,000	25%
7	Above ₹ 15,00,000	30%

However, it is noteworthy that this option once exercised, it cannot be withdrawn subsequently in any of the following year **in case where the Individual or the HUF has business Income.**

The said amendment will be applicable from AY 2021-22.

Withdrawal of exemption on certain perquisites [Section 10(45)]

As per the Finance Act, 2020, it is proposed to omit the existing clause (45) of section 10 which excludes any allowance or perquisite, as may be notified by the Central Government in the *Official Gazette* in this behalf, paid to the Chairman or a retired Chairman or any other member or retired member of the Union Public Service Commission, from the total income.

This amendment will be effective from 1st April, 2021 (i.e. AY 2021-22)

Perquisites [Section 17(2)(vii)]

Under the existing provisions of section 17(2)(vii), contribution by employer to recognised provident fund (RPF), approved superannuation fund and National Pension Scheme (NPS) is taxable as under:

Sr. No.	Particulars	Taxable Portion
1	In case of RPF	Amount in excess of 10% of (Basic salary + Dearness allowance)
2	In case of Superannuation Fund	Amount in excess of ₹ 1,50,000/-
3	In case of NPS	Amount in excess of 10% of (Basic salary + Dearness allowance)

From, AY 2021-2022, it is proposed that aggregate amount of deduction in respect of above 3 items is restricted to ₹ 7,50,000/-.

Further, any dividend, interest or any other accretion earned on the abovementioned funds shall also be treated as perquisites if the same relates to the amount which is included in the total income under section 17(2)(vii).

TDS provisions with respect to eligible start-ups [Section 192(1C)]

In order to provide the eligible start-ups with highly talented employees at lower salary at its initial stage, it is proposed to introduce sub-section (1C) in section 192 which defers the liability of eligible start-ups to deduct the tax at source on ESOPs and sweat equity shares. However, TDS has to be deducted within 14 days from the earliest of following:

- after the expiry of forty-eight months from the end of the relevant assessment year; or
- from the date of the sale of such specified security or sweat equity share by the assessee; or
- from the date of the assessee ceasing to be employee of the employer who allotted or transferred him such specified security or sweat equity share,

If the TDS is not deducted by the employer being eligible start-up in accordance with the above provisions, then employee shall have to pay income tax directly within the time limit mentioned above u/s. 191.

Deduction in respect of donations to certain funds, charitable institutions, etc. [Section 80G]

It is proposed to amend sub-section (5) so as to provide additional conditions as under:

- (a) the institution or fund prepares such statement for such period as may be prescribed and deliver or cause to be delivered to the prescribed income-tax authority or the person authorised by such authority such statement in such form and verified in such manner and setting forth such particulars and within such time as may be prescribed and it may also deliver to the said prescribed authority a correction statement for rectification of any mistake or to add, delete or update the information furnished in the statement delivered under this sub-section in such form and verified in such manner as may be provided by rules; and
- (b) the institution or fund furnishes to the donor, a certificate specifying the amount of donation in such manner, containing such particulars and within such time from the date of receipt of donation, as may be provided by rules.

A new proviso to sub-section (5) of the said section shall be inserted to provide that the institution or funds shall be required to make an application to the Principal Commissioner for grant of approval as follows:

- (a) where the institution or fund is approved under clause (vi) (as it stood before its amendment by the Finance Act, 2020), within three months from the date on which this proviso has come into force;
- (b) where the institution or fund is approved and the period of such approval is about to expire, at least six months prior to expiry of said period;
- (c) where the institution or fund has been provisionally approved, at least six months prior to expiry of period of the provisional approval or within six months of commencement of its activities, whichever is earlier;
- (d) in any other case, at least one month prior to commencement of the previous year relevant to the assessment year from which said registration is sought.

Further a proviso is again proposed to be inserted to sub-section (5) of the said section to provide that the Principal Commissioner or Commissioner, on receipt of an application made under the first proviso shall:

- (a) where the institution or fund is approved under clause (vi)(as it stood before its amendment by the Finance Act, 2020), within three months from the date on which this proviso has come into force;
- (b) where the institution or fund is approved and the period of such approval is about to expire, at least six months prior to expiry of said period;
- (c) where the institution or fund has been provisionally approved, at least six months prior to expiry of period of the provisional approval or within six months of commencement of its activities, whichever is earlier;

- (d) in any other case, at least one month prior to commencement of the previous year relevant to the assessment year from which said registration is sought.

It is also proposed to insert another proviso to sub-section (5) so as to provide that the Principal Commissioner or Commissioner, on receipt of an application made under the proposed first proviso, shall send a copy of order passed in writing,-

- (a) where the application is under clause (i) of the said proviso, granting it approval for a period of five years;
- (b) where the application is under clause (ii) or clause (iii) of the said proviso,-
- call for such documents or information from it or make such inquiries as he thinks necessary in order to satisfy himself about,—
 - (A) the genuineness of activities of such institution or fund; and
 - (B) the fulfilment of all the conditions laid down in clauses (i) to (v) of sub-section (5); and
 - after satisfying himself about the genuineness of activities under item (A), and the fulfilment of all the conditions under item (B), of sub-clause (a), —
 - (A) granting it approval for a period of five years;
 - (B) if he is not so satisfied, pass an order in writing rejecting such application and also cancelling its approval after affording it a reasonable opportunity of being heard;
 - where the application is under clause (iv) of said proviso, granting it approval provisionally for a period of three years from the assessment year from which the registration is sought.

It is also proposed to insert another proviso to sub-section (5) so as to provide that the order under clause (i), sub-clause (b) of clause (ii) and clause (iii) of proposed first proviso shall be passed, in such form and manner as may be prescribed, before expiry of period of three months, six months and one month respectively, calculated from the end of the month in which the application was received.

It is also proposed to insert another proviso to sub-section (5) so as to provide that the approval granted under the proposed second proviso shall apply to an institution or fund, where the application is made under,—

- (a) clause (i) of the proposed first proviso, from the assessment year from which approval was earlier granted to such institution or fund;
- (b) clause (iii) of the proposed first proviso, from the first of the assessment years for which such institution or fund was provisionally approved;
- (c) in any other case, from the assessment year immediately following the financial year in which such application is made.

It is also proposed to insert a new sub-section (5E) so as to provide that all applications, pending before the Commissioner on which no order has been passed under clause (vi) of sub-section (5) before the date on which this sub-section has come into effect, shall be deemed to be an application made under clause (iv) of the first proviso of sub-section (5) on that date.

It is also proposed to insert new Explanation 2A to declare that assessee's claim for a deduction in respect of any donation made to an institution or fund to which sub-section (5) applies, in the return of income for any assessment year filed by him, shall be allowed on the basis of information relating to said donation furnished by the institution or fund to the income-tax authority or the person authorised by such authority, subject to verification in accordance with the risk management strategy formulated by the Board from time to time.

It is proposed to insert a new section 234G to provide for a fee of ₹ 200 per day in case if a person fails to deliver a statement or furnish a certificate within the prescribed time limit provided under clause (viii) or (ix) section 80G(5). Further, the amount of fee shall not exceed the amount involved therein and the same shall be paid before delivering the statement or furnishing the certificate.

It is also proposed to introduce a new section 271K to provide for a levy of penalty by the Assessing officer ranging between ₹ 10,000 to ₹ 1,00,000 for such non-compliance.

These amendments will be effective from 1st June 2020.

Deduction in respect of certain donations for scientific research or rural development [Section 80GGA]

It is proposed to restrict the cash donation under section 80GGA to ₹ 2,000 only.

This amendment will take effect from 1st June, 2020.

Rationalisation of the provisions of section 49 and clause (42A) of section 2 in respect of segregated portfolios

A new sub-section (2AG) and (2AH) is proposed to be inserted in section 49 to provide that the cost of acquisition of a unit or units in the segregated portfolio (as permitted under SEBI circular dt. 28.12.2018) shall be the amount which bears to the cost of acquisition of a unit or units held by the assessee in the total portfolio, the same proportion as the net asset value of the asset transferred to the segregated portfolio bears to the net asset value of the total portfolio immediately before the segregation of portfolios and further, the cost of the acquisition of the original units held by the unit holder in the main portfolio shall be deemed to have been reduced by the amount as so arrived for the units of segregated portfolio.

It is also proposed to amend clause (i) of Explanation to section 2(42A) so as to insert sub-clause (hh) to provide that in the case of a capital asset, being a unit or units in a segregated portfolio, there shall be included the period for which the original unit or units in the main portfolio were held by the assessee.

For instance, A mutual fund had a “Main Portfolio” of ₹ 100 Cr. Out of this they decided to create a segregated portfolio as per SEBI guidelines of ₹ 20 Cr. An existing investor who had purchased a unit of this Mutual Fund for ₹ 1000 will now get a unit in the segregated fund as well. For the purpose of calculating Income arising out of Capital Gains, by virtue of Section (2AG) the cost of acquisition of the unit of the segregated fund will be $(20\text{cr}/100\text{cr} * 1000) = ₹ 200$. Consequently, the cost of acquisition of the unit of the main fund will be $(1000-200) = ₹ 800$. [Section (2AH)]

These amendments will take effect from 1st April, 2021 i.e. from AY 2021-22 and onwards.

Rationalization of provisions to compute cost of acquisition [Section 55]

Section 55 *inter alia*, provides that the cost of long-term capital asset acquired before the 1st April, 2001 is taken to be the cost of acquisition to the assessee or the fair market value of the asset on that date, at the option of the assessee. It is proposed to insert a proviso below sub-clause (ii) of clause (b) of sub-section 2 to provide that in case of a capital asset, being land or building or both, the fair market value of such an asset on 1st April, 2001 shall not exceed the stamp duty value of such asset as on 1st April, 2001 where such stamp duty value is available.

This amendment will take effect from 1st April, 2021 i.e. AY 2021-22 and onwards.

Exemption in respect of certain income of wholly owned subsidiary of Abu Dhabi Investment Authority and Sovereign Wealth Fund [Section 10(23FE)]

It is proposed to insert a new section 10(23FE), to provide exclusion from total income, any dividend, interest or long-term capital gains income of a specified person arising from an investment made in India, in the form of debt or equity, in a company or enterprise carrying on the business of developing, or operating and maintaining, or developing, operating and maintaining any infrastructure facility as defined in the Explanation to clause (i) of sub-section (4) of section 80-IA or such other business as the Central Government may, by notification in the *Official Gazette*, specify in this behalf, on or before 31st March, 2024 and holds the same for at least three years.

The explanation to the above clause defines the specified person as follows:

- (a) a wholly owned subsidiary of the Abu Dhabi Investment Authority which —
- is a resident of the United Arab Emirates; and
 - makes investment, directly or indirectly, out of the fund owned by the Government of the United Arab Emirates;
- (b) a sovereign wealth fund which satisfies the following conditions, namely —
- it is wholly owned and controlled, directly or indirectly, by the Government of a foreign country;
 - it is set up and regulated under the law of such foreign country;
 - the earnings of the said fund are credited either to the account of the Government of that foreign country or to any other account designated by that Government so that no portion of the earnings inures any benefit to any private person;
 - the asset of the said fund vests in the Government of such foreign country upon dissolution;
 - it does not undertake any commercial activity whether within or outside India; and
 - it is specified by the Central Government, by notification in the *Official Gazette*, for this purpose

This amendment will be effective from 1st April, 2021 i.e. AY 2021-22 and onwards.

Exemption in respect of certain income of Indian Strategic Petroleum Reserves Limited [Section 10(48C)]

A new clause 48C is proposed to be inserted in continuation to clauses (48A) and (48B). The proposed clause is inserted to exempt the income which includes income accruing to Indian Strategic Petroleum Reserves Limited, being a wholly owned subsidiary of the Oil

Industry Development Board under the ministry of Petroleum and Natural Gas if on the basis of arrangement for replenishment of crude oil stored in its storage facility, as per the directions of Central Government except in case where the said activity of crude oil replenishment in the storage facility does not take place within three years from the end of the financial year in which crude oil was first removed.

This amendment will be effective from 1st April, 2020 i.e. AY 2020-21 and onwards.

Direct payment [Section 191]

It is proposed to insert a sub-section (2) in the said section so as to provide that where income of the assessee of any assessment year, beginning on or after the 1st day of April, 2021, includes a perquisite arising out of specified security or sweat equity shares allotted or transferred directly or indirectly by the current employer, being an eligible start-up referred to in section 80-IAC, then income-tax on such income shall be payable by the assessee within fourteen days –

- a) after the expiry of forty-eight months from the end of the relevant assessment year; or
- b) from the date of the sale of such specified security or sweat equity share by the assessee;
or
- c) from the date of the assessee ceasing to be employee of the employer who allotted or transferred him such specified security or sweat equity share,

whichever is the earliest.

As a consequential amendment, it is proposed to insert clause (vi) to sub-section 1 of Section 140A for the purpose of taking into consideration income-tax or interest payable under section sub-section 2 of section 191 while determining tax payable, interest payable and assessed tax and a sub-section 2 in section 156 so as to provide for issue of notice of demand.

This amendment will take effect from 1st April, 2020 i.e. AY 2020-21 and onwards.

Tax Holidays for Eligible Start-ups [Section 80-IAC]

Under existing provisions, deduction u/s. 80-IAC is allowed for 3 consecutive years out of 7 years from the date of incorporation. Now, it is proposed that deduction u/s. 80-IAC is allowed for 3 consecutive years out of 10 years from the date of incorporation.

Further, one of the condition to become eligible start-up u/s. 80IAC is that the company/LLP should not have a turnover exceeding ₹ 25 crores. Now, it is proposed to amend the turnover limit from ₹ 25 Crores to ₹ 100 Crores.

The said amendment will be effective from 1st April, 2021 i.e. AY 2021-22 and onwards.

Expenditure on scientific research [Section 35]

It is proposed to amend the Explanation of section (1)(iii) so as to provide that the assessee shall not be denied the deduction in respect of any sum paid to a company referred to in clause (ii) which it is entitled to, merely on the ground that, subsequent to the payment of such sum, the approval granted to the company has been withdrawn.

It is further proposed to insert a new fifth proviso to said sub-section (1) so as to provide that every notification under clause (ii) or clause (iii) in respect of the research association, university, college or other institution or under clause (iia) in respect of the company issued on or before the date on which this proviso comes into effect, shall be deemed to have been withdrawn unless such research association, university, college or other institution referred to in clause (ii) or clause (iii) or the company referred to in clause (iia) makes an intimation in such form and manner to the prescribed authority within three months from the date on which this proviso has come into effect, and subject to such intimation the notification shall be valid for a period of five consecutive assessment years beginning with the assessment year commencing on or after the 1st day of April, 2021.

It is also proposed to insert a new sixth proviso to said sub-section (1) so as to provide that any notification issued, by the Central Government under clause (ii), clause (iia) or clause (iii), after the date on which the Finance Bill, 2020 receives the assent of the President, shall, at any one time, have effect for such assessment year or years, not exceeding five assessment years as may be specified in the notification.

It is also proposed to insert a new sub-section (1A) to provide that a person shall not be entitled to deduction under respective clause of said sub-section, unless such person

- a Prepares and furnishes within a prescribed time limit, a statement in the prescribed manner
- b furnishes to the donor, a certificate specifying the amount of donation in such manner and within such time as may be prescribed.

These amendments will take effect from 1st June, 2020.

Further, It is proposed to insert a new section 234G to provide for a fee of ₹ 200 per day in case if a person fails to deliver a statement or furnish a certificate within the prescribed time limit provided under clause (i) or (ii) section 35(1A). Further, the amount of fee shall not exceed the amount involved therein and the same shall be paid before delivering the statement or furnishing the certificate.

It is also proposed to introduce a new section 271K to provide for a levy of penalty by the Assessing officer ranging between ₹ 10,000 to ₹ 1,00,000 for such non-compliance.

This amendment will be effective from 1st June 2020.

Audit of accounts of certain persons carrying on business or profession [Section 44AB]

Section 44AB pertains to audit of accounts of certain persons carrying on business or profession under the Income-tax Act. Section 44AB presently lays down that a person carrying on business shall get their accounts audited if total sales/turnover/gross receipts exceeds one crore rupees in any previous year.

In order to reduce the burden on small and medium enterprises, it has been proposed to increase the threshold limit from one crore rupees to five crore rupees subject to condition that their cash receipts do not exceed 5% of their total receipts and their cash payments do not exceed 5% of their total payments.

Further, it is also proposed to change the date of furnishing the audit report to a date one month prior to the date of furnishing return of income u/s 139(1).

Consequently, prescribed form required to be filed with respect to section 10A, 32AB, 33AB, 33ABA, 35E, 35D, 50B, 80-IA, 80-IB, 80JJAA, 115JB, 115JC, 115VW shall be filed one month prior to the date of furnishing return of income u/s 139(1).

Further, it is also proposed to amend the TDS/TCS provisions contained in sections 194A, 194C, 194H, 194I, 194J and 206C so that reference to the monetary limit specified in clause (a) or clause (b) of section 44AB of the Act is substituted with “rupees one crore in case of the business or rupees fifty lakh in case of the profession, as the case may be”. Thus, it can be seen that the increased threshold limit of five crore rupees shall not apply to TDS/TCS provisions.

This amendment will be effective from 1st April, 2020 i.e. AY 2020-21 and onwards.

Amendment to tax credit of Alternate Minimum Tax [Section 115JD]

It is proposed that, after sub-section (6) to section 115JD, a new sub-section (7) to be consequentially inserted to provide that the provisions contained in section 115JD shall not apply to individuals or HUF mentioned under section 115BAC and co-operative societies mentioned under section 115BAD, who opt for concessional tax regime, subject to fulfilment of conditions prescribed in sections 115BAC and 115BAD, respectively.

This amendment will take effect from 1st April 2021 i.e. AY 2021-22 and onwards.

Alternate Minimum Tax not applicable to concessional regime [Section 115JC & 115JD]

It is proposed to insert a new sub-section (5) to provide that Alternate Minimum Tax shall not apply to individuals or HUF mentioned under section 115BAC and co-operative societies mentioned under section 115BAD opting for concessional tax regime

Consequently, section 115JB has been amended to restrict allowability of AMT credit to aforementioned assessee.

This amendment will take effect from 1st April 2021 i.e. AY 2021-22 and onwards.

Increase of safe-harbour limit from 5% to 10% in section 43CA, section 50C and section 56(2)(x)

It is proposed to allow a safe-harbour variation of 10% between the stamp duty value and consideration received/accrued in place of existing safe-harbour variation of 5%.

These amendments will take effect from 1st April, 2020 i.e. AY 2020-21.

TDS on Payment to Contractors [Section 194C]

It is proposed to amend the definition of “work” to provide that in a contract manufacturing, the raw material provided by the assessee or its associate shall fall within the purview of the ‘work’ under section 194C. Further, the term ‘Associate’ is now defined to mean a person who is placed similarly in relation to the customer as is the person placed in relation to the assessee under the provisions contained in clause (b) of sub-section (2) of section 40A of the Act.

This amendment will take effect from 1st April, 2020 i.e. AY 2020-21 and onwards.

Deduction in respect of expenditure on specified business [Section 35AD]

It is proposed to amend sub-section (1) of section 35AD to make the deduction thereunder optional. It is further proposed to amend sub-section (4) of section 35AD to provide that no deduction will be allowed in respect of expenditure incurred under sub-section (1) in any other section in any previous year or under this section in any other previous year, if the deduction has been claimed by the assessee and allowed to him under this section.

The amendments will be effective from 1st April, 2021 i.e. AY 2021-2022 and onwards.

Rationalisation of provision relating to Form 26AS

It is proposed to omit section 203AA and insert a new section 285BB in the Act whereby the prescribed income tax authority will be required to upload an annual information statement with respect to tax collected or deducted at source in the prescribed manner on the assessee’s designated portal of the Income-tax Department, so that the same can be used by the assessee for filing of the return of income and calculating his correct tax liability. In other words, Form 26AS will not be issued henceforth.

This amendment will be effective from 1st June, 2020 onwards.

Widening the definition of “Person Responsible for Paying” [Section 204]

In order to widen the definition of “Person Responsible for Paying”, it is proposed to insert a new clause (v) in section 204 of the Act by virtue of which a person who is not resident in India or any person authorised by such person or his agent including any person treated as an agent under section 163 will be considered as ‘Person Responsible for Paying’ under the said section.

The said amendment will be effective from 1st April, 2020 onwards.

Insertion of Taxpayer's Charter in the Act [Section 119A]

It is proposed to insert a new section 119A in the Act to empower the Board to adopt and declare a Taxpayer's Charter and issue such orders, instructions, directions or guidelines to other income-tax authorities as it may deem fit for the administration of Charter.

This amendment will take effect from 1st April, 2020 i.e. AY 2020-21.

Income from property held for charitable or religious purposes [Section 11]

Sub-section (7) of said section provides that where the registration under section 12A/12AA of the trust/institution is in force then exemption under section 10 [except under clauses (1) and (23C)] shall not be allowed.

The exclusion provided hitherto to institution approved under section 10(23C) is proposed to be extended to institution notified under clause (46) of section 10. Further, to provide only one mode of exemption to trust/institution registered under section 12A/12AA, it has been proposed that the trust/institution approved under clause (23C) or notified under clause (46) of section 10 shall be allowed to take the benefit either under section 11 or in respective clause of section 10.

This amendment is effective from 1st June, 2020.

Conditions for applicability of section 11 and 12 [Section 12A]

Sub-section (1) of said section provides for the conditions to be fulfilled by any trust or institution subject to which exemption under sections 11 and 12 shall be available to it.

It is proposed to insert a new clause to the said sub-section prescribing the following conditions for application for registration under the proposed section 12AB.

- (a) Where the trust or institution is registered under section 12A [as it stood before its amendment by the Finance (No. 2) Act, 1996 (33 of 1996)] or under section 12AA, within three months from the date on which this clause has come into force;
- (b) where the trust or institution is registered under section 12AB and the period of said registration is set to expire, at least six months prior to expiry of said period;
- (c) where the trust or institution has been provisionally registered under section 12AB, at least six months prior to expiry of period of the provisional registration or within six months of commencement of its activities, whichever is earlier;
- (d) where registration of the trust or institution has become inoperative due to proviso to sub-section (7) of section 11, at least six months prior to commencement of the assessment year from which said registration is sought to be made operative;

- (e) where the trust or institution has adopted or undertaken modifications of the objects which do not conform to the conditions of registration, within a period of thirty days from the date of said adoption or modification;
- (f) in any other case, at least one month prior to commencement of the previous year relevant to the assessment year from which said registration is sought.

This amendment will take effect from 1st June, 2020.

It is further proposed to consequentially amend the due date for filing accountant report to 30th September This amendment will take effect from AY 2020-21 onwards.

Procedure for registration [Section 12AA]

It is proposed to discontinue this section in view of insertion of new section 12AB for procedure of registration.

New regime for registration of trust or institution [Section 12AB]

A new regime for registration of trust or institution has been formulated to take effect from 1st June, 2020.

This amendment will take effect from 1st June, 2020.

Income from other sources [Section 56]

Sub-section (2) of the said section provides the details of the incomes which shall be chargeable to income-tax under the head “Income from other sources”.

It is proposed to make a reference to section 12AB in the clauses (v), (vi), (vii) and clause (x) of sub-section (2) so as to provide that the said clauses shall not apply to any sum of money received from any trust or institution registered under section the new Section 12AB.

These amendments will take effect from 1st June, 2020.

Amendment to the definition of Specified Assessee [Section 115BBDA]

It is proposed widen the definition of specified person by including trust or institution registered under section 12AB (i.e. procedure for fresh registration of trust or institution).

This amendment will take effect from 1st June, 2020.

Deferring sunset clause [Section 80-IBA]

Under existing provisions, to avail the deduction u/s. 80-IBA one of the conditions is that the project should be approved by competent authority on or before 31.03.2020.

Now, it is proposed to extend the time limit for approval by one year i.e. approval shall be obtained on or before 31.03.2021.

Power of Survey [Section 133A]

The existing proviso after sub-section (6) of the said section provides that no income tax authority below the rank of a Joint Director, or a Joint Commissioner, shall conduct any survey under sub-section (1) of the said section without prior approval of the Joint Director or the Joint Commissioner, as the case may be.

It is proposed to substitute the said proviso to provide that in a case where the information has been received from prescribed authority, no income-tax authority below the rank of a Joint Director, or a Joint Commissioner, shall conduct any survey under the said section without prior approval of a Joint Director or a Joint Commissioner, as the case may be and in any other case, no income-tax authority below the rank of a Director or a Commissioner, shall conduct any survey under the said section without prior approval of the Director or the Commissioner, as the case may be.

This amendment will take effect from 1st April, 2020.

Return of income [Section 139]

It is proposed to extend the due date for filing return of income for an assessee referred to in clause (a) of Explanation 2 of section 139(1) to 31st October of the assessment year as against 30th September. It is also proposed to extend this relaxation to non-working partner of firm whose accounts are required to be audited.

These amendments will take effect from 1st April, 2020 i.e. AY 2020-21.

Return by whom to be verified [Section 140]

The existing section provides that in case of company the return of income is required to be verified by the managing director (MD) thereof. Where the MD is not able to verify for any unavoidable reason or where there is no MD, any director of the company can verify the return of income. Similarly, in case of a limited liability partnership (LLP), the return of income has to be verified by the designated partner of the LLP or by any partner, in case there is no such designated partner.

It is proposed to empower the Board to prescribe persons who may verify the return of income in the cases of a company and a limited liability partnership.

These amendments will take effect from 1st April, 2020.

Assessment [Section 143]

It is proposed to amend sub-section (3A) of section 143 of the Act to expand the scope of E-assessment Scheme, 2019 so as to include the reference of section 144 of the Act relating to best judgement assessment in the said sub-section.

It is proposed to extend the deadline for issuing direction by the Board to give effect to E-assessment Scheme, 2019 up to 31st March, 2022.

These amendments will take effect from 1st April, 2020.

Reference to dispute resolution panel [Section 144C]

The existing sub-section (1) of section 144C provides that the Assessing Officer is required to forward a draft of the proposed order of assessment to the eligible assessee, if he proposes to make any variation in the income or loss returned which is prejudicial to the interest of such assessee.

It is proposed to amend the said sub-section expanding the scope for the eligible assessee to file objection to any variation irrespective whether it pertains to income or loss returned.

It is further proposed to include other non-resident assesses besides foreign company in the definition of 'eligible assessee'.

These amendments will take effect from 1st April, 2020.

Clarity on stay by the Income Tax Appellate Tribunal (ITAT) [Section 245]

It is proposed to amend first proviso to section 254(2A) to provide for an additional condition that Income Tax Appellate Tribunal (ITAT) may grant stay only when the assessee deposits not less than twenty per cent of the amount of tax, interest, fee, penalty, or any other sum payable under the provisions of this Act, or furnish security of equal amount in respect thereof.

It is further proposed to substitute second proviso to realign it with the first provision that ITAT may give an extension of stay if the assessee makes an application and has complied with the condition referred to in the first proviso.

These amendments will take effect from 1st April, 2020.

Provision for e-appeal scheme for Commissioner Appeals [Section 250]

It is proposed to amend section 250 by inserting a clause 6B, to empower Central Government to notify an e-appeal scheme for disposal of Commissioner Appeals so as to impart greater efficiency, transparency and accountability. It is also proposed to insert a clause 6C allowing Central Government to create exceptions, modifications and adaptations with respect to the scheme notified for e-appeals. Such directions by central government are to be issued on or before 31st March, 2022.

This amendment will take effect from 1st April, 2020.

Penalty for false or omission of entry in books of accounts [Section 271AAD]

It is proposed to introduce a new section 271AAD to provide for a levy of penalty equal to the aggregate amount of false entries or omitted entry found during any proceeding under the Act. It is also proposed to provide that any other person, who causes in any manner a person to make or cause to make a false entry or omits or causes to omit any entry, shall also pay by

way of penalty a sum which is equal to the aggregate amounts of such false entries or omitted entry. The false entries are proposed to include use or intention to use –

- (a) forged or falsified documents such as a false invoice or, in general, a false piece of documentary evidence; or
- (b) invoice in respect of supply or receipt of goods or services or both issued by the person or any other person without actual supply or receipt of such goods or services or both; or
- (c) invoice in respect of supply or receipt of goods or services or both to or from a person who do not exist.

This amendment will be effective from 1st April 2020.

Provision for e-penalty [Section 274]

It is proposed to amend section 274 by inserting a sub-section 2A, to empower Central Government to notify a scheme for imposing penalty as to impart greater efficiency, transparency and accountability. It is also proposed to insert a sub-section 2B allowing Central Government to create exceptions, modifications and adaptations with respect to the scheme notified for imposing penalty which are to be issued on or before 31st March 2022.

This amendment will take effect from 1st April, 2020.

Appearance by Authorised Representative [Section 288]

It is proposed to insert a clause (viii) in sub-section 2 of section 288 to widen the scope of section 288 by enabling other persons as may be prescribed by the board to act as an authorised representative for whom explicit reference is not provided in section 288.

This amendment will take effect from 1st April, 2020.

Empowering Board to make rules [Section 295]

It is proposed to insert clause (iia) and (iib) in section 295(2)(b) so as to empower the Board for making rules to provide for the manner in which and the procedure by which the income shall be arrived at in the case of—

- (a) operations carried out in India by a non-resident [Clause (iia)]; and
- (b) transaction or activities of a non-resident [Clause (iib)].

The amendment referred to in clause (iia) will take effect from 1st April 2021 i.e. from AY 2021-22 and onwards, whereas the amendment referred to in clause (iib) will take effect from 1st April, 2022 i.e. from AY 2022-23 and onwards.

Amendment to exemption provided in section 10(23C)

(a) First Proviso to section 10(23C)

The first proviso is proposed to be substituted to provide that the exemption to the fund or trust or institution or university or other educational institution or hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via), under the respective sub-clauses shall not be available to it unless it makes an application in the prescribed form to the Principal Commissioner or Commissioner, for grant of approval for exemption:

- where the exemption is approved under the second proviso (prior to proposed amendment by Finance Bill, 2020) then within three months from the date on which this clause has come into force, i.e., 1st June, 2020;
- where the fund or trust or institution or any university or other educational institution or any hospital or other medical institution is approved and the period of such approval is set to expire, at least six months prior to expiry of said period;
- where the fund or trust or institution or any university or other educational institution or any hospital or other medical institution has been provisionally approved, at least six months prior to expiry of period of the provisional approval or within six months of commencement of its activities, whichever is earlier; and
- in any other case, at least one month prior to the commencement of the previous year relevant to the assessment year from which the said approval for exemption is sought,

and it is approved under the second proviso.

(b) Second Proviso to section 10(23C)

The second proviso is proposed to be substituted to provide that on receipt of application made under the first proviso, the Principal Commissioner or Commissioner shall —

- (i) grant an approval, by passing an order in writing, for a period of five years if the application is made under clause (i) of the first proviso;
- (ii) where the application is made under clause (ii) or clause (iii) of the first proviso:
 - call for relevant documents or information from fund or trust or institution or any university or other educational institution or any hospital or other medical institution or make necessary inquiries in order to satisfy himself about the genuineness of the activities and compliance of any requirements of any other law for the time being in force for the purpose of achieving its objects
 - and after satisfying himself about the objects and the genuineness of its activities and requisite compliances as above, grant an approval to it, by passing an order in writing, for a period of five years and if he is not so satisfied, reject the application by

passing an order in writing and also cancel the approval after granting a reasonable opportunity of being heard.

- (iii) where the application is made under clause (iv) of the first proviso, a provisional approval for a period of three years from the assessment year from which the registration is applied for shall be granted by passing an order in writing and a copy of such order shall be sent to the fund or trust or institution or university or other educational institution or hospital or other medical institution.

(c) Eighth Proviso to Section 10(23C)

The eighth proviso is proposed to be substituted to provide that any approval granted under the second proviso shall apply in relation to the income of the fund or trust or institution or university or other educational institution or hospital or other medical institution—

- where the application is made under clause (i) of the first proviso, from the assessment year from which approval was earlier granted to it;
- where the application is made under clause (iii) of the first proviso, from the first assessment year in which the provisional approval was granted;
- in any other case, from the assessment year immediately following the financial year in which such application is made.

(d) Ninth Proviso to Section 10(23C)

The said proviso is proposed to be substituted to provide that any order passed under clause (i), sub-clause (b) of clause (ii) and clause (iii) of the second proviso shall be passed in the prescribed form and manner within three months, six months and one month respectively, from the end of the month in which the application was received.

(e) Tenth Proviso to Section 10(23C)

It is proposed to amend the said proviso so as to provide that such trust or institution or university or other educational institution or hospital or other medical institution should get the accounts audited before the specified date referred to in section 44AB (i.e. one month prior to the due date for filing of return under sub-section (1) of section 139) and furnish the report of audit by that date.

(f) Sixteenth Proviso to Section 10(23C)

The current sixteenth proviso provides that in case an application is made for grant of exemption or continuation of such exemption thereof by the fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in the first proviso, on or after 1st June, 2006, then such application shall be made on or before 30th September of the relevant assessment year for which the exemption is sought for.

(g) Eighteenth Proviso to Section 10(23C)

The eighteenth proviso is proposed to be substituted to provide that all the application made under the first proviso [as it was before the amendment in Finance Act, 2020] which are pending before the Principal Commissioner or Commissioner and on which no order has been passed before the date on which the amended first proviso has come into force, i.e., 1st June, 2020, shall be deemed to be an application made under clause (iv) of the first proviso on that date, i.e., at least one month prior to the commencement of the previous year relevant to the assessment year from which the said approval for exemption is sought.

These amendments will be effective from 1st June, 2020.

Rule 5 of the First Schedule - Allowing deduction for amount disallowed under section 43B, to insurance companies on payment basis

Rule 5 of the First Schedule provides for computation of profits and gains of insurance business other than life insurance. In terms of said rules, any expenditure debited to the profit and loss account which is not admissible under the provisions of sections 30 to 43B shall be added back. It is now proposed to insert a proviso after clause (c) to clarify the allowability of deduction for payment of certain expenses specified in section 43B, if they are paid in subsequent previous year.

This amendment will take effect from 1st April, 2020 i.e. from AY 2021-22 and onwards.

TDS & TCS RATES

TDS Rates for Assessment Year 2020-21 (Financial Year 2019-20)

(A) On payments to Residents (subject to notes below)

Sr. No.	Payments to Resident Payee	Criteria for Deduction	Section	Company	Partnership Firm	Individual, HUF, AOP, BOI
						Rate (%)**
1	Pre-mature withdrawal from Employee Provident Fund Scheme (Note 1)	Payment in excess of ₹ 50,000/-	192A	-	-	10
2	Interest on Securities (Note 2 & Note 3)	Payment in excess of ₹ 10,000/-	193	10	10	10
3	Dividends distributed by Domestic Company	Payment to a shareholder in excess of ₹ 5,000/- during the financial year.	194	10	10	10
4	Interest on Bank Deposits, Co-operative society carrying on banking business and Deposits with Post Office for Senior Citizens (Note 4(a), 4(b) & Note 16)	Payment in excess of ₹ 50,000/- per financial year (For Senior Citizens)	194A	10	10	10
5	Interest on Bank Deposits, Co-operative society carrying on banking business and Deposits with Post Office (For Others) (Note 4(a), 4(b) & Note 16)	Payment in excess of ₹ 40,000/- per financial year (For Others)	194A	10	10	10
6	Other Interest (Note 4 & Note 16)	Payment in excess of ₹ 5,000/- per financial year	194A	10	10	10
7	Winnings from Lotteries, crossword, puzzles, card games and other games of any sort	Payment in excess of ₹ 10,000/-	194B	30	30	30
8	Winnings from Horse Race	Payment in excess of ₹ 10,000/-	194BB	30	30	30

Sr. No.	Payments to Resident Payee	Criteria for Deduction	Section	Company	Partnership Firm	Individual, HUF, AOP, BOI
9	Payments to Contractors (Note 5 & Note 16)	Payment in excess of ₹ 30,000/- per transaction or ₹ 1,00,000/- per financial year	194C	2	2	1
10	Insurance Commission	Payment in excess of ₹ 15,000/- per financial year	194D	5	5	5
11	Sum received for Life Insurance Policy including bonus [except exempt u/s 10(10D)] (Note 6)	Payment in excess of ₹ 1,00,000/- per financial year	194DA	5	5	5
12	Payments in respect of deposits under National Savings Scheme, etc. Central Government Schemes	Payment in excess of ₹ 2,500/- per financial year	194EE	10	10	10
13	Payments on account of repurchase of units by Mutual Fund or Unit Trust of India.	No Threshold Limit	194F	-	-	20
14	Commission on Sale of Lottery Tickets	Payment in excess of ₹ 15,000/-	194G	5	5	5
15	Other Commission/ Brokerage (Note 16)	Payment in excess of ₹ 15,000/- per financial year	194H	5	5	5
16	Rent for Plant & Machinery, Equipments	Payment in excess of ₹ 2,40,000/- per financial year	194-I (a)	2	2	2
17	Rent for Land or Building or Furniture or Fittings	Payment in excess of ₹ 2,40,000/- per financial year	194-I (b)	10	10	10
18	Income by way of Rent from SPV distributed by REITs (Note 7 & Note 16)	No Threshold Limit	194-I	-	-	-

Sr. No.	Payments to Resident Payee	Criteria for Deduction	Section	Company	Partnership Firm	Individual, HUF, AOP, BOI
				Rate (%)**		
19	"Consideration for Transfer of Immovable Property (other than Agricultural Land) (Note 8)"	Sale Consideration exceeds ₹ . 50,00,000/-	194-IA	1	1	1
20	Income by way of Rent (Note 9 & 10)	Rent exceeds ₹ 50,000 p.m. or part thereof	194-IB	5	5	5
21	Monetary Payment in respect of Joint Development Agreement	No Threshold Limit	194-IC	10	10	10
22	Professional Fees/Royalties/Fees for Technical Services (Note 16)	Payment in excess of ₹ 30,000/- p.a.	194J	10	10	10
23	Professional Fees (for certain payees) (Note 11 & Note 16)	Payment in excess of ₹ 30,000 p.a.	194J	2	2	2
23	"Income of units issued by Mutual funds or Unit Trust of India (Note no 12) "	Payment in excess of ₹ 5,000 p.a.	194K	10	10	10
24	Consideration for Compulsory Acquisition of Immovable Property (other than Agricultural Land)	Payment in excess of ₹ 2,50,000/-	194LA	10	10	10
25	Interest distributed from SPV distributed by Business Trusts i.e. REITs & INVITs	No Threshold Limit	194LBA	5	5	5
26	Dividend distributed from SPV distributed by Business Trusts i.e. REITs & INVITs	No Threshold Limit	194LBA	10	10	10

Sr. No.	Payments to Resident Payee	Criteria for Deduction	Section	Company	Partnership Firm	Individual, HUF, AOP, BOI
				Rate (%)**		
27	Income other than business income distributed by an Alternate Investment Fund (Category I and II)	No Threshold Limit	194LBB	10	10	10
28	Income in respect of investment in Securitization Trust	No Threshold Limit	194LBC	30	30	25
29	"Payments to Contractors/ Professionals (Other than those covered in 194C, 194H & 194J) (Note 13)"	Sum of payment or aggregate of such payments exceeds ₹ 50,00,000/- during a financial year	194M	-	-	5
30	Payment by a banking company/banking institution/co-operative society engaged in banking business/post office.	Who is responsible for paying any sum, or, as the case may be, aggregate of sums, in cash, in excess of one crore rupees during the previous year, to any person (herein referred to as the recipient) from an account maintained by the recipient with it shall, at the time of payment of such sum, deduct an amount equal to two per cent. of sum exceeding one crore rupees, as income-tax	194N	2	2	2

Sr. No.	Payments to Resident Payee	Criteria for Deduction	Section	Company	Partnership Firm	Individual, HUF, AOP, BOI
				Rate (%)**		
31	Payment by a Banking company/ Banking Institution/Co-operative society engaged in banking business/post office. (Note 14)	Cash withdrawals or aggregate of such withdrawals in excess of ₹ 1,00,00,000/- from an account maintained by a recipient, during the previous year .	194N	2	2	2
32	Credit of Amount by E-Commerce Operator to E-Commerce participant in respect of sale of goods/ provision of services facilitated through its platform (Note 15)	"Payment in excess of ₹ 5,00,000/- or aggregate of such payment exceeding ₹ 5,00,000/-, during a financial year."	194O	1	1	1
33	ESOP issued by eligible startups	Refer Note : 17	192	At applicable rates		

Notes

1	TDS to be deducted at maximum marginal rate in case PAN is not furnished by the deductee.
2	In case payment of interest on listed debentures to individuals TDS is required to be deducted on payments in excess of ₹ 5,000/-
3	TDS is required to be deducted for interest on 7.75% Savings (Taxable) Bonds, 2018 exceeding ₹ 10,000/- during the financial year.
4(a)	For interest on Bank Deposits and Deposits with Post Office, the threshold limit is ₹ 50,000/- for senior citizens and ₹ 40,000/- for others. - Also applicable on payment of Interest on time deposits by co-operative banks to its members and payment of interest on Recurring Deposit - Computation of interest income shall be made taking into account income credited or paid by the bank (including all branches) who has adopted core banking solutions.
4(b)	Co-operative societies referred to in clause (v) or (viia) shall be liable to deduct income-tax if the total sales, gross receipts or turnover of the co-operative society exceeds ₹ 50,00,00,000/- during the financial year immediately preceding the financial year in which the interest is credited or paid

5	No TDS on payment made to contractor who owns ten or less goods carriage at any time during the year and furnishes PAN.
6	For the purpose of TDS deduction existing rate of 1% shall be increased to 5% w.e.f 1st September 2019,
7	No deduction shall be made under section 194-I of the Act where the income by way of rent is credited or paid to a Real Estate Investment Trust.
	No TDS is required to be deducted on remittance of Passenger Service Fees by an Airline to Airline Operator (Circular No. 21/2017)
8	W.e.f. 01/09/2019, new clause "aa" has been inserted to Section 194-IA's explanation, whereby the term "Consideration for immovable property" has been defined to include: "all charges of the nature of club membership fee, car parking fee, electricity or water facility fee, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property"
9	Provisions of Section 194-IB are applicable in cases where the deductor is an individual or HUFs other than those covered by Tax Audit u/s 44AB in immediately preceding financial year, subjects to the threshold and other conditions.
10	Deduction u/s 206AA shall not exceed Amount of Rent payable for last month of previous year (March) or last month of tenancy, as the case maybe.
11	"TDS is to be deducted u/s 194J @ 2% where the :- a) Payee is only engaged in the business of operation of call centre; b) Fees are for technical services (not being a professional service)" Any payments to a director of a company other than those which are "salaries" are specifically covered u/s 194J.
12	The person responsible for making the payment shall, at the time of credit of such income to the account of payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rate of ten per cent. Further, credit to a suspense account shall also be deemed to be credit to the account of person
13	New Section 194M shall come into effect from 01/09/2019, and shall be applicable only to person, being an individual or a Hindu undivided family (other than those who are required to deduct income-tax as per the provisions of section 194C or section 194J).
14	New Section 194N shall come into effect from 01/09/2019. Also, this section shall not apply to any payments made to Government, Banking company, Co-operative society engaged in Banking business, Business correspondent/White label automated teller machine operator of such Banking company or Co-operative society.
15	Threshold shall only apply in case of the electronic participant being Individual/HUF and where PAN has been furnished by such electronic participant

16	<p>"For the purposes of Section 194A, 194C, 194H, 194I and 194J, previously, Individual/HUF were liable to deduct TDS where their turnover/gross receipts exceeded the limit given under Section 44AB, however pursuant to amendment by Finance Bill, 2020 the revised limits where Individual/HUF would be liable to deduct TDS would be as follows:-</p> <p>a) INR 1 crore in case of Business b) INR 50 Lakhs in case of Profession during the financial year immediately preceding the financial year in which payment is made under the respective sections.</p>
17	<p>"The employer shall deduct or pay, as the case may be, tax on ESOP issued to employees within fourteen days of the following —</p> <p>(i) after the expiry of forty eight months from the end of the relevant assessment year; or</p> <p>(ii) from the date of the sale of such specified security or sweat equity share by the assessee; or</p> <p>(iii) from the date of which the assessee ceases to be the employee of the person; whichever is the earliest on the basis of rates in force of the financial year in which the said specified security or sweat equity share is allotted or transferred.</p>
**	TDS shall be deducted u/s 206AA @ 20% or the higher rate as provided under the Act, if PAN is not furnished by the deductee.
**	No TDS is required to be deducted in case where the payee is an entity whose income is exempt u/s 10 and is not required to file returns as per Section 139. (Circular No. 18/2017)
**	Certificate for deduction at lower rate can be applied for Sections 192, 193, 194, 194A, 194C, 194D, 194G, 194H, 194-I, 194J, 194K, 194LA, 194LBB, 194LBC, 194M.
**	Certificate for nil rate of tax deduction can be applied for Sections 194, 194EE, 192A, 193, 194A, 194DA, 194K, 194-I.
**	No TDS where the deductee furnishes a self- declaration in Form 15G/ 15H for deduction of tax under Sections 194, 194EE, 192A, 193, 194A, 194D, 194DA, 194-I and 194K.
**	As per Section 196, no deduction of tax shall be made by any person from any sums payable to Government, RBI, a Corporation established under Central Act, a Mutual Fund specified under section 10(23D).

(B) On payments to Non-Residents (subject to notes below)

Sr. No.	Payments to Non-Resident Payee	Criteria for Deduction	Section	Rate (%)
1	Tax on Short Term Capital Gains	On sale of shares or units of mutual funds where STT is paid	111A*	15
		On sale of shares or units of mutual funds where STT is not paid	45	40
		(a) In case of companies		
		(b) In case of persons other than companies		30
2	Tax on Long Term Capital Gains	"Not being long term capital gains referred to section 10(33), 10(36) and 10(38) ie. on listed shares, units of an equity oriented fund, or units of business trust i.e. REITs & Invits [Except for transactions covered u/s 112(1)(c)(iii)]"	112	20
		On income by way of long-term capital gains from unlisted securities u/s 112(1)(c)(iii)	112	10
3	Tax on Long Term Capital Gains on Transfer of Equity Share in company or a unit of equity oriented mutual fund or a unit of Business Trust (Note 9)	"(i) STT is applicable on acquisition/transfer (except Transfer on a recognised stock exchange located in any International Financial Services Centre and consideration is received in foreign currency), (ii) Tax on Long Term Capital Gains exceeding ₹ 1,00,000/-"	112A*	10
4	Winning From Lotteries crossword puzzles, card games and other games of any sort	Payment in excess of ₹ 10,000/-	194B	30
5	Winning From Horse Race	Payment in excess of ₹ 10,000/-	194BB	30
6	Tax on royalty or copyrights or on fees for technical services matters included in industrial policy or under approved agreements by an Indian concern or by Government of India	Agreements made or entered into after 31st March, 1976	115A(1) (b)	10

Sr. No.	Payments to Non-Resident Payee	Criteria for Deduction	Section	Rate (%)
7	Tax on Interest	On borrowings in foreign currency:-		
		(a) by an Indian concern or by Government of India other than interest referred in (b) or (c) below	115A(1) (a)	20
		(b) On notified infrastructure debt fund	194LB	5
		(c) By Specified Companies or Business Trusts (REITs & Invits) under a loan agreement or any long term bond :	194LC	4
		i) On Long-term bond or rupee denominated bond listed only on a recognised stock exchange located in any International Financial Services Centre. (Issued on or after the 1st day of April, 2020 but before the 1st day of July, 2023)		
		ii) Other than above	194LC	5
8	Income by way of interest from SPV distributed by Business Trusts (REITS & INVITS)	No Threshold Limit	194LBA	5
9	Income by way of Rent from SPV distributed by REITs	No Threshold Limit	195	-
10	Income other than business income distributed by an Alternate Investment Fund (Category I & II)	No Threshold Limit	194LBB	Rates in Force
11	Income in respect of Investment in Securitization Trust	No Threshold Limit	194LBC	Rates in Force

Sr. No.	Payments to Non-Resident Payee	Criteria for Deduction	Section	Rate (%)
12	Income by way of interest to FII or QFI	a) On Rupee denominated Bonds of Indian Company and Government Securities. b) On Municipal debt securities (Income arising on or after 01st April, 2020 but before 1st day of July 2023) (Note 8)	194LD	5
13	Payments to Non-Resident Sportsmen/Entertainer/Sports Association	Other than to a non-resident being an Indian citizen	194E	20
14	Other income	(a) In case of non-resident companies	-	40
		(b) In case of non-residents other than foreign companies	-	30
15	Dividends distributed by Domestic Company	(Refer Note No. 11 below)		
16	Equalisation Levy	(Refer Note No. 6 below)		

Notes

1	Cess @ 4% shall be levied additionally.
2	Treaty rates will differ from Country to Country. Treaty rates will apply only if Tax Residency Certificate is produced.
3	NRIs opting to be taxed under chapter XII-A, tax shall be deductible at the rate of ten percent on long term capital gains referred to in section 115E and twenty percent on investment income.
4	W.e.f. 1st April, 2010, the rate of TDS will be deducted u/s 206AA @ 20% in all cases, if PAN is not quoted by the deductee. However, this condition is not applicable: -in respect of Royalties, FTS, Interest and Capital Gains on compliance of conditions in Rule 37BC -in respect of Interest covered u/s 194LC
5	TDS is to be deducted at "Rate in Force". The term "Rate in force" means rate as per Income Tax Act, 1961 or Relevant DTAA rate, whichever is more beneficial.
6	Equalisation Levy is applicable on online advertisement / digital advertising space services provided by a non-resident to a resident or a permanent establishment of non-resident in India. The rate for such levy shall be six percent of the consideration.
7	TDS on Interest Payments u/s 194LC will now be available in respect of borrowings made before 1st July, 2023

8	TDS on Interest Payments u/s 194LD will now be available in respect of interest payable before 1st July, 2023			
9	The Long Term Capital Gains shall be computed without giving effect to 1st and 2nd proviso to Section 48.			
10	No tax at source is required to be deducted under section 195 by National Technical Research Organisation ('NTRO') on payments of royalty or fees for technical services paid to non resident or foreign company			
11	2nd Provisio to Section 195 has been deleted, there by distribution distributed and received by a non resident would be covered under the provisions of section 195.			
*	Certificate for deduction at lower rate can be applied for Section 195.			
*	Surcharge Applicable:-			
	Sr. No.	Payee Status	Deduction Threshold	Rate (%)
	(a)	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding ₹ 50 lakhs up to ₹ 1 crore	10%
	(b)	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding ₹ 1 crore upto ₹ 2 crore	15%
	(c)	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding Rs. 2 crore upto ₹ 5 Crore (excluding income covered under 111A and 112A)	25%
	(d)	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding ₹ 5 crores (excluding income covered under 111A and 112A)	37%
	(e)	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding ₹ 2 crore up to ₹ 5 Crore (including income covered under 111A and 112A) not covered under "c" above	15%
	(f)	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding ₹ 5 crores (Including income covered under 111A and 112A) not covered under "d" above	15%
	(g)	Co-Operative Society	Exceeding ₹ 1 crore	12%
	(h)	Foreign Company	Exceeding ₹ 1 crore up to ₹ 10 crores	2%
	(i)	Foreign Company	Exceeding ₹ 10 crores	5%

TCS

TCS RATES FOR ASSESSMENT YEAR 2020-21 (FINANCIAL YEAR 2019-20)

Sr. No.	Nature of Goods/Contract/Licence /Lease	Criteria for Collection	Rate (%) *
1	Alcoholic Liquor for Human Consumption	No Threshold Limit	1
2	Tendu Leaves	No Threshold Limit	5
3	Timber obtained under a Forest Lease	No Threshold Limit	2.5
4	Timber obtained by any mode other than under a Forest Lease	No Threshold Limit	2.5
5	Any other Forest produce	No Threshold Limit	2.5
6	Scrap	No Threshold Limit	1
7	Minerals, being Coal or Lignite or iron ore	No Threshold Limit	1
8	Motor Vehicle (Note 1)	Payment in excess of ₹ 10,00,000/-	1
9	Cash Sale of Bullion	Payment in excess of ₹ 2,00,000/-	1
10	Cash Sale of any other goods (other than bullion and jewellery) or Providing any service for Cash	Payment in excess of ₹ 2,00,000/-	1
11	Transfer of right or interest in any Parking Lot or Toll Plaza or Mining and Quarrying (other than of mineral oil) under any contract, licence and lease	No Threshold Limit	2
12	Amount received by an Authorised Dealer from Buyer for Remittance out of India under the Liberalised Remittance Scheme of the Reserve Bank of India (Note 2)	Amount, or an aggregate of amounts, of seven lakh rupees or more in a financial year.	5
13	Amount received by Seller from Buyer in respect of overseas tour program package (Note 2)	No Threshold Limit	5
14	Amount received by Seller as consideration for sale of any goods other than the goods covered in sub-section (1) or sub-section (1F) or sub-section (1G) (Note 3), (Note 4)	Value or aggregate of such value exceeding fifty lakh rupees in any previous year	0.1

Note 1

No TCS shall be collected where the buyer is the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of

a foreign State; local authority as defined in explanation to clause (20) of Section 10; a public sector company which is engaged in the business of carrying passengers.

Note 2

The provisions of subsection (1G) shall not apply in case where : (i) Where TDS has to be deducted under any provision and has been deducted (ii) the buyer is Central Government, a State Government, an embassy, a High Commission, a legation, a commission, a consulate, the trade representation of a foreign State, a local authority as defined in the Explanation to clause (20) of section 10 or any other person as the Central Government may, by notification in the *Official Gazette*, specify for this purpose, subject to such conditions as may be specified therein

Note 3

The tax shall be collected on Amount exceeding ₹ 50 Lakhs.

Note 4

The provisions of subsection (1H) shall not apply in case where : (i) if the buyer is liable to deduct tax at source under any other provision of this Act and has deducted such amount. (ii) Where the purchaser is the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; or a local authority as defined in the Explanation to clause (20) of section 10; or any other person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein;

* TCS shall be deducted u/s 206CC @ twice the rate applicable or 5%, whichever is higher, if PAN is not furnished by the collectee. For the purpose of Sec 206C(1H), the rate will be 1% instead of 5%

* Surcharge Applicable:-

Sr. No.	Payee Status	Deduction Threshold	Rate (%)
(a)	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding ₹ 50 lakhs up to ₹ 1 crore	10%
(b)	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding ₹ 1 crore up to ₹ 2 crore	15%
(c)	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding ₹ 2 crore up to ₹ 5 Crore (excluding income covered under 111A and 112A)	25%
(d)	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding ₹ 5 crores (excluding income covered under 111A and 112A)	37%

Sr. No.	Payee Status	Deduction Threshold	Rate (%)
(e)	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding ₹ 2 crore up to ₹ 5 Crore (including income covered under 111A and 112A) not covered under "c" above	15%
(f)	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding ₹ 5 crores (Including income covered under 111A and 112A) not covered under "d" above	15%
(g)	Co-Operative Society	Exceeding ₹ 1 crore	12%
(h)	Foreign Company	Exceeding ₹ 1 crore up to ₹ 10 crores	2%
(i)	Foreign Company	Exceeding ₹ 10 crores	5%

Customs Tariff Act, 1975

A. Legislative Changes in Customs

1. Major Amendments in the Customs Act, 1962

S. No.	Amendment
A	For improving compliance
1	A new Chapter VAA (a new section 28DA) is being incorporated in the Customs Act to provide enabling provision for administering the preferential tariff treatment regime under Trade Agreements. The proposed new section seeks to specifically provide for certain obligations on importer and prescribe for time bound verification from exporting country in case of doubt. Pending verification preferential tariff treatment shall be suspended and goods shall be cleared only on furnishing security equal to differential duty. In certain cases, the preferential tariff treatment may be denied without further verification.
B	For reducing litigation
1	An explanation is being inserted in section 28 to explicitly clarify that any notice issued under the said section, prior to the enactment of the Finance Act, 2018, shall continue to be governed by the section 28 as it existed before the said enactment, notwithstanding order of any Appellate Tribunal, Court or any other law to the contrary.
C	Other enabling provisions
1	Clause (f) of the section 11(2) empowers the Central Government, for prevention of injury to the economy of the country by the uncontrolled import or export of gold or silver, to prohibit their import or export. This clause is being amended to include “any other goods” (in addition to gold and silver) in its ambit.
2	A new section (section 51B) is being incorporated to provide for creation of an Electronic Duty Credit Ledger in the customs system. This will enable duty credit in lieu of duty remission to be given in respect of exports or other such benefit in electronic form for its usage, transfer etc. In this regard, enabling provisions for issuance of suitable regulations are also being inserted in section 157(2) of the Customs Act, 1962. The provisions for recovery of duties provided under section 28AAA of Customs Act, 1962 are also being expanded to include such electronic credit of duties.

2. Amendments to the Customs Tariff Act, 1975

S. No.	Amendment
A	Amendment in the Customs Tariff Act, 1975
1	Section 8B of the Customs Tariff Act, 1975, which provided for imposition of safeguard duty as a trade remedy against surge in imports of a commodity, is being amended to make provisions for application of other safeguard measures such as Tariff Rate Quota and other safeguard measure as the Central Government may deem necessary to protect the domestic industry from injury due to significant surge in imports.
B	Amendment in the First Schedule of the Customs Tariff Act, 1975
1	First Schedule to the Customs Tariff Act, 1975 is being amended to: <ul style="list-style-type: none"> (i) Create new tariff item 8414 51 50 for “Wall fans”. The tariff rate for this item is 20% and BCD on wall fans is being increased from 7.5% to 20% (ii) Create new tariff item 8529 90 30 for “Open Cell of television set”. The tariff rate for this item is 15%. However, these items will continue at ‘Nil’ BCD. (iii) Create tariff items 8541 40 11 for “Solar Cells, not assembled” and tariff item 8541 40 12 for “Solar Cells assembled in modules or made up into panels”. The tariff rate for these items is 20%. However, these items will continue at ‘Nil’ BCD.

3. Amendment in Countervailing Duty Rules and Anti-Dumping Duty Rules

These rules provide for manner and procedure for investigation into cases of imports of subsidized goods and cases of dumping of goods, respectively that cause injury to domestic industry. Following amendments are being made in these rules:—

S. No.	Rules	Amendment
1	Anti-Dumping Rules	Changes are being made in the Rules to strengthen the anti-circumvention measures by making them more comprehensive and wider in scope to take care of all types of circumventions of antidumping duty in line with best international practice. Certain other changes are being made in these Rules for bringing clarity in the scope of these rules.
2	Countervailing Duty Rules	At present, there is no provision for investigation in case of circumvention of countervailing duties. A provision is being incorporated in the Countervailing Duty Rules to enable investigation into case of circumvention of countervailing duty for enabling imposition of such duty. Certain other changes are being made for bringing clarity in the Rules.

B. Review of Customs duty exemption for certain imported goods

1. Customs exemption have been reviewed to weed out such entries that are redundant, outdated or have outlived their utility. On such review, 80 exemptions are being withdrawn by making suitable amendment/rescission of relevant notifications. The exemptions being pruned on review, *inter alia*, include withdrawal of exemption/concessional rates on the following goods, namely:—

S. No.	Category of goods	Specific items
1	Agro and animal based products	Tuna bait, skimmed milk and certain milk products, sugar beet seeds, raw sugar, certain alcoholic beverages, whey and isolated soya protein, soya fibre, etc.
2	Items of Metal	<ol style="list-style-type: none"> a. Lead bars, rods and wire b. Zinc tubes, pipes and tubes c. Tin plates, sheets and strips
3	Machinery	<p>Machinery imported for use in certain projects such as specified electricity generation projects, specified Metro projects, certain other specified purposes;</p> <p>Specified goods required for construction of roads</p>
4	Electronic items	<p>Copper and articles thereof used in manufacturing of specified electronic items;</p> <p>Parts for manufacture of printers, CD Writers, MP3 or MP4 or MPEG 4 players, pre-recorded cassettes, audio cassettes, colour television tubes, etc.</p>
5	Miscellaneous	<ol style="list-style-type: none"> a. Peanut butter, preserved potatoes b. Instant print film, exposed cinematographic films c. A few redundant and outdated customs duty exemptions are being withdrawn. Further, a few exemptions are being re-aligned for consistency.

2. Changes in Customs duty for creating a level playing field for MSME and promoting MAKE IN INDIA

1. Level playing field for domestic producers

Customs duty is being increased on the following goods:

S. No.	Category of goods	Specific items	Rate of Duty	
			From	To
1	Household goods and appliances	Tableware and kitchenware of porcelain or china, ceramic, clay, iron, steel, copper and aluminum, glassware, padlocks, brooms, hand-sieves, combs, vacuum flasks, etc.	10%	20%
2	Electrical Appliances	Fans, food grinders/mixers, shavers and hair removing appliances, water heaters, hair/hand drying apparatus, ovens, cookers, toasters, coffee/tea makers, insect repellents, heaters, irons, etc.	10%	20%
3	Footwear	a. Footwear	25%	35%
		b. Parts of footwear	15%	20%
4	Furniture goods	Seats, articles of bedding including mattresses, lamps, lighting, illuminated signs, and other articles of furniture	20%	25%
5	Stationery items	Filing cabinets, paper trays, binders, clips, staples, sign-plates, name plates, numbers and symbols etc. made from base metal	10%	20%
6	Toys	Tricycles, scooters, scale models, dolls, etc.	20%	60%
7	Machinery	a. Specified goods used in high voltage power transmission project	5%	7.5%
		b. Railway carriage fans	7.5%	10%
		c. Compressors of refrigerators and air conditioners	10%	12.5%
		d. Commercial freezers	7.5%	15%
		e. Welding and plasma cutting machine	7.5%	10%
		f. Rotary tillers/weeder	2.5%	7.5%

S. No.	Category of goods	Specific items	Rate of Duty	
			From	To
8.	Other miscellaneous items	a. Glass beads		
		b. Artificial flowers		
		c. Bells, gongs, statuettes, trophies and like, statuettes, ornaments, photograph, frames, mirrors etc. of base metal.	10%	20%

2. Changes in Customs duty to promote MAKE IN INDIA under Phased Manufacturing Programme (PMP) for Electric Vehicles and Cellular Mobile Phones

a.	Changes in customs duty under Phased Manufacturing Programme for Electric Vehicles	Rate of Duty	
		From	To
1	Completely Built Units of Bus and Trucks (with effect from 01.04.2020)	25%	40%
2	Semi Knocked Down (SKD) units of bus, trucks and two wheelers with effect from 01.04.2020)	15%	25%
3	Semi Knocked Down (SKD) units of passenger vehicles and three wheelers (with effect from 01.04.2020)	15%	30%
4	Completely Knocked Down (CKD) units of passenger vehicles, three wheelers, two wheelers, bus and trucks (with effect from 01.04.2020)	10%	15%

a.	Changes in customs duty under Phased Manufacturing Programme for Cellular Mobile Phones	Rate of Duty	
		From	To
1	PCBA of Mobile phones (with effect from 01.04.2020)	10%	20%
2	Vibrator/Ringer of Mobile phones (with effect from 01.04.2020)	Nil	10%
3	Display Panel and Touch Assembly (with effect from 01.10.2020)	Nil	10%

3. Changes in Customs duty to promote MAKE IN INDIA in Electronics sector

S. No.	Specific Items	Rate of Duty	
		From	To
1	Motors like Single Phase AC motors, Stepper motors, Wiper Motors etc.	7.5%	10%
2	Specified chargers and power Adapters	Applicable Rate	20%
3	Fingerprint readers for use in cellular mobile phones	Nil	15%
4	Earphones and headphones	Applicable Rate	15%

4. Reduction in Customs duty on raw materials and inputs imported by Domestic Manufacturers

S. No.	Category of Inputs/ Raw materials	Specific Items	Rate of duty	
			From	To
1	Fuels, Chemicals and Plastics	Very low sulphur fuel oil meeting ISO 8217:2017 RMG380 Viscosity in 220-400 CST standards/Marine Fuel 0.5% (FO)	10%	Nil
		Calcined Petroleum Coke	10%	7.5%
		Calendared plastic sheets used in manufacturing of smart cards	10%	5%
		Polyester Liquid Crystal Polymers for use in manufacture of connectors	7.5%	Nil
2	Precious Metals	Platinum or Palladium used in manufacture of:		
		a) Colloidal precious metals, inorganic or organic compounds of precious metal, amalgams of precious metals		
		b) Catalyst with precious metal or precious metal compounds as the active substance	12.5%	7.5%
		Spent Catalyst or Ash containing precious metal, subject to specified conditions	12.5%	11.85%

S. No.	Category of Inputs/ Raw materials	Specific Items	Rate of duty	
			From	To
3	Machinery and Electronic Goods	Following parts of Microphone for use in manufacture of Microphone namely, a) microphone cartridge b) microphone holder c) microphone grill d) microphone body	10%	Nil
		Micro-fuse base, sub-miniature fuse base, Micro-fuse Cover and sub-miniature fuse cover for use in manufacture of micro fuse and Sub-miniature fuse.	7.5%	Nil
4	Sports Goods	Willow is being included in the list of items allowed duty free import up to 3% of FOB value of sports goods exported in the preceding financial year	Applicable Rate	Nil
5	Newsprint	a) Newsprint, when imported by importer registered with Registrar of Newspapers, India.	10%	5%
		b) Uncoated paper used for printing newspaper, when imported by importer registered with Registrar of Newspapers, India.		
		c) Lightweight coated paper used for printing magazines subject to actual user condition.		

5. Other changes in Customs duty:

S. No.	Category of Goods	Specific Items	Rate of Duty	
			From	To
1	Food Processing	Walnuts, shelled	30%	100%
2	Chemicals and Plastics	Colloidal precious metals, inorganic or organic compounds of precious metal, amalgams of precious metals	7.5%	10%
		Butyl Acrylate	5%	7.5%
		Other prepared binders for foundry moulds or cores; Chemical products and preparations of the chemical or allied Industries	10%	17.5%
3	Auto and auto parts	Catalytic converter	10%	15%
		Noble metal solutions and noble metal compounds used in manufacture of catalytic converter and its Parts	5%	10%
		Platinum or Palladium used in manufacturing of catalytic converter and its Parts	5%	Applicable Rate
		Parts and other specified inputs for manufacture of catalytic converters.	5%	7.5%
		Completely Built Units (CBUs) of commercial vehicles (other than electric vehicles) (with effect from 01.04.2020)	30%	40%

D. Imposition of Health cess on specified medical equipment

Health Cess at the rate of 5% is proposed to be imposed on the import of medical devices. This Health Cess shall be a duty of Customs. Health Cess shall not apply to medical devices which are exempt from BCD. Further, inputs/parts used in the manufacture of medical devices shall also be exempt from Health Cess. The proceeds of Health Cess shall be used for financing the health infrastructure and services.

E. Revocation of Anti-Dumping Duty on Purified Terephthalic Acid

Sr No.	Notification No.	Description
1	03/2020-Customs (ADD), dated 2nd February 2020	Seeks to revoke the Anti-dumping duty imposed on Purified Terephthalic Acid and for this purpose, rescinds the notifications No. 28/2016-Customs (ADD), dated the 5th July, 2016 and No. 28/2019-Customs (ADD), dated the 24th July, 2019.

Revocation of Anti-dumping duty on import of Purified Terephthalic Acid originating in or exported from:—

1. South Korea and Thailand imposed vide notification No. 28/2019- Customs (ADD) dated 24.7.2019.
2. China, Iran, Indonesia, Malaysia and Taiwan imposed vide notification No. 28/2016-Customs (ADD) dated 5.7.2016.

F. Increase in National Calamity Contingent duty (NCCD) on Cigarettes and tobacco products

National Calamity Contingent Duty is levied as a duty of excise on certain manufactured goods specified under the Seventh Schedule of Finance Act, 2001. NCCD is being proposed to be increased on tobacco products (except bidi) as detailed below:

1. On cigarettes, NCCD is being increased ranging from ₹ 200 – 735 per thousand, depending upon length of cigarette and on filter/non-filter basis.
2. On smoking mixtures for pipes and cigarettes, NCCD is being increased from 45% to 60%.
3. On other forms of smoking tobacco (other than smoking mixtures for pipes and cigarettes) and forms of chewing tobacco, NCCD is being increased from 10% to 25%.
4. NCCD on Bidis remains unchanged.

Proposed changes in Central Goods and Services Tax Act, 2017

S. No.	Amendments in the Central Goods and Services Tax Act, 2017/Integrated Goods and Services Tax Act, 2017/Union Territory Goods and Services Tax Act, 2017
A	For facilitating trade or consumer
1	Sub section (4) of the section 16 of the CGST Act is being amended to delink the date of issuance of debit note from the date of issuance of the underlying invoice for purposes of availing input tax credit.
2	Clause (c) of sub-section (1) of section 29 of the CGST Act is being amended to provide for cancellation of registration which has been obtained voluntarily under sub-section (3) of section 25.
3	A proviso to sub-section 1 of section 30 of the CGST Act is being inserted to empower the jurisdictional tax authorities to extend the date for application of revocation of cancellation of registration in deserving cases.
4	Section 51 of the CGST Act is being amended to remove the requirement of issuance of TDS certificate by the deductor; and to omit the corresponding provision of late fees for delay in issuance of TDS certificate.
5	Section 168 of the CGST Act is being amended to make provisions for enabling the jurisdictional commissioner to exercise powers under sub-section (5) of section 66 and second proviso to sub-section (1) of section 143.
B	For improving compliance
1.	Section 10 of the CGST Act is being amended, so as to exclude from the ambit of the Composition scheme certain categories of taxable persons, engaged in making—
(i)	supply of services not leviable to tax under the CGST Act, or
(ii)	inter-State outward supply of services, or
(iii)	outward supply of services through an e-Commerce operator.

S. No.	Amendments in the Central Goods and Services Tax Act, 2017/Integrated Goods and Services Tax Act, 2017/Union Territory Goods and Services Tax Act, 2017
2.	Section 122 of the CGST Act is being amended by inserting a new sub-section to make the beneficiary of the transactions of passing on or availing fraudulent Input Tax Credit liable for penalty similar to the penalty leviable on the person who commits such specified offences.
3.	Section 132 of the CGST Act is being amended to make the offence of fraudulent availment of input tax credit without an invoice or bill a cognizable and non-bailable offence; and to make any person who commits, or causes the commission and retains the benefit of transactions arising out of specified offences liable for punishment.
C.	Other changes
1.	The definition of “Union territory” in clause (114) of section 2 of the CGST Act is being amended to update the definition of Union territory in view of the bringing into force of the Jammu and Kashmir Reorganization Act, 2019 and the Dadra and Nagar Haveli and Daman and Diu (Merger of Union Territories), Act, 2019. Consequential changes are also being made in UTGST Act, 2017.
2.	Section 31 of the CGST Act is being amended to provide enabling provision to prescribe the manner of issuance of invoices in case of supply of taxable services.
3.	Section 109 of the CGST Act is being amended to bring the provision for Appellate Tribunal under the CGST Act in the Union territory of Jammu and Kashmir and Ladakh.
4.	Section 140 of the CGST Act is being amended with effect from 01.07.17, to prescribe the manner and time limit for taking transitional credit.
5.	Section 172 of the CGST Act is being amended to make provision for enabling issuance of removal of difficulties order for another 2 years, i.e. till five years from the date of commencement of the said Act. Similar changes are also being made in the IGST Act, 2017 (section 25), the UTGST Act, 2017 (section 26) and the GST (Compensation to States) Act, 2017 (section 14).
6.	Entries at 4(a) & 4(b) in Schedule II of the CGST Act is being amended with effect from 01.07.2017 to make provision for omission of supplies relating to transfer of business assets made without any consideration from Schedule II of the said Act.

Retrospective amendments to give effect to the recommendations of the GST Council

S. No.	Retrospective amendment in the Goods and Service Tax rate and refund provisions
1	Exemption from Central Tax, Union Territory Tax and Integrated Tax is being given on fishmeal [HS 2301], for the period 01.07.2017 to 30.09.2019. However, GST paid on supply of fishmeal during the period shall not be refunded.
2	Concessional 12% rate of Integrated Tax and 6% Central Tax and 6% Union Territory Tax during the period 01.07.2017 to 31.12.2018, on pulley, wheels and other parts (falling under heading 8483) and used as parts of agricultural machinery of headings 8432, 8433, and 8436. However, GST paid at any other rate (higher than 12%) shall not be refunded.
3	The refund of accumulated credit of compensation cess on tobacco products arising out of inverted duty structure in Compensation Cess has been disallowed with effect from 1.10.2019 <i>vide</i> notification No. 3/2019-Compensation Cess (Rate) dated 30.9.2019. This notification is being given retrospective effect from 1.7.2017 onwards. Accordingly, no refund on account of inverted duty structure shall be admissible on tobacco products for any period.

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