

# INDIA BUDGET 2019



**Shanker & Kapani**  
CHARTERED ACCOUNTANTS



# FOREWORD.....

Smt. Nirmala Sitharaman, India's first full-time woman Finance Minister presented her first Budget on 05th July 2019.

While pointing out that the size of the Indian economy had increased from \$1.85 trillion to \$2.7 trillion in the last 5 years, she set the target of taking it to \$5 trillion in a "few" years.

The thrust of her proposed measures are:

- ❖ Investment in development of social and physical infrastructure especially in rural areas.
- ❖ Incentivising "start-ups".
- ❖ Incentivising "affordable housing" and "electrical vehicle manufacturing".
- ❖ Investment in "skill development".
- ❖ Structural reform of labour laws.
- ❖ Extension of social security in the form of pension to thirty million small retail traders.
- ❖ Providing financial support to MSMEs.
- ❖ Providing tax incentives to units set up in International Finance Centre (Giftcity) with a view to attract FDI.
- ❖ Providing boost to revving up credit by PSU banks and NBFC's by injecting

fresh capital in PSU Banks & providing government guarantees.

- ❖ India to tap for the first time foreign markets for borrowings.
- ❖ Continued fiscal consolidation by maintaining fiscal deficit at 3.3% of GDP for 2019-20.

The dampeners of the budget proposal were:

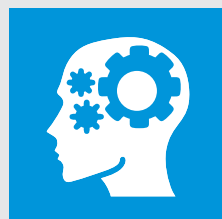
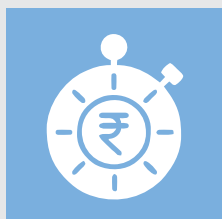
- ❖ Increase in the tax rates on the super-rich by up to 7%.
- ❖ Increased cess on petrol and diesel by Rs. 2 per litre.
- ❖ Listed companies to pay tax on buy-back of their shares.
- ❖ Increased import duties on certain consumer durables.

Having regard to the concerns raised in few reports over the slowdown of the economy, increasing unemployment and a very challenging global business environment, one felt that the Budget could have done a lot more to provide the much needed push to the economy and the corporates.

Friday, July 05, 2019

Mumbai

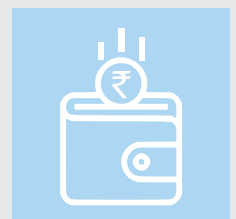
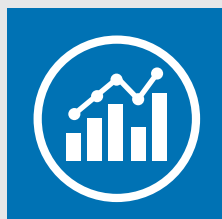
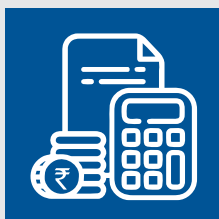
INDIA



# MAJOR POLICY ANNOUNCEMENTS

## Foreign Direct Investments (FDI)

- **Roadmap for Airline and International Financial Services Centre (IFSC)**
  - ❖ As a measure to make the airline industry self-reliant, creating aircraft leasing business, creating jobs in the aviation finance and tapping the underlying potential in the International Financial Services Centre (IFSC), the Government intends to devise a regulatory roadmap to make India a hub for such activities.
- **Investment by FII/FPI in Debt Securities**
  - ❖ The Government proposes to permit investments made by FIIs/FPIs in debt securities issued by Infrastructure Debt Fund – Non-Bank Finance Companies (IDF-NBFCs) to be transferred/sold to any domestic investor within the specified lock-in period.
- **Rationalization of KYC Norms for FPI**
  - ❖ The Government intends to harmonize the existing Know Your Customer (KYC) norms and provide a hassle free investment experience for Foreign Portfolio Investors. The proposals are to rationalize and streamline norms for FPIs to make it more investor friendly without compromising the integrity of cross-border capital flows.
- **FDI in Insurance and Single brand retail**
  - ❖ 100% FDI in Insurance Intermediaries shall be permitted.
  - ❖ Local sourcing norms for FDI in Single Brand Retail sector will be eased.
- **Annual Global Investors Meet**
  - ❖ The Government is contemplating to organize in India, using National Infrastructure Investment Fund (NIIF) as the anchor, to get all three sets of global players-top industrialists/corporate honchos, top pension/insurance/sovereign wealth funds and top digital technology/venture funds to mobilize global savings, mostly institutionalized in pension, insurance and sovereign wealth funds.
- **Statutory limit for FPI to be raised, permit to subscribe debt securities issued by REITs and InvITs**
  - ❖ The Government proposes to increase the statutory limit for FPI investment in a company from 24% to sectoral foreign investment limit with option given to the concerned corporate to limit it to a lower threshold.
  - ❖ FPIs will be permitted to subscribe to listed debt securities issued by REITs and InvITs.
- **NRI-Portfolio Investment Scheme Route to be merged with Foreign Portfolio Investment Route.**
  - ❖ With a view to provide NRIs with seamless access to Indian equities the NRI-Portfolio Investment Scheme Route to be merged with Foreign Portfolio Investment Route.





- **Foreign shareholding limit to be raised in PSU units**

- ❖ The Government shall take necessary steps to meet public shareholding norms of 25% for all listed PSUs and raise the foreign shareholding limits to maximum permissible sector limits for all PSU companies.

## Start-ups

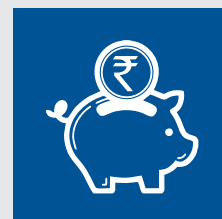
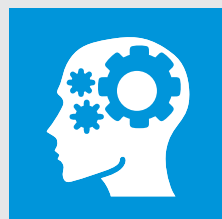
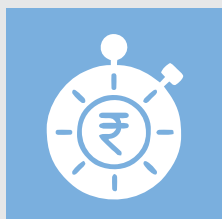
The Government has vision to attain a US\$ 5 trillion economy in the next few years for which start-ups have been considered as an area of prime focus. It is proposed to take following initiatives to promote start-ups:

1. To start a television programme within the DD bouquet of channels exclusively for start-ups. This shall serve as a platform for promoting start-ups, discussing issues affecting their growth, matchmaking with venture capitalists and for funding and tax planning.
2. The start-ups and their investors who file requisite declarations and provide information in their returns will not be subjected to any kind of scrutiny from Income Tax Department in respect of valuations of share premiums received on issuing equity shares. Further, in order to save time on compliances, the issue of establishing identity of the investor and source of his funds will be resolved by putting in place a mechanism of e-verification.
3. Special administrative arrangements shall be made by Central Board of Direct Taxes (CBDT) for pending assessments of start-ups and redressal of their grievances. **It will be ensured that no inquiry or verification in such cases can be carried out by the Assessing Officer without obtaining approval of his supervisory officer**
4. Start-ups will not be required to justify fair market value of their shares issued to even **Category-II Alternative Investment Funds**
5. It is proposed to relax some of the conditions for carry forward and set off of losses. It is also proposed to extend the period of exemption of capital gains arising from sale of residential house for investment in start-ups up to 31.3.2021.

## Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India

The government has also laid emphasis on Automotive sector. The following key proposals have been made:

1. Phase II of Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India (FAME) scheme to commence from 1st April, 2019. The cabinet has approved an outlay of 10,000 crores for a period of 3 years commencing from 1st April, 2019.
2. Deduction up to INR 1.5 lacs introduced for interest paid on loan taken to purchase an electric vehicle.
3. Scheme to be announced for incentivizing the setup of mega manufacturing plants for lithium batteries and solar PV cells etc., to make India the global hub for manufacturing electric vehicle.
4. It is suggested to GST council to reduce GST from 12% to 5% for electric vehicle.
5. It is proposed to exempt custom duty of certain electric vehicle parts.



# DIRECT TAX

## Personal Tax Rates

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

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

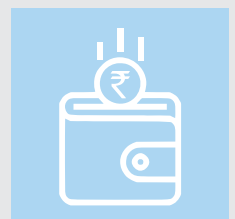
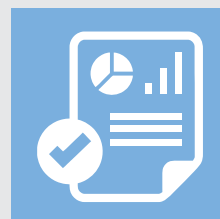
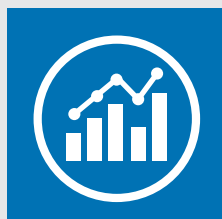
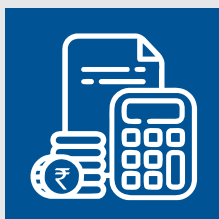
Income	Rates of Tax (%)		
	Tax Rate (%)	Cess @ 4% (%)	Effective Rates (%)
Upto Rs. 2,50,000	0.00%	0.00%	0.00%
Rs. 2,50,001 to Rs. 5,00,000	5.00%	0.20%	5.20%
Rs. 5,00,001 to Rs. 10,00,000	20.00%	0.80%	20.80%
Above Rs. 10,00,000	30.00%	1.20%	31.20%

### (B) Resident Senior individuals (Age 60 years or more)

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





## Surcharge for Individuals, HUFs, AOPs, BOIs

Existing Surcharge		Proposed Surcharge	
Net Taxable Income	Rate of surcharge	Net Taxable Income	Rate of surcharge
Upto Rs. 50,00,000	0%	Upto 50,00,000	0%
Rs. 50,00,001 - Rs. 1,00,00,000	10%	Rs. 50,00,001 - Rs. 1,00,00,000	10%*
Rs.1,00,00,001 +	15%	Rs.1,00,00,001 - Rs.2,00,00,000	15%*
		Rs. 2,00,00,000 - 5,00,00,000	25%*
		5,00,00,000+	37%*

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

### Rebate for Resident Individuals

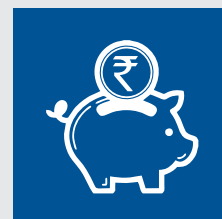
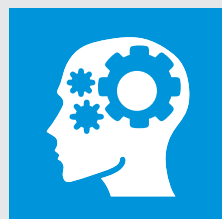
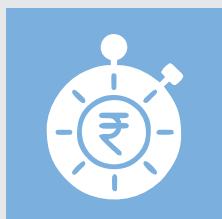
The rebate u/s 87A has now been increased to INR 12,500/- for resident individuals whose total income is not exceeding INR 5,00,000/- . The amount of rebate will be the actual tax payable or Rs. 12,500/-, whichever is lower.

### Corporate Tax

- Finance Act, 2017 introduced a reduced rate of tax of 25% for domestic companies with turnover or gross receipts less than INR 50 crore. This reduced rate is proposed to be extended to companies whose turnover or gross receipts does not exceed INR 400 crore (increased from INR 250 crore) during financial year 2017-18. For other domestic companies, the rate of 30% shall continue to apply.
- The rate of tax payable by Foreign Companies have not been changed and remains at 40%.
- Surcharge remains unchanged at 7% and 12% for domestic companies and 2% and 5% for foreign companies.

### Cess (for all assessees):

**The Secondary Education Cess of 2% and Higher Secondary Education Cess of 1% (aggregate 3%) applicable on tax and surcharge to every tax payer is proposed to be replaced by a single Health & Education Cess of 4%.**



# INTERNATIONAL TAXATION

## Section 9(1): Deemed accrual of gift made to a person outside India

Section 56(2)(x) provides that value of property (or cash) received by any person without consideration or for inadequate consideration (exceeding INR 50,000) shall be treated as income in the hands of the recipient. However, taxability of such receipts by non-residents was unclear as the income may not have accrued or arisen or deemed to have accrued or arisen in India.

To provide clarity, new clause (viii) to section 9(1) is proposed to be inserted to provide that income as described in section 56(2)(x) earned by a person outside India on or after 5th July, 2019 shall be deemed to accrue or arise in India and would therefore be taxable in India. However, the existing exemptions and tax treaty benefits will continue to apply.

## Section 9A: Relaxation in conditions of special taxation regime for offshore funds

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 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 (j) and clause (m) of sub-section 3, are proposed to be rationalised so as to provide that –

- i) The date for determining monthly average of corpus of fund which shall not be less than 100 crores rupees would be either six months from the end of the month of its establishment or incorporation or at the end of such financial year, whichever is later.
- ii) the remuneration paid by the fund to an eligible fund manager would not be less than the amount calculated in such manner as may be prescribed replacing the requirement to have arm's length remuneration.

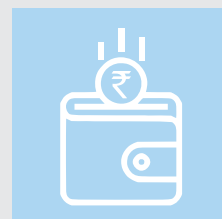
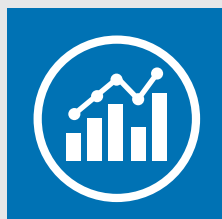
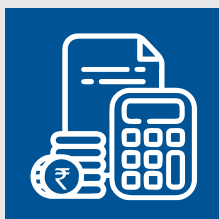
These amendments will apply retrospectively with effect from 1st April, 2019 (i.e. AY 2019-20).

## Section 92CD: Power of AO in respect of giving effect to Advance Pricing Agreement

It is proposed to amend section 92CD(3) to provide that where the assessment or reassessment has already been completed and modified return of income has been filed by the taxpayer under section 92CD(1) i.e. pursuant to an APA, then the AO shall pass an order only to the extent of modifying the total income of the relevant assessment year determined in such assessment or reassessment in accordance with the APA and not start fresh assessment or reassessment in respect of completed assessments or reassessments.

This amendment will take effect from 1st September 2019.

Consequently, section 246A is also proposed to be amended w.e.f. 1st September 2019 to provide that the Assessee may appeal to the Commissioner (Appeals) against an order passed by AO under sub-section (3) of 92CD giving effect to an APA.





## Section 92CE: Clarification with regard to secondary adjustment and giving an option to assessee to make onetime payment

Sub-section (1) of the section 92CE provides that the assessee shall make secondary adjustment in case where primary adjustment to transfer price takes place as specified therein. However, exemption is given in cases where the amount of primary adjustment made in any previous year does not exceed one crore rupees; and the primary adjustment is made in respect of an assessment year commencing on or before 1st April, 2016. It is proposed to amend clause (iii) of the above sub-section (1) so as to provide that the secondary adjustment will be applicable where the primary adjustment to transfer price is determined by an advance pricing agreement entered into by the assessee under section 92CC on or after 1st April, 2017. However, no refund of the taxes already paid till date under the pre amended section shall be claimed and allowed.

Sub-section (2) of said section provides that the excess money available to the associated enterprise shall be repatriated to India from such associated enterprise within prescribed time and in case of non-repatriation, interest thereon is to be computed deeming the same as advance to such associated enterprise. It is proposed to amend so as to provide that the assessee shall be required to calculate interest on the excess money or part thereof; the excess money may be repatriated from any of the associated enterprises of the assessee which is not resident in India, besides the associated enterprise with which the excess money is available.

These amendments will apply retrospectively with effect from 1st April, 2018 i.e. AY 2018-19.

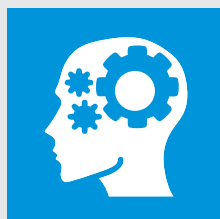
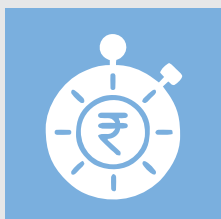
It is further proposed to amend section 92CE to provide that where the excess money or part thereof has not been repatriated in time, the assessee will have the option to pay additional income-tax at the rate of 18% (plus surcharge of 12%) on such excess money or part thereof in addition to the payment of interest till the date of payment of this additional tax. Further, if the assessee pays additional income-tax, he will not be required to make secondary adjustment or compute interest from the date of payment of such tax. Also, the deduction in respect of the amount on which additional tax has been paid shall not be allowed under any other provision of the Act and no credit of additional tax paid shall be allowed under any other provision of the Act.

This amendment will take effect from 1st September, 2019.

## Section 10(4C) - Exemption to non-residents on interest income arising from Rupee Denominated Bonds referred to under section 194LC

It is proposed to insert new clause (4C) to section 10 so as to provide exemption to income payable by way of interest to a non-resident, not being a company, or to a foreign company, by any Indian company or business trust in respect of monies borrowed from a source outside India by way of issue of rupee denominated bond, as referred to in section 194LC, during the period beginning from the 17th September, 2018 and ending on the 31st March, 2019. Consequently, it should be noted that the interest income arising from Rupee denominated bonds issued beyond the aforesaid period, as referred to in section 194LC, will continue to be taxable and eligible for TDS at the concessional rate of 5%.

This amendment will apply retrospectively with effect from 1st April, 2019 i.e. AY 2019-20.





# CORPORATE TAXATION

## Amendment to the definition of Demerger – Section 2(19AA)

Currently, clause (iii) of section 2(19AA) provides that all the property and liabilities of an undertaking(s) transferred by a demerged company shall be recorded at book value. It is proposed that the requirement of recording property and the liabilities at book value shall not apply where the property and the liabilities of the undertakings received by a resulting company are recorded at a value different from the book value (as recorded in the books of demerged company) immediately before the demerger on account of compliance with Indian Accounting Standards.

This amendment will take effect from 1st April, 2020 and will apply from assessment year 2020-2021 and onwards.

## Section 43B – Deductions only available on actual payments & Section 43D Special provision in case of income of certain financial institutions

Under section 43B it is proposed that interest paid on borrowings from deposit-taking NBFCs or systemically important non-deposit taking NBFCs shall be allowable as a deduction only if actually paid during the previous year. An explanation has also been included to clarify that if such interest was already allowed in a previous year prior to FY 2019-20 when the liability arose, the same shall not be allowed as a deduction again if paid in subsequent year. A further explanation is also included to clarify that unpaid interest converted into loan shall not be deemed to have been paid. Further, relevant definitions have also been included in the proposed amendment.

It has been further provided that the definition of 'Deposit-taking NBFCs' and 'Systemically Important Non Deposit-taking NBFCs' shall have the meaning assigned to it in under The RBI Act, 1934 or other regulatory guidelines.

Section 43D has also been proposed to be amended so as to include deposit-taking NBFCs and systemically important non deposit-taking NBFCs within the scope of this section.

The amendments will take effect from 1st April, 2020 and will apply from assessment year 2020-2021 and onwards.

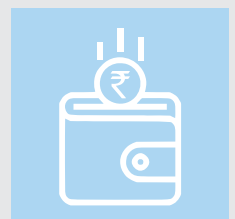
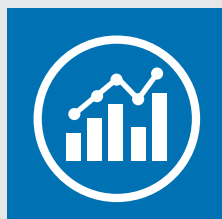
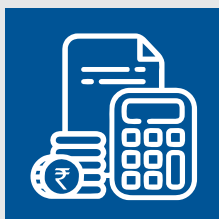
## Amendment in section 79 – carry forward of losses in case of substantial change in ownership

It is proposed vide Finance Bill 2019 to realign section 79 and substitute it with the proposed realigned section.

In order to facilitate ease of doing business for start-ups, it has been proposed to amend section 79 to provide that the closely held eligible start-ups shall be allowed to carry forward and set off against the income of the year on satisfaction of either of the condition:

- (a) the shareholders carrying not less than 51 % of the voting power on the last day of the previous year or years in which the loss was incurred continue to be the shareholders of the company; or
- (b) all the original shareholders of the Company at the end of the year in which the loss was incurred continue to be shareholders of such shares in the year in which the loss is to be set off

For other closely held companies, loss incurred in a year shall be allowed to carry forward and set-off against the income of the year only if condition (a) above is satisfied.





It is further proposed to relax the applicability in case of company and its subsidiary and the subsidiary of such subsidiary, whose resolution plan has been approved by the NCLT under section 242 of the Companies Act, 2013, where

- a) the NCLT has suspended the existing Board of Director and has appointed new directors; and
- b) a change in shareholding of such company, its subsidiary company or subsidiary of such subsidiary company pursuant to such resolution after giving a reasonable opportunity of being heard to the jurisdictional Principal Commissioner or Commissioner.

This amendment will take effect from 1st April 2020 i.e. from assessment year 2020-21.

### **Amendment to MAT provisions**

Section 115JB deals with Minimum Alternate Tax (MAT), a special provision for payment of tax by certain companies based on its book profit which is determined after making certain adjustments to the net profit disclosed in the profit and loss account prepared in accordance with the provisions of the Companies Act, 2013.

It is proposed to realign clause (iih) of Explanation 1 to subsection (2) to include reduction from the book profits, the aggregate amount of unabsorbed depreciation and brought forward loss in case of a company, and its subsidiary and the subsidiary of such subsidiary, where, the NCLT, on an application moved by the Central Government under section 241 of the Companies Act, 2013 has suspended the Board of Directors of such company and has appointed new directors who are nominated by the Central Government, under section 242 of the said Act.

The proposed amendment also provides that a company shall be a subsidiary of another company, if such other company holds more than half in nominal value of the equity share capital of the company.

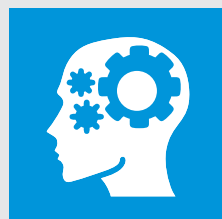
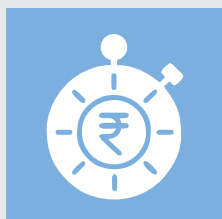
This amendment will take effect from 1st April, 2020 and will apply from assessment year 2020-2021 and onwards.

### **Section 10(34A) & 115QA - Extending the applicability of the provisions of these sections to listed companies**

It is proposed to extend the applicability of section 115QA with respect to any buy back of shares to all companies including companies listed on recognised stock exchange on or after 5th July 2019.

Pursuant to the aforesaid amendment in section 115QA, it is also proposed to extend exemption under clause (34A) of section 10 of the Act to shareholders of the listed company on account of buy-back of shares on which additional income -tax has been paid by the company.

These amendments will take effect from 5th July, 2019.



# INDIVIDUAL TAXATION

## Allowance of Standard Deduction on Salary Income

The standard deduction under clause (ia) to section 16 for persons having income under the head “Salary” has now been increased from INR 40,000 to INR 50,000.

## Relief on second self-occupied property

Earlier, an individual owning more than one self-occupied property was required to offer to tax the notional rent in respect of such additional property/ properties. The notional rent on a second self-occupied / vacant property has been exempted.

The limit to claim house property loss in respect of interest on loan taken for both the properties in aggregate will continue to be INR 2,00,000. Hence, maximum INR 2,00,000 loss can be claimed in respect of such properties in one financial year.

## Exemption under section 54 extended to investment in two house properties

Currently, exemption under section 54 in respect of long-term capital gains arising on sale of residential property is available where the individual invests such capital gains to purchase/ construct one residential property in India (subject to other conditions).

The exemption will now be available even if such capital gain is invested to purchase/ construct two residential properties provided the capital gains do not exceed INR 2,00,00,000.

This exemption can be claimed by the individual taxpayer once in a lifetime.

## Section 10(12A) – Increase in exemption limit in case of payments from National Pension System Trust

It is proposed to increase the exemption limit in respect of the total amount payable to an assessee from National Pension System Trust at the time of closure or his opting out of this scheme from 40% to 60%.

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

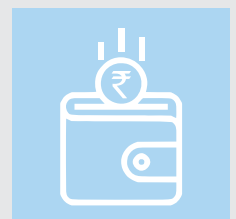
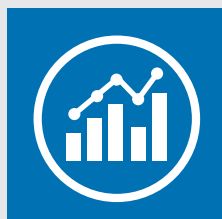
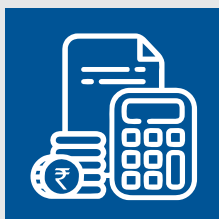
## Section 80C and 80CCD – Incentives under National Pension Scheme

It is proposed to amend section 80C to provide that deduction under this section shall be available for any amount paid or deposited by a Central Government employee as a contribution to a specified account of the pension scheme referred to in section 80CCD –

- for a fixed period of not less than three years; and
- which is in accordance with the scheme as may be notified by the Central Government in this behalf,

It is proposed to amend sub-section (2) of section 80CCD to increase the limit for deduction of contribution made by Central Government from 10% of salary to 14% of salary.

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





## Section 80EEA – Tax incentive for affordable housing

It is proposed to insert a new section 80EEA to provide for deduction of interest up to Rs. 1,50,000 paid/payable on loan taken from any financial institution for the purpose of acquisition of a residential house property where an assessee being an individual is not eligible to claim deduction under section 80EE.

Such deduction shall be subject to the following conditions:

- (i) the loan has been sanctioned by the financial institution during the period 1st April, 2019 to 31st March, 2020;
- (ii) the stamp duty value of residential house property does not exceed Rs. 45,00,000;
- (iii) the assessee does not own any residential house property on the date of sanction of loan.

It is also proposed that where a deduction under this section is allowed for any interest, deduction shall not be allowed in respect of such interest under any other provisions of the Act for the same or any other assessment year.

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

## Section 80EEB – Tax incentive for electric vehicles

To boost the adoption of electric vehicles in India, a new section 80EEB is proposed to provide deduction to individuals of interest paid/ payable up to INR 1,50,000 on loans taken from any financial institution for purchase of electric vehicle.

The deduction is proposed to be subject to the following condition that the loan has been sanctioned by the financial institution during the period 1st April, 2019 to 31st March, 2023.

However, if deduction under proposed section 80EEB is taken, deduction shall not be allowed in respect of such interest under any other provisions.

For the purpose of this section, ‘electric vehicle’ has been defined as a vehicle which is powered exclusively by an electric motor whose traction energy is supplied exclusively by traction battery installed in the vehicle and has such electric regenerative braking system, which during braking provides for the conversion of vehicle kinetic energy into electrical energy.

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

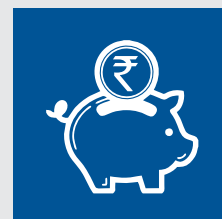
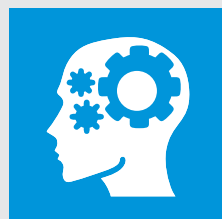
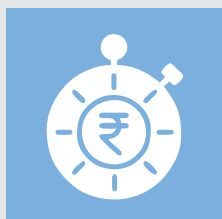
## Section 194DA – Tax Deduction at Source (TDS) on non-exempt portion of life insurance pay-out on net basis

Presently, section 194DA prescribes for deduction of tax at source at the rate of 1% on the gross amount received by a resident under a life insurance policy. It is proposed to amend section 194DA to provide for deduction of tax at source at the rate of 5% of amount chargeable to income tax.

This amendment will take effect from 1st September 2019.

## Section 194-IA – TDS on purchase of immovable property

Under section 194-IA, any person paying a sum exceeding INR 50 lakh to a resident transferor for acquiring immovable property is required to deduct tax at source at the rate of 1% of such sum. It is proposed to amend the Explanation to section 194-IA and provide that the term “consideration for immovable property” shall include all charges of the



nature of club membership fee, car parking fee, electricity and water facility fees, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property.

This amendment will take effect from 1st September 2019.

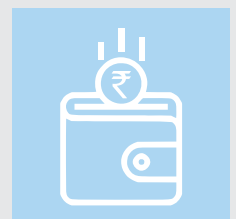
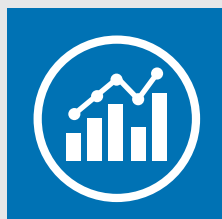
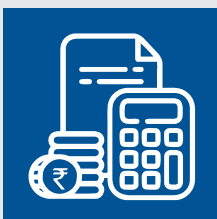
### **Section 194M – TDS on payment by Individual/HUF to contractors and professionals**

It is proposed to insert a new section 194M to provide for levy of TDS at the rate of 5% on the sum, or the aggregate of sums, paid or credited in a year on account of contractual work or professional fees by an Individual or a HUF (other than those who are required to deduct tax at source under section 194C and 194J). The above provision shall not be applicable if the payment or aggregate of payments do not exceeds INR 50 lakh rupees in a year.

However, in order to reduce the compliance burden, it is proposed that such individuals or HUFs shall be able to deposit the tax deducted using their Permanent Account Number (PAN) and shall not be required to obtain Tax deduction Account Number (TAN).

As a consequence of the above amendment, it is proposed to amend section 197(1) to include section 194M within the scope of the aforesaid section.

The amendments will take effect from 1st September 2019.





# CAPITAL GAINS

## Section 50CA – Prescription of exceptions from deeming of fair market value of shares for certain transactions

This section presently provides that where shares, other than quoted shares, have been transferred for consideration which is less than the fair market value of such shares, the fair market value shall be deemed to be the full of value of consideration for transfer of such shares.

It has been proposed to amend Section 50CA by insertion of a new proviso that would empower the Board to make rules to provide that the provisions of this section shall not apply to consideration received or accruing as a result of transfer of unquoted shares by such class of persons and subject to such conditions as may be prescribed.

This amendment will take effect from 1st April 2020 (AY 2020-21).

## Concessional rate of Short-term Capital Gains (STCG) tax to apply to certain equity-oriented fund of funds

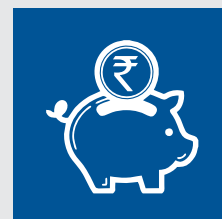
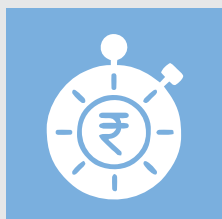
It is proposed to amend clause (a) of Explanation to section 111A of the Act to broaden the meaning of “equity-oriented fund” by providing that the concessional rate of tax for STCG (15%) shall also apply to equity oriented fund of funds.

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

## Amendments to section 56(2)(viib) – extension of exemption to Cat II AIFs and treatment in case of failure to comply with exemption conditions

Section 56(2)(viib) presently does not apply when shares are issued to Category I AIFs. It is proposed to amend the section to also apply the exemption to Category II AIFs.

Further, relief had been provided to start-ups by notification by the Government based on fulfilment of certain conditions. To ensure that start-ups (and any other class of companies notified in future) comply with the conditions for exemption, a proviso is proposed to be inserted to provide that in the event of subsequent failure to comply with conditions, the sub-section shall become applicable in the year such failure takes place.



# INCENTIVES

## Alignment of conditions for availing tax holiday under affordable housing scheme

The tax holiday u/s 80-IBA (i.e. deduction of 100% profits) promoting affordable housing was available to projects approved before 31st March 2020 and fulfilling the prescribed criteria.

It is now proposed to amend the eligibility criteria to be fulfilled by projects approved on or after 1st September 2019 - the revisions are to align the features of “affordable housing” project u/s 80-IBA with that under GST law. The revised conditions are as follows:

- (i) For metropolitan cities (Bengaluru, Chennai, Delhi National Capital Region (limited to Delhi, Noida, Greater Noida, Ghaziabad, Gurgaon, Faridabad), Hyderabad, Kolkata and Mumbai (whole of Mumbai Metropolitan Region): the total land plot should be at least 1,000 sq. m and the carpet area of each unit should not exceed 60 sq. m and the project must utilize at least 90% of the floor area ratio
- (ii) For other cities, the plot size must be at least 2,000 sq m and the carpet area cannot exceed 90 sq m and the project should utilize at least 80% of the floor area ratio
- (iii) the stamp duty value of such residential unit in the housing project shall not exceed INR 45 lakh
- (iv) if a house in the project is allotted to an individual no other house should be allotted to his/her spouse or children in the same project

This amendment will take effect from 1st April 2020 (i.e. A.Y. 2020-21).

## Incentives Related to International Financial Services Centres (IFSCs)

### Gains on Transfers made by non-resident on stock exchanges located in IFSC proposed to be exempted from tax

Section 47(viiab) provides that transfer of certain securities (bonds, GDR or derivatives etc.) made by a non-resident through a recognised stock exchange located in any IFSC (& where consideration is paid/ payable in foreign currency) shall not be regarded as transfer.

The benefit of section 47(viiab) is proposed to be extended to transfers of certain specified funds. Accordingly, the section is also proposed to be amended to include the definitions of the expressions “specified fund”, “securities”, “trust”, “unit” and “convertible foreign exchange” under Explanation to 47(viiab).

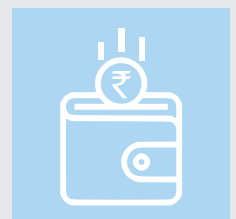
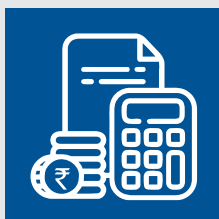
This amendment will take effect from 1st April 2020 (AY 2020-21).

### Amendment to expand scope of tax holiday to IFSCs

Currently, section 80LA provides units in an IFSC a profit linked deduction of amount equal to 100% of income for first 5 consecutive AYs and thereafter, 50% for next 5 consecutive AYs.

In order to further incentivize operation of units in IFSC, it is proposed to amend section 80LA to provide a deduction of 100% of income for any 10 consecutive AYs out of 15 AYs, at the option of the assessee.

The amendment will take effect from 1st April 2020 (i.e. A.Y. 2020-21).





### **IFSC units eligible for tax holiday even if income comprises of only dividend & interest**

Section 115A(4) provides that Chapter VI-A benefits are not available where income of tax payer consists only of only dividend and interest income – this also included IFSC units.

It is proposed to amend section 115A to exempt IFSC units from 115A(4) and therefore allow them to avail tax holiday u/s 80LA even if income comprises only of dividend and interest.

The amendment will take effect from 1st April 2020 (i.e. A.Y. 2020-21).

### **DDT exemption to IFSCs to also apply to dividend declared out of accumulated income**

Presently, section 115-O(8) exempts IFSC units from DDT on dividends declared out of current year income.

It is proposed to extend this exemption on dividends declared even out of accumulated profits (earned after 1st April 2017) of the IFSC unit.

The amendment would apply to dividends declared after 1st September 2019.

### **Distributions by Mutual Fund out of income derived from transactions on stock exchange in IFSC exempted from additional tax**

Section 115R(2) currently provides that any distribution by specified company or MF to its unit holders shall be chargeable to tax and such specified company or MF shall be liable to pay additional income-tax on such distributed income.

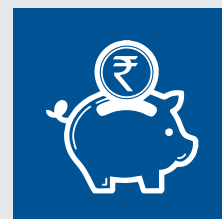
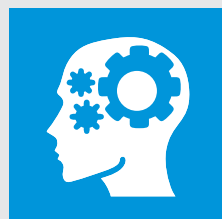
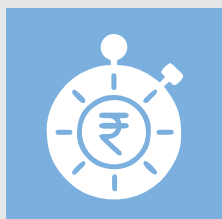
With a view to incentivize operation of units in IFSC, it is proposed to amend the above section to provide exemption from additional income-tax in respect of any amount distributed, on or after the 1st day of September, 2019 by a specified MF out of income derived from transactions made on a recognised stock exchange located in any IFSC.

It is also proposed to insert the definitions of the expressions “specified Mutual Fund”, “unit”, “convertible foreign exchange” and IFSC in the Explanation to the said sub-section.

These amendments will take effect from 1st September, 2019.

### **Section 10(15) - Exemption to non-residents on interest income arising from monies lent to IFSC unit**

It is proposed to insert a new sub-clause (ix) to section 10(15) to provide exemption to non-residents in respect of income by way of interest arising from monies lent on or after 1st September, 2019 to an IFSC unit. This amendment will apply with effect from 1st April, 2020 i.e. AY 2020-21.





## Incentives Related to Start Ups

### **Section 54GB – Incentive by way of exemption of capital gains by investing gains in Start-Ups**

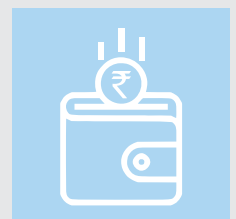
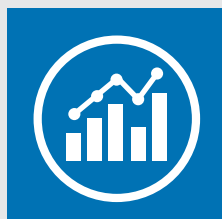
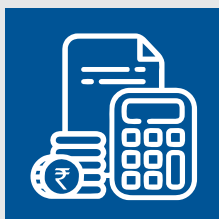
The section presently provides roll-over benefit in respect of capital gains arising from the sale of a residential property on or before 31st March, 2019 if the net consideration is invested in equity shares of an eligible start-up and the start-up utilizes the invested amount received to purchase new asset within 1 year from the date of subscription. The assessee is also required to have more than 50% share capital or more than 50% voting rights after the subscription in shares in the eligible company.

Further, the benefit would be withdrawn if the equity shares of the company or the new asset is sold within 5 years of acquisition.

To promote investments in start-ups and encourage entrepreneurship, it is proposed to amend the section 54GB so that gains on residential property transferred up to 31st March 2021 (i.e. for 2 more years) can also be rolled over/deferred by investment in shares of start-ups.

Further relaxations are proposed to the minimum shareholding bringing it down from 50% to 25% and to the condition restricting transfer of new asset, being computer or computer software, from current 5 years to 3 years.

The said amendment will take place from 1st April, 2020 (i.e. AY 2020-21).





# RATIONALIZATION MEASURES

## Section 12AA – Procedure for registration of the Trust or Institution

Section 12AA prescribes manner of granting registration of trust/institution for the purpose of availing exemption of its income under Section 11 and also provides for manner of cancellation of said registration.

It is proposed to amend sub-section (1) of this section so as to provide that at the time of granting registration the Principle Commissioner or Commissioner shall satisfy himself about compliance to requirements of any other law which is material for the purpose of achieving its objectives.

Further it is also proposed to amend sub-section (4) of this section to provide that where a trust/institution which has been granted registration is subsequently noticed to have been violated requirements of any other law which was material for the purpose of achieving its objectives and the order, direction or decree, by whatever name called, holding that such violation has occurred, has either not been disputed or has attained finality, the Principal Commissioner or Commissioner may, by an order in writing, cancel the registration of such trust or institution after affording a reasonable opportunity of being heard.

This amendment will take effect from 1st September, 2019.

## Section 115UB – Amendment to provisions relating to tax on income of investment fund and its unit holders

Section 115UB provides that income earned by Category I & II AIFs, other than business income, shall pass through to the unit holders and be taxed in their hands as if they had earned the income directly. Section 115UB(2) provides that where total income, including business income is a loss that cannot be set off, the same shall be carried forward by the AIF itself and set off in subsequent years and not passed through to the unit holders.

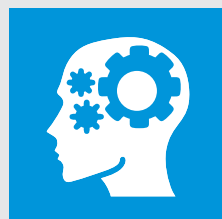
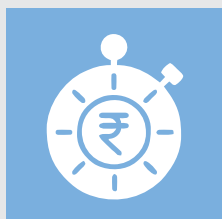
With a view to give benefits to individual investors and administrative ease to AIFs, it is proposed to amend section 115UB(2) to provide that only business losses shall be carried forward for set off by the AIF itself and that losses other than business losses shall be carried forward by the AIF and not be passed through only if they pertain to units held for less than 12 months – else they shall be passed on the unit holders to be dealt with in their hands. Further, a new sub-section (2A) is proposed which provides that the losses (other than business losses) if any, accumulated at the AIF level as on 31st March, 2019, shall be deemed to be the loss of the unit holder and shall be allowed for carry forward and set off in their hands and that thereafter said loss shall not be available to the investment fund.

The amendments will take effect from 1st April 2020 (i.e. A.Y. 2020-21).

## Section 194N – TDS on cash withdrawal to discourage cash transactions

It is proposed to insert a new section 194N in the Act to provide for levy of TDS at the rate of two per cent on cash payments in excess of one crore rupees in aggregate made during the year, by a banking company or cooperative bank or post office, to any person from an account maintained by the recipient with it.

It is proposed to exempt payment made to certain recipients such as Government, Banking company or cooperative society and their business correspondents engaged in the business of banking, white label automated teller machine and such person as may be notified by the Government from the application of this provision and also to empower the Central Government to exempt other recipients, through a notification in the official Gazette in consultation with the Reserve Bank of India.



This amendment will take effect from 1st September 2019.

## **Section 201 – Relaxation of provisions in case of payments to non-residents**

It is proposed to amend the proviso to sub-section (1) of section 201 to extend the benefit of this proviso to a deductor, even in respect of failure to deduct tax on payment to non-resident. Consequently, deductor shall not be deemed to be an assessee in default where the non-resident has disclosed the respective income in his return of income and paid the tax due. It is also proposed to amend the proviso to sub-section (1A) of section 201 to provide for levy of interest till the date of filing of return by the non-resident payee.

This amendment will take effect from 1st September 2019.

## **Amendment to section 40(a)**

It is proposed to amend clause (a) of Section 40 in line with the amendment to sub-section (1) to Section 201.

Sub-clause (i) of clause (a) of the Section 40 provides that where in case of any assessee, tax is to be deducted at source under Chapter XVII-B on any sum paid to a non-resident and where such tax has not been deducted or, after deduction, has not been paid on or before the due date for filing the return of income, the amount of such sum shall not be allowed as a deduction.

It is proposed to insert a second proviso to the said sub clause of section 40, so as to provide that where an assessee fails to deduct the whole or any part of the tax in accordance with the provisions of Chapter XVII-B on any such sum but is not deemed to be an assessee in default under the first proviso to sub-section (1) of section 201, then, for the purposes of the said sub-clause, it shall be deemed that the assessee has deducted and paid the tax on such sum on the date of furnishing of return of income by the payee referred to in that proviso. Thus, there will be no disallowance under section 40 in respect of such payments. This amendment to the said clause, intends to align it with the principle followed in a similar provision, in case of resident payee, i.e. sub-clause (ai) of clause (a) of section 40.

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

## **Sections 234A, 234B and 234C – Self Assessment, Assessment, Interest for defaults in furnishing return of income, interest for payment of Advance Tax and interest for deferment of Advance Tax**

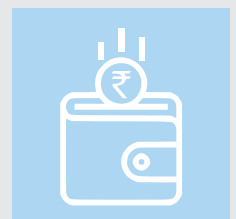
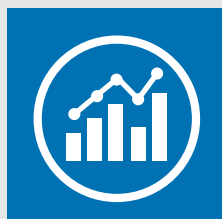
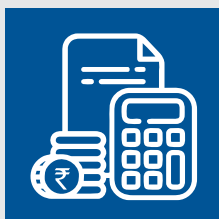
It is proposed to amend section 140A, section 143, section 234A, section 234B and section 234C so as to provide that computation of tax liability under the said sections shall be made after allowing relief under section 89.

These amendments will take effect retrospectively from 1st April, 2007 and will, accordingly, apply in relation to the assessment year 2007-08 and subsequent assessment years.

## **Insertion of new Section 269SU**

A new section 269SU is proposed to be inserted to provide that every person carrying on business having sales or turnover or gross receipts, as the case may be, more than Rs. 50 crores in the immediately preceding previous year shall provide facility to accept payment through such other electronic modes as may be prescribed in additions to the facility for other electronics modes of payment.

As a consequential amendment, it is proposed to insert new Section 271DB to provide for a penalty of Rs. 5,000/- per day in case of person who fails to provide such an electronic payment mode facility as required under section 269SU.





It is further clarified that the penalty shall not be imposed if the person proves that there were good and sufficient reasons for such failure.

The amendment will take effect from 1st November 2019.

### **Section 270A – Amendment in scope of under reporting and mis-reporting of income**

It is proposed to amend Section 270A to cover in its ambit such persons who are person filing the return for the first time in response to notice u/s. 148.

The amendment will take effect from 1st April 2017.

### **Section 286 – Clarification regarding definition of the “accounting year”**

In section 286 in sub-section (9), in clause (a), in sub-clause (i) which provides for the definition of Accounting Year, it is proposed to delete the word Alternate Reporting Entity from the definition.

The amendment will take effect from 1st April, 2017.

### **Mode of payment to include electronic mode of payment**

In the following sections, it is proposed to include to other electronic mode of payment as may be prescribed as an approved mode of payment

- i Section 13A – Special provision relating to incomes of political parties
- ii Section 40A – Expenses or Payments not deductible in certain circumstances
- iii Section 43(1) – Clarification in meaning of “actual cost of asset”
- iv Section 43CA: Special provision for full value of consideration for transfer of assets other than capital assets in certain cases
- v Section 44AD – Presumptive Taxation for business
- vi Section 50C – Special provision for full value of consideration in certain cases.
- vii Section 56(2)(x)-Income from other sources
- viii Section 80JJAA – Deduction in respect of employment of new employees
- ix 269SS –mode of taking or accepting certain loans, deposits and specified sums
- x 269ST-mode of undertaking transactions
- xi 269T-mode of repayment of certain loans or deposits

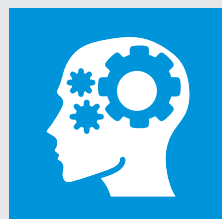
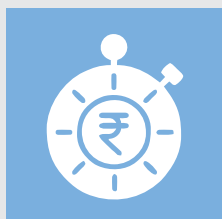
This amendment will take effect from 1st April, 2020.

### **Rationalisation to Income Disclosure Scheme, 2016**

Proposed amendment to Finance Act, 2016 to provide that the government can notify a due date by which certain class of persons that have failed to make payment of tax due under the IDS (including surcharge, cess, penalty, etc.) can remedy their failure and make such payment of tax due along with interest (calculated at 1% per month).

Further, it is also proposed that any excess payment made shall not be refundable.

The amendments are proposed to apply retrospectively from 1st June, 2016.



# PROCEDURAL

## Section 92D: Rationalisation of provisions relating to maintenance, keeping and furnishing of information and documents by certain persons

It is proposed to substitute section 92D relating to maintenance and keeping of prescribed information and documentation by persons entering into an international transaction or specified domestic transaction and by constituent entity of an international group referred to in section 286. Accordingly, even when there is no international transaction or specified domestic transaction undertaken by such constituent entity, it has to maintain prescribed information and documentation in a prescribed manner.

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

## Section 139 - Mandatory filing of Return of Income

It is proposed to amend section 139 to provide that a person shall mandatorily be required to file return of income, if during the previous year, the person,

- (i) has deposited an amount or aggregate of the amounts exceeding INR 1 crore in one or more current account maintained with a banking company or a co-operative bank; or
- (ii) has incurred expenditure of an amount or aggregate of the amounts exceeding INR 2 lakh for himself or any other person for travel to a foreign country; or
- (iii) has incurred expenditure of an amount or aggregate of the amounts exceeding INR 1 lakh towards consumption of electricity; or
- (iv) fulfils such other prescribed conditions, as may be prescribed.

Further, it has been proposed to amend the sixth proviso to section 139 to provide that a person shall necessarily be required to furnish a return, if before claiming the rollover benefits, under section 54, 54B, 54D, 54EC, 54F, 54G, 54GA and 54GB, his total income is more than the maximum amount not chargeable to tax.

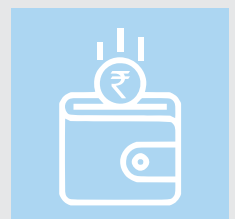
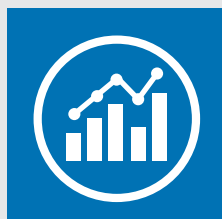
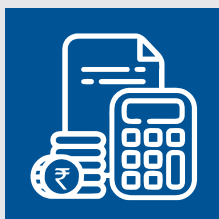
These amendments will take effect from 1st April, 2020 (i.e. AY 2020-21).

## Section 139A - Inter-changeability of PAN & Aadhaar and mandatory quoting in prescribed transactions

It is proposed to insert a new clause (vii) in sub-section (1) of section 139A, so as to provide that every person, who intends to enter into certain prescribed transactions and has not been allotted a PAN, shall also apply for allotment of a PAN. To ensure ease of compliance, it is also proposed to provide for inter-changeability of PAN with the Aadhaar number.

A new sub-section (6A) is also proposed to be inserted to ensure quoting of PAN or Aadhaar number for entering into prescribed transactions and authentication thereof in the prescribed manner. Duty is also proposed to be cast upon the person receiving any document relating to such transactions, through newly proposed sub-section (6B), to ensure that PAN or Aadhaar number, as the case may be, is duly quoted, and authenticated.

The penalty provision contained in section 272B is proposed to be amended suitably.





These amendments will take effect from 1st September, 2019.

### **Section 139AA - Consequence of not linking PAN with Aadhaar**

It is proposed to amend the proviso in sub-section (2), of section 139AA, to provide that if a person fails to intimate the Aadhaar number, the PAN allotted to such person shall be made inoperative in the prescribed manner (which currently is deemed to be invalid).

This amendment will take effect from 1st September, 2019.

### **Section 140A: Payment of Self-Assessment tax**

It is proposed to amend Section 140A so as to provide that “any relief of tax claimed under section 89” shall be taken into account for the purpose of determining tax payable, interest payable and assessed tax under the said section.

This amendment will apply retrospectively with effect from 1st April 2007 i.e. AY 2007-08.

### **Section 143: Assessment**

It is proposed to amend Section 143 so as to provide that “any relief of tax claimed under section 89” shall be taken into account while determining sum payable or refund due to the Assessee.

This amendment will apply retrospectively with effect from 1st April 2007 i.e. AY 2007-08.

### **Section 195(2) and 195(7) – Online filing of application seeking determination of tax to be deducted at source on payment to non-residents**

Under section 195(2), the process of making an application to the Assessing Officer for lower/ nil withholding tax certificate is currently manual. In order to use technology to streamline the process and improve the process from a timing and administration standpoint, it is proposed to amend sub-section (2) of this section to allow for prescribing the form and manner of application to the Assessing Officer and also for the manner of determination of appropriate portion of sum chargeable to tax by the Assessing Officer.

Similar amendment is also proposed to be made in sub-section (7) of section 195 which are applicable to specified class of persons or cases.

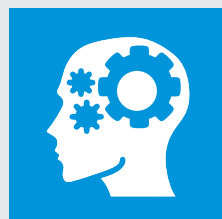
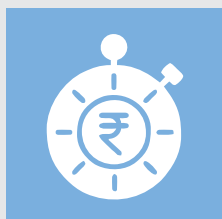
This amendment will take effect from 1st November 2019.

### **Section 206A – Electronic filing of statement of transactions on which tax has not been deducted**

It is proposed to substitute Section 206A to enable filing of statements where tax has not been deducted on payment of interest to residents in prescribed form and in the prescribed manner. The threshold for TDS on payment of interest by a banking company or cooperative society or public company is raised to forty thousand rupees and in other cases continues to be five thousand rupees.

It is also proposed to provide for correction of such statements for rectification of any mistake or to add, delete or update the information furnished.

This amendment will take effect from 1st September 2019.





## Section 228A - Recovery of tax in pursuance of agreements with foreign countries

Currently sub-section (1) of section 228A provides that where an agreement is entered into between the Central Government and Government of any foreign country for recovery of income-tax under the Act and the corresponding law of that country and where such country sends a certificate for recovery of any tax due under such corresponding law from a person having any property in India, the board may, on receiving such certificate, forward it to the Tax Recovery Officer having jurisdiction where such property is situated for the recovery of tax as per the agreement with such country.

It is proposed to amend this sub-section to provide for tax recovery even where details of property of the person is not available but the said person is a resident in India. It is also proposed to amend sub-section (2) to provide for tax recovery where details of property of an assessee in default under the Act are not available but the said assessee is a resident in a foreign country.

These amendments will take effect from 1st September, 2019.

## Section 239 - Form for claim of refund and limitation

It is proposed to amend the said section to provide that every claim for refund under Chapter XIX shall be made by furnishing return of income in accordance with the provisions of section 139. It is further proposed to omit sub-section (2) of the said section which provides period within which claim for refund shall be made.

This amendment will take effect from 1st September, 2019.

## Section 272B: Penalty for false quoting of PAN or Aadhaar Number

Section 272B(2) provides for penalty for quoting of false PAN as required to be quoted u/s. 139A. It is proposed to impose the penalty if person quotes false Aadhaar Number also.

Quantum of penalty is INR 10,000/- but now it is proposed that penalty of INR 10,000 shall be levied in respect of each default.

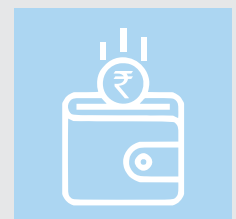
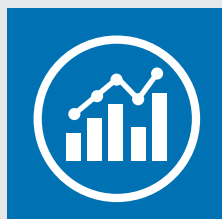
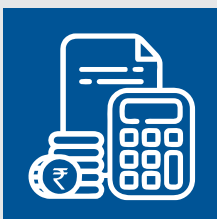
New sub-section (2A) is inserted to provide for penalty in case of a person who fails to quote the PAN/Aadhaar Number or fails to authenticate such number as required u/s. 139A(6A). Quantum of penalty is INR 10,000/- for each default.

New sub-section (2B) is inserted to provide for penalty in case of a person who is required to ensure that PAN/Aadhaar Number is quoted on each document specified u/s. 139(5)(c) and such number is authenticated as required to be authenticated u/s. 139(5)(c). Quantum of penalty is INR 10,000/- for each default.

The amendment will take effect from 1st September 2019.

## Section 276CC: Increase in threshold for initiating the imprisonment proceeding in case of failure to furnish return of income

Section 276CC provides that a person shall not be proceeded for imprisonment for failure to furnish the return of income in due time, if the tax payable by such person, other than company (i.e. after deducting advance tax, TDS and TCS) does not exceeds INR 3,000/-.





It is now proposed to increase this existing limit of INR 3,000/- to INR 10,000/- and any self-assessment tax paid before the expiry of assessment year shall be deducted while determining the limit of INR 10,000/- which was not allowed earlier.

The amendment will take effect from 1st April 2020.

### **Section 285BA: Expansion in scope of person required to furnish the statement**

Clause (a) to (k) of section 285BA(1) prescribes the list of person required to furnish the statement in respect of specified financial transactions. It is proposed to insert a clause (i) to cover such persons as may be prescribed who are not covered by clause (a) to (k).

Sub-section (3) of section 285BA specifies the transaction in respect of which the statement is to be furnished. CBDT, by way of first proviso, is empowered to prescribe the threshold value in respect of each such transaction. If value of transaction entered during the year exceeds such prescribed threshold then statement is required to be filed in respect of such transaction. Further, second proviso provides that CBDT shall not prescribe the threshold which is less than INR 50,000/-. It is now proposed to omit the second proviso.

In Sub-section (4), for the words “such statement shall be treated as an invalid statement and the provisions of this Act shall apply as if such person had failed to furnish the statement”, the words “the provisions of this Act shall apply as if such person had furnished inaccurate information in the statement” shall be substituted.

The amendment will take effect from 1st September 2019.

### **Section 271FAA: Penalty is extended to all person covered by section 285BA**

Section 271FAA contains the provisions relating to penalty for furnishing inaccurate information in the statement to be furnished u/s. 285BA. Section 271FAA covers only those persons who are covered by section 285BA(1)(k) i.e. prescribed reporting financial institutions.

As per proposed amendment, scope of section 271FAA is extended to all persons mentioned in section 285BA(1) i.e. who are liable to furnish the statement in respect of specified financial transaction.

The amendment will take effect from 1st September 2019.

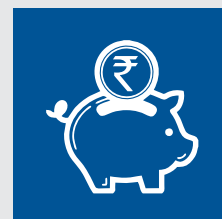
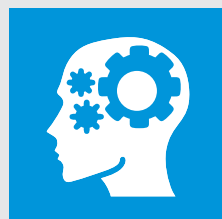
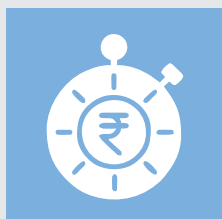
### **Enhancing time limitation for sale of attached property under rule 68B of the Second Schedule of the Act**

The existing provisions of rule 68B of the Second Schedule of the Act provide that no sale of immovable property attached towards the recovery of tax, penalty etc. shall be made after the expiry of three years from the end of the financial year in which the order in consequence of which any tax, penalty etc. becomes final.

In order to protect the interest of the revenue, especially in those cases where demand has been crystallised on conclusion of the proceedings, it is proposed to amend the aforesaid sub-rule so as to extend the period of limitation from three years to seven years.

It is also proposed to insert a new proviso in the said sub-rule so as to provide that the Board may, for reasons to be recorded in writing, extend the aforesaid period of limitation by a further period of three years.

These amendments will take effect from 1st September, 2019.





# BLACK MONEY ACT

## Section 2(2) - Amendments to the definition of 'Assessee':

Current definition of assessee includes only residents other than Resident & Not Ordinarily Resident (RNOR) and a person deemed to be assessee in default.

In order to clarify the legislative intent behind the BMA, which was to tax undisclosed foreign income and assets, it is proposed to amend section 2(2) to provide that "assessee" shall include a person who is non-resident or RNOR in the current PY but was resident in India when the undisclosed income was earned or asset was acquired.

Further, revised section 2(2) contains a proviso such that to determine the PY of acquisition of undisclosed foreign asset if acquired prior to commencement of BMA, PY shall not be considered as the year in which notice u/s 10 was issued i.e. section 72(c) would not apply in such case.

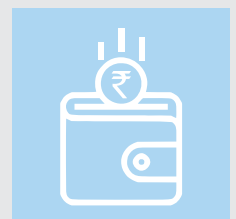
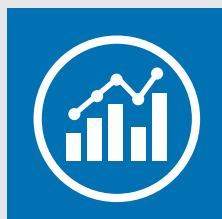
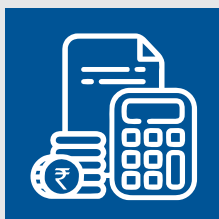
## Section 10 – Clarificatory amendment to include 'reassess' and 'reassessment'

Section 10(3) and 10(4) are proposed to be amended retrospectively from 1st April, 2015 to insert the words reassess and reassessment so that AO can also reassess cases under the BMA.

## Section 17 - Amendments to Powers of Commissioner (Appeals):

The existing provisions of 17(1)(b) gives powers to the Commissioner (Appeals) to confirm or cancel the penalty order. It is proposed to amend the section to also empower the Commissioner (Appeals) to also vary the penalty order i.e. either to enhance or reduce the penalty.

This amendment will take effect from 1st September 2019.





# TDS & TCS RATES

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

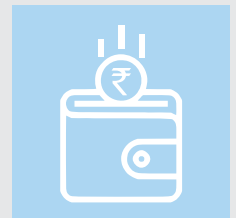
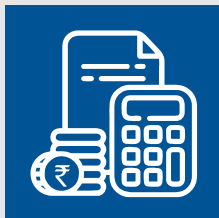
(A) On payments to Residents (subject to notes below)

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 Rs. 50,000/-	192A	-	-	10
2	Interest on Securities (Note 2 & Note 3)	Payment in excess of Rs. 10,000/-	193	10	10	10
3	Interest on Bank Deposits, Co-operative society carrying on banking business and Deposits with Post Office for Senior Citizens (Note 4)	Payment in excess of Rs. 50,000/- per financial year (For Senior Citizens)	194A	10	10	10
	Interest on Bank Deposits, Co-operative society carrying on banking business and Deposits with Post Office (Note 4) (For Others)	Payment in excess of Rs. 40,000/- per financial year (For Others)	194A	10	10	10
	Other Interest	Payment in excess of Rs. 5,000/- per financial year	194A	10	10	10
4	Winnings from Lotteries, crossword, puzzles, card games and other games of any sort	Payment in excess of Rs. 10,000/-	194B	30	30	30
5	Winnings from Horse Race	Payment in excess of Rs. 10,000/-	194BB	30	30	30
6	Payments to Contractors (Note 5)	Payment in excess of Rs. 30,000/- per transaction or Rs. 1,00,000/- per financial year	194C	2	2	1
7	Insurance Commission	Payment in excess of Rs. 15,000/- per financial year	194D	5	5	5





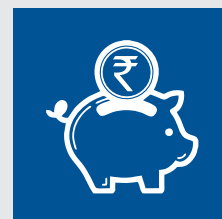
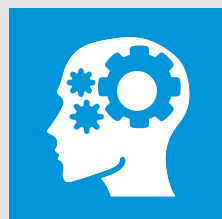
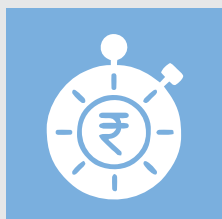
Sr. No.	Payments to Resident Payee	Criteria for Deduction	Section	Company	Partnership Firm	Individual, HUF, AOP, BOI
				Rate (%) **		
8	Sum received for Life Insurance Policy including bonus [ except exempt u/s 10(10D)] (Note 6)	Payment in excess of Rs. 1,00,000/- per financial year	194DA	5	5	5
9	Payments in respect of deposits under National Savings Scheme, etc Central Government Schemes	Payment in excess of Rs. 2,500/- per financial year	194EE	10	10	10
10	Payments on account of repurchase of units by Mutual Fund or Unit Trust of India.	No Threshold Limit	194F	-	-	20
11	Commission on Sale of Lottery Tickets	Payment in excess of Rs. 15,000/-	194G	5	5	5
12	Other Commission/ Brokerage	Payment in excess of Rs. 15,000/- per financial year	194H	5	5	5
13 (a)	Rent for Plant & Machinery, Equipments	Payment in excess of Rs. 2,40,000/- per financial year	194-I (a)	2	2	2
13 (b)	Rent for Land or Building or Furniture or Fittings	Payment in excess of Rs. 2,40,000/- per financial year	194-I (b)	10	10	10
13	Income by way of Rent from SPV distributed by REITs (Note 7)	No Threshold Limit	194-I	-	-	-
14	Consideration for Transfer of Immovable Property (other than Agricultural Land) (Note 8)	Sale Consideration exceeds Rs. 50,00,000/-	194-IA	1	1	1
15	Income by way of Rent (Note 9 & 10)	Rent exceeds Rs. 50,000 p.m. or part thereof	194-IB	5	5	5
16	Monetary Payment in respect of Joint Development Agreement	No Threshold Limit	194-IC	10	10	10
17 (a)	Professional Fees / Royalties/ Fees for Technical Services	Payment in excess of Rs. 30,000/- p.a.	194J	10	10	10
17 (b)	Professional Fees (for certain payees) (Note 11)	Payment in excess of Rs. 30,000 p.a.	194J	2	2	2



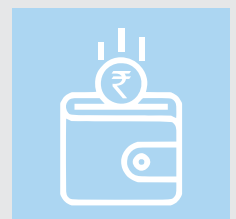
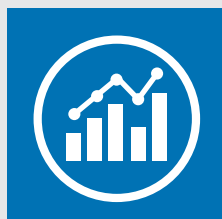
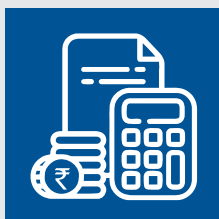


Sr. No.	Payments to Resident Payee	Criteria for Deduction	Section	Company	Partnership Firm	Individual, HUF, AOP, BOI
				Rate (%)**		
18	Consideration for Compulsory Acquisition of Immovable Property (other than Agricultural Land)	Payment in excess of Rs. 2,50,000/-	194LA	10	10	10
19	Income by way of Interest distributed from SPV distributed by Business Trusts i.e. REITs & INVITs	No Threshold Limit	194LBA	10	10	10
20	Income other than business income distributed by an Alternate Investment Fund (Category I and II)	No Threshold Limit	194LBB	10	10	10
21	Income in respect of investment in Securitization Trust	No Threshold Limit	194LBC	30	30	25
22	Payments to Contractors/ Professionals (Other than those covered in 194 C & 194J) (Note: 12)	Payment in excess of Rs. 50,00,000/- or aggregate of such payment exceeding Rs. 50,00,000/-, during a financial year	194M	5	5	5
23	Payment by a Banking company /Banking Institution/ Co-operative society engaged in banking business/ post office. (Note 13)	Cash withdrawals or aggregate of such withdrawals in excess of Rs. 1,00,00,000/- from an account maintained by a recipient, during the previous year .	194N	2	2	2

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 and HUF TDS is required to be deducted on payments in excess of Rs. 5,000/-
3	TDS is required to be deducted for interest on 7.75% Savings (Taxable ) Bonds, 2018 exceeding Rs. 10,000/- during the financial year.



4	<p>For interest on Bank Deposits and Deposits with Post Office, the threshold limit is Rs 50,000/- for senior citizens and Rs. 40,000/- for others.</p> <p>- Also applicable on payment of Interest on time deposits by co-operative banks to its members and payment of interest on Recurring Deposit</p> <p>- 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. - 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.</p>
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	Presently, section 194DA prescribes for deduction of tax at source at the rate of 1% on the gross amount received by a resident under a life insurance policy. It is proposed to amend section 194DA to provide for deduction of tax at source at the rate of 5% of the amount chargeable to Income Tax.
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) 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 individuals 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 payee is only engaged in the business of operation of call centre.
	Any payments to a director of a company other than those which are "salaries" are specifically covered u/s 194J.
12	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).
13	New Section 194N shall come into effect from 01/09/2019. Also the 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.
14	In cases in which tax has to be deducted under sections 193, 194, 194A, 194B, 194BB, 194D, 194LBA, 194LBB, 194LBC, 192A, 194C, 194DA, 194E, 194EE, 194F, 194G, 194H, 194-I, 194-IA, 194-IB, 194-IC, 194J, 194LA, 194LB, 194LBA, 194LBB, 194LBC, 194LC, 194LD, 194M, 194N, 196B, 196C, 196D and 195 the rate at which the tax is to be deducted shall be increased by applicable surcharge.

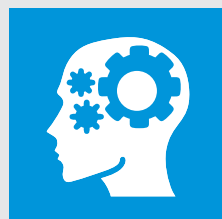
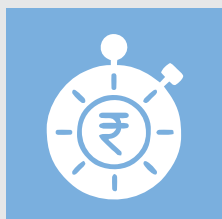




**	TDS shall be deducted u/s 206AA @ 20% or the higher rate as provided under the Act, if PAN is not furnished by the deductee.
**	No TDS is required to be deducted in case where the payee is an entity whose income is exempt u/s 10 and is not required to file returns as per Section 139. (Circular No. 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).

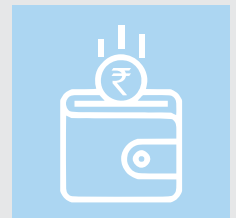
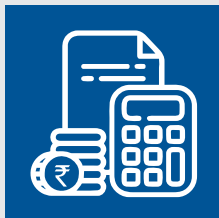
(B) On payments to Non-Residents (subject to notes below)

Sr. No.	Payments to Non-Resident Payee	Criteria / Conditions 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),	112A	10
		(ii) Tax on Long Term Capital Gains exceeding Rs. 1,00,000/-	112A	20





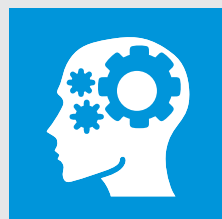
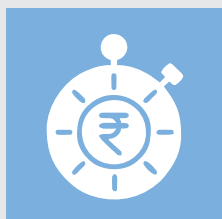
Sr. No.	Payments to Non-Resident Payee	Criteria / Conditions for Deduction	Section	Rate (%)
4	Winning From Lotteries crossword puzzles, card games and other games of any sort	Payment in excess of Rs. 10,000/-	194B	30
	Winning From Horse Race	Payment in excess of Rs. 10,000/-	194BB	30
		Tax on Interest		
5	Winning From Horse Race	Payment in excess of Rs. 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
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 (Note 7)	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
12	Income by way of interest to FII or QFI	On Rupee denominated Bonds of Indian Company and Government Securities. (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





Sr. No.	Payments to Non-Resident Payee	Criteria / Conditions for Deduction	Section	Rate (%)
14	Other income	(a) In case of non-resident companies	-	40
		(b) In case of non-residents other than foreign companies	-	30
15	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 has been introduced for 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, 2020.
8	TDS on Interest Payments u/s 194LD will now be available in respect of interest payable before 1st July, 2020.
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	In cases in which tax has to be deducted under sections 193, 194, 194A, 194B, 194BB, 194D, 194LBA, 194LBB, 194LBC, 192A, 194C, 194DA, 194E, 194EE, 194F, 194G, 194H, 194-I, 194-IA, 194-IB, 194-IC, 194J, 194LA, 194LB, 194LBA, 194LBB, 194LBC, 194LC, 194LD, 194M, 194N, 196B, 196C, 196D and 195 the rate at which the tax is to be deducted shall be increased by applicable surcharge.
*	Certificate for deduction at lower rate can be applied for Section 195.







* Surcharge Applicable:-			
	Payee Status	Deduction Threshold	Rate (%)
	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding Rs. 50 lakhs upto 1crore	10%
	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding Rs. 1 crore upto Rs.2 crore	15%
	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding Rs. 2 crore upto Rs. 5 Crore	25%
	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding Rs. 5 crores	37%
	Co-Operative Society	Exceeding Rs. 1 crore	12%
	Foreign Company	Exceeding Rs. 1 crore upto Rs. 10 crores	2%
	Foreign Company	Exceeding Rs. 10 crores	5%

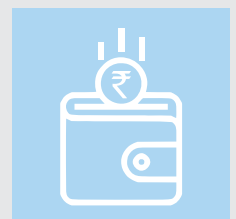
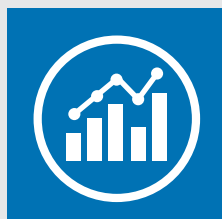
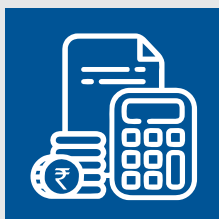
## TCS

### 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 Rs. 10,00,000/-	1
9	Cash Sale of Bullion	Payment in excess of Rs. 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 Rs. 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

#### Note 1

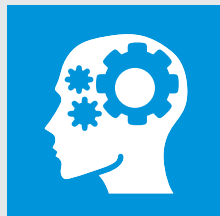
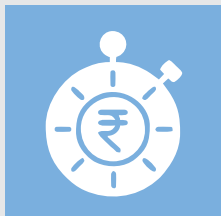
No TCS shall be collected where the buyer is the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; local authority as defined in explanation to clause (20) of Section 10; a public sector company which is engaged in the business of carrying passengers.





- \* TCS shall be deducted u/s 206CC @ twice the rate applicable or 5%, whichever is higher, if PAN is not furnished by the collectee.
- \* Surcharge Applicable:-

Payee Status	Deduction Threshold	Rate (%)
Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding Rs. 50 lakhs upto 1 crore	10%
Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding Rs. 1 crore upto Rs. 2 crore	15%
Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding Rs. 2 crore upto Rs. 5 crore	25%
Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding Rs. 5 crores	37%
Co-Operative Society	Exceeding Rs. 1 crore	12%
Foreign Company	Exceeding Rs. 1 crore upto Rs. 10 crores	2%
Foreign Company	Exceeding Rs. 10 crores	5%





# INDIRECT TAX

## Goods and Services Tax

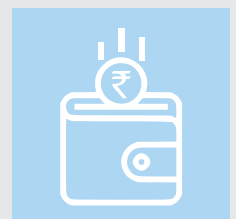
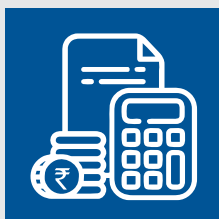
### Note:

- (a) CGST Act means Central Goods and Services Tax Act, 2017
- (b) IGST Act means Integrated Goods and Services Tax Act, 2017
- (c) UTGST Act means Union Territory Goods and Services Tax Act, 2017
- (d) Amendments carried out through the Finance (No. 2) Bill, 2019 come into effect on the date of its enactment, unless otherwise specified.

Amendments carried out in the Finance Bill, 2019 will come into effect from the date when the same will be notified, concurrently with the corresponding amendments to the Acts passed earlier by the States & Union territories with legislature.

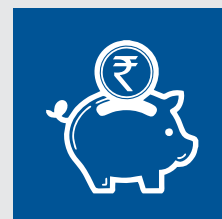
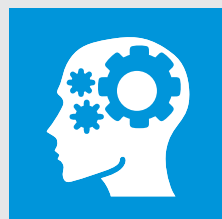
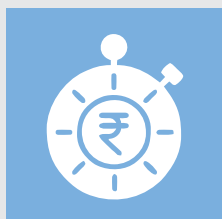
### Proposed Amendments in the CGST Act, 2017:

S. NO.	AMENDMENT
1.	The definition of “adjudicating authority” in clause (4) of section 2 of the CGST Act is proposed to be amended so as to exclude “the National Appellate Authority for Advance Ruling” (which is being created by various amendments in Chapter XVII of the CGST Act) from the definition of “adjudicating authority”.
2.	A new sub-section is proposed to be inserted in section 10 of the CGST Act to bring in an alternative composition scheme for supplier of services or mixed suppliers (not eligible for the earlier composition scheme) having an annual turnover in preceding financial year upto Rs 50 lakhs. Further, explanation is being added to section 10 to clarify that: <ul style="list-style-type: none"> <li>i. for computing the aggregate turnover to determine eligibility for the composition scheme, value of exempt supplies services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount shall not be taken into account; and</li> <li>ii. for determining the value of turnover in a State or Union territory to calculate tax payable, value of exempt supplies of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount; and value of the first supplies from 1st of April till the date when the taxpayer becomes liable for registration shall not be taken into account.</li> </ul>
3.	A proviso and an explanation is proposed to be inserted in section 22 of the CGST Act so as to provide for higher threshold exemption limit from Rs. 20 lakhs to such amount not exceeding Rs. 40 lakhs in case of supplier who is engaged in exclusive supply of goods.
4.	New sub-sections are being proposed to be in section 25 of the CGST Act to make Aadhaar authentication mandatory for specified class of new taxpayers and to prescribe the manner in which certain class of registered taxpayers are required to undergo Aadhaar authentication.





5.	A new section 31A is being proposed to be inserted in the CGST Act so that specified suppliers shall have to mandatorily give the option of specified modes of electronic payment to their recipients.
6.	Section 39 of the CGST Act is being proposed to be amended so as to allow the composition taxpayers to furnish annual return along with quarterly payment of taxes; and other specified taxpayers may be given the option for quarterly or monthly furnishing of returns and payment of taxes under the proposed new return system.
7.	<b>New provisos are being proposed to be inserted in sub-section (1) of section 44 of the CGST Act so as to empower the Commissioner to extend the due date for furnishing Annual return (prescribed FORM GSTR-9/9A) and reconciliation statement (prescribed FORM GSTR-9C).</b>
8.	New sub-sections are being proposed to be inserted in section 49 of the CGST Act to provide a facility to the registered person to transfer an amount from one (major or minor) head to another (major or minor) head in the electronic cash ledger.
9.	New proviso in sub-sections (1) is being proposed to be inserted in section 50 of the CGST Act so as to provide for charging interest only on the net cash tax liability, except in those cases where returns are filed subsequent to initiation of any proceedings under section 73 or 74 of the CGST Act.
10.	New provisos are being proposed to be inserted in sub-sections (4) and (5) of section 52 of the CGST Act so as to empower the Commissioner to extend the due date for furnishing of monthly and annual statement by the person collecting tax at source.
11.	A new section 53A is being proposed to be inserted in the CGST Act so as to provide for transfer of amount between Centre and States consequential to amendment in section 49 of the CGST Act allowing transfer of an amount from one head to another head in the electronic cash ledger of the registered person.
12.	New sub-section (8A) is being proposed to be inserted in section 54 of the CGST Act so as to provide that the Central Government may disburse refund amount to the taxpayers in respect of refund of State taxes as well.
13.	New clause (f) is being proposed to be inserted in section 95 of the CGST Act to define the “National Appellate Authority for Advance Ruling”.
14.	New sections 101A, 101B and 101C are being proposed to be inserted in the CGST Act so as to provide for constitution, qualification, appointment, tenure, conditions of services of the National Appellate Authority for Advance Ruling; to provide for procedures to be followed for hearing appeals against conflicting advance rulings pronounced on the same question by the Appellate Authorities of two or more States or Union territories in case of distinct persons; and to provide that the National Appellate Authority shall pass order within a period of ninety days from the date of filing of the appeal respectively.
15.	Section 102 of the CGST Act is being proposed to be amended so as to allow the National Appellate Authority to amend any order passed by it so as to rectify any error apparent on the face of the record, within a period of six months from the date of the order, except under certain specified circumstances.
16.	Section 103 of the CGST Act is being proposed to be amended so as to provide that the advance ruling pronounced by the National Appellate Authority shall be binding, unless there is a change in law or facts, on the applicants, being distinct person and all registered persons having the same Permanent Account Number and on the concerned officers or the jurisdictional officers in respect of the said applicants and the registered persons having the same Permanent Account Number.





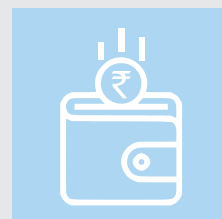
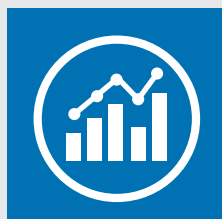
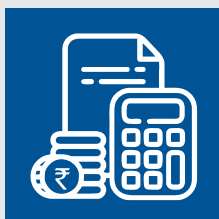
17.	Section 104 of the CGST Act is being proposed to be amended so as to provide that advance ruling pronounced by the National Appellate Authority shall be void where the ruling has been obtained by fraud or suppression of material facts or misrepresentation of facts.
18.	Section 105 of the CGST Act is being proposed to be amended so as to provide that the National Appellate Authority shall have all the powers of a civil court under the Code of Civil Procedure, 1908 for the purpose of exercising its powers under the Act.
19.	Section 106 of the CGST Act is being proposed to be amended so as to provide that the National Appellate Authority shall have power to regulate its own procedure.
20.	Consequent to the proposed amendments in section 44 and section 52 of the CGST Act, section 168 is being amended so as to specify that in respect of sub-section (1) of section 44 and subsections (4) and (5) of section 52, Commissioner or Joint Secretary shall exercise the powers specified in the said sections with the approval of the Board.
21.	Section 171 of the CGST Act is being proposed to be amended so as to empower the National Antiprofitteering Authority (under sub-section (2) of section 171 of the Act) to impose penalty equivalent to 10% of the profiteered amount.

### Proposed Amendment in the IGST Act, 2017:

S. NO.	AMENDMENT
1.	A new section 17A is being proposed to be inserted in the IGST Act so as to bring into the Act, provisions for transfer of amount between Centre and States consequential to amendment in section 49 of the CGST Act allowing transfer of an amount from one head to another head in the electronic cash ledger of the registered person.

### Retrospective Amendment of GST rate notifications:

S. NO.	AMENDMENT
1.	A new section 17A is being proposed to be inserted in the IGST Act so as to bring into the Act, provisions for transfer of amount between Centre and States consequential to amendment in section 49 of the CGST Act allowing transfer of an amount from one head to another head in the electronic cash ledger of the registered person. Notification No. 2/2017-Central Tax (Rate) dated the 28th June, 2017, issued under subsection (1) of section 11 of the Central Goods and Services Tax Act, 2017, is being amended retrospectively so as to exempt "Uranium Ore Concentrate" from the levy of Central Tax from proposed to be 1st July, 2017 to 14th November, 2017.
2.	Notification No. 2/2017-Integrated Tax (Rate) dated the 28th June, 2017, issued under subsection (1) of section 6 of the Integrated Goods and Services Tax Act, 2017, is being proposed to be amended retrospectively so as to exempt "Uranium Ore Concentrate" from the levy of Integrated Tax from 1st July, 2017 to 14th November, 2017.
3.	Notification No. 2/2017-Union Territory Tax (Rate) dated the 28th June, 2017, issued under sub-section (1) of section 8 of the Union Territory Goods and Services Tax Act, 2017, is being proposed to be amended retrospectively so as to exempt "Uranium Ore Concentrate" from the levy of Union Territory Tax from 1st July, 2017 to 14th November, 2017.





# SERVICE TAX

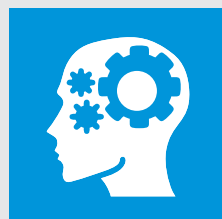
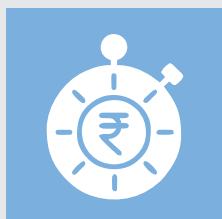
## Note:

- (a) "Service Tax" means the service tax levied under section 66B of the Finance Act, 1994.
- (b) Amendments carried out through the Finance (No. 2) Bill, 2019 come into effect on the date of its enactment, unless otherwise specified.

S. NO.	AMENDMENT
1.	Services provided or agreed to be provided by the State Government by way of grant of liquor licence, against consideration in the form of licence fee or application fee or by whatever name it is called, are proposed to be exempted from service tax for during the period commencing from 1st April, 2016 and ending with the 30th June, 2017.
2.	Services provided or agreed to be provided by the Indian Institutes of Management, as per the guidelines of the Central Government, to their students, by way of the following educational programmes, except Executive Development Programme, - (a) two-year full time Post Graduate Programmes in Management for the Post Graduate Diploma in Management, to which admissions are made on the basis of Common Admission Test (CAT), conducted by Indian Institute of Management; (b) fellow programme in Management; (c) five year integrated programme in Management. are proposed to be exempted from service tax for during the period commencing from the 1st day of July, 2003 and ending with the 31st day of March, 2016.
3.	Consideration paid in the form of upfront amount (called as premium, salami, cost, price, development charges or by any other name) payable in respect of service, by way of granting of long term lease of thirty years, or more of plots for development of infrastructure for financial business, provided or agreed to be provided by the State Government Industrial Development Corporations or Undertakings or by any other entity having 50% or more ownership of Central Government, State Government, Union Territory to the developers in any industrial or financial business area, is proposed to be exempted from Service Tax for the period commencing from the 1st October, 2013 and ending with the 30th June, 2017.

## SABKA VISHWAS LEGACY DISPUTE RESOLUTION SCHEME

S. NO.	DETAILS OF THE PROPOSAL
1.	A dispute resolution cum amnesty scheme called the Sabka Vishwas Legacy Dispute Resolution Scheme is being introduced for resolution and settlement of legacy cases of Central Excise and Service Tax



# PROPOSED AMENDMENTS TO CUSTOMS

## I. AMENDMENTS IN THE CUSTOMS ACT, 1962

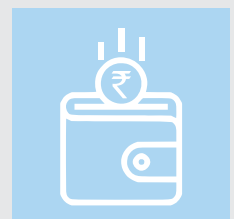
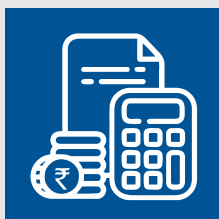
Clauses 69 to 84 of the Finance (No. 2) Bill, 2019 seeks to amend the Customs Act, 1962 for facilitating trade, improving compliance and reducing litigation. Amendment seeks to prescribe that a person other than the person in charge of conveyance can also furnish departure manifest, aadhaar verification of any person, empowering the proper officer to scan a person who has secreted goods liable for confiscation inside his body, provision for arrest of an offender outside India, power to provisionally attach bank account, levying penalty for payment of duty by using any instrument obtained by fraud and certain offences have been made cognizable and non-bailable. A provision has also been made to waive fine in lieu of confiscation for cases covered under deemed closure proceedings to reduce litigation.

## II. AMENDMENTS IN THE CUSTOMS TARIFF ACT, 1975

Clause 87(b) of the Finance (No. 2) Bill, 2019 seeks to amend First Schedule to the Customs Tariff Act, 1975 so as to create specific tariff lines for specific products, presently classified as others, rectify the errors to align it with HSN. These changes shall come into effect from a notified date.

## III. AMENDMENTS IN THE FIRST SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975

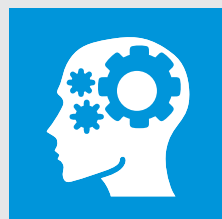
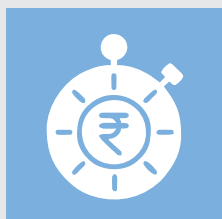
A. Tariff rate changes for Basic Customs Duty [to be effective from 06.07.2019]* [Clause 87(a)] of the Finance (No. 2) Bill, 2019]		Rate of Duty		
S. No.	Heading, sub-heading tariff item	Commodity	From	To
		<b>Construction Materials</b>		
1	3918	Floor covering of plastics, Wall or ceiling coverings of plastics	10%	15%
2	6905, 6907	Ceramic roofing tiles and ceramic flags and pavings, hearth or wall tiles	10%	15%
3	8302	Base metal fittings, mountings and similar articles suitable for furniture, doors, staircases, windows, blinds, hinge for auto mobiles	10%	15%
		<b>Precious Metals</b>		
4	7106	Silver (including silver plated with gold or platinum) unwrought or in semi-manufactured forms, or in powdered form	10%	12.5%
5	7107 00 00	Base metals clad with silver, not further worked than semi-manufactured	10%	12.5%
6	7108	Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form	10%	12.5%
7	7109 00 00	Base metals or silver, clad with gold, not further worked than semi-manufactured	10%	12.5%
8	7110	Platinum, unwrought or in semi-manufactured form, or in powder form	10%	12.5%





9	7111 00 00	Base metals, silver or gold, clad with platinum, not further worked than semi-manufactured	10%	12.5%
10	7112	Waste and scrap of precious metals or of metal clad with precious metals; other waste and scrap containing precious metal compounds, of a kind used principally for the recovery of precious metal	10%	12.5%
		<b>Automobile parts</b>		
11	6813	Friction material and articles thereof (for example, sheets, rolls, strips, segments, discs, washers, pads), not mounted, for brakes, for clutches or the like, with a basis of asbestos, of other mineral substances or of cellulose, whether or not combined with textile or other materials.	10%	15%
12	7009	Glass mirrors, whether or not framed, including rear-view mirrors	10%	15%
13	8301 20 00	Locks of a kind used in motor vehicles	10%	15%
14	8421 23 00	Oil or petrol filters for internal combustion engines	7.5%	10%
15	8421 31 00	Intake air-filters for internal combustion engines	7.5%	10%
16	8421 39 20, 8421 39 90	Air purifiers or cleaners and other filtering or purifying machinery and apparatus for gases	7.5%	10%
17	8512 10 00, 8512 20 10, 8512 20 20	Lighting or visual signaling equipment of a kind used in bicycles or motor vehicles	10%	15%
18	8512 20 90, 8512 30 90	Other visual or sound signalling equipment for bicycles or motor vehicles	7.5%	15%
19	8512 30 10	Horns for vehicles	10%	15%
20	8512 90 00	Parts of visual or sound signalling equipment for bicycles or motor vehicles	7.5%	10%
21	8512 40 00, 8539 10 00, 8539 21 20, 8539 29 40	Windscreen wipers, defrosters and demisters, Sealed beam lamp units and other lamps for automobiles	10%	15%
22	8706	Chassis fitted with engines, for the motor vehicles of headings 8701 to 8705.	10%	15%
23	8707	Bodies (including cabs), for the motor vehicles of headings 8701 to 8705	10%	15%
		<b>Electronics and Electrical equipments</b>		
24	8415 90 00	Indoor and outdoor unit of split –system air conditioner	10%	20%
25	8518 21 00, 8518 22 00	Loudspeaker	10%	15%
26	8521 90 90	Digital Video Recorder (DVR) and Network Video Recorder (NVR)	15%	20%
27	8525 80	CCTV camera and IP camera	15%	20%
28	9001 10 00	Optical Fibres, optical fibre bundles and cables	10%	15%
		<b>Miscellaneous changes in Tariff Schedule</b>		
29	9804	Chapter Note 7 to be inserted in Chapter 98 so as to exclude printed books imported for personal use from the purview of heading 9804. This heading covers all dutiable articles imported for personal use and attracts 28% IGST. This amendment would exclude printed books from this heading and they would be subject to the applicable merit rate.		

\* Will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

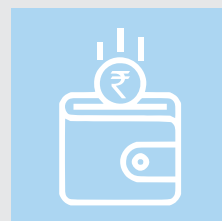
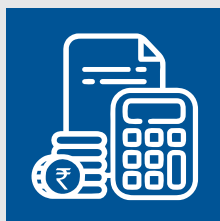






#### IV. OTHER PROPOSALS INVOLVING CHANGES IN BASIC CUSTOMS DUTY RATES AND CLARIFICATORY AMENDMENTS IN RESPECTIVE NOTIFICATIONS

S. No.	Heading, sub-heading tariff item	Commodity	From	To
1	Any Chapter	Specified Defence equipment and their parts imported by the Ministry of Defence or the Armed Forces	Applicable rate	Nil
		<b>Medical Devices</b>		
2	Any Chapter	Raw material, parts or accessories for use manufacture of artificial kidneys, disposable sterilized dialyzer and micro-barrier of artificial kidney	Applicable rate	Nil
		<b>Food processing</b>		
3	0801 32 10	Cashew kernel broken	Rs 60/ Kg or 45%, whichever is higher	70%
4	0801 32 20, 0801 32 90	Cashew kernel whole, Cashew nuts shelled, others	Rs 75/ Kg or 45%, whichever is Higher	70%
		<b>Nuclear Fuels and Nuclear Energy projects</b>		
5	2612 10 00	All forms of Uranium ores and Concentrates for generation of nuclear power (Uranium concentrate U3O8 already exempt)	2.5%	Nil
6	2844 20 00	All goods for use in generation of Nuclear power (Certain goods such as sintered natural uranium dioxide already exempt)	7.5%	Nil
7	9801	All goods required for setting up of the following power projects under project imports: - a) Mahi Banswara Atomic Power project- 1 to 4, Mahi Banswara site Rajasthan b) Kaiga Atomic Power project – 5 & 6, Kaiga site, Karnataka c) Gorakhpur Atomic Power project- 3 & 4, GHAVP, Haryana d) Chutka Atomic Power project- 1 & 2, Chutka site, Madhya Pradesh	Applicable rate	Nil
		<b>Oils and associated chemicals</b>		
8	Chapter 15, 2915 70, 3823 11 00, 3823 12 00, 3823 13 00, 3823 19 00	Palm stearin and other oils, having 20% or more free fatty acid, Palm Fatty Acid Distillate and other industrial monocarboxylic fatty acids, acid oils from refining, for use in manufacture of soap and oleochemicals.	Nil	7.5%
		<b>Petroleum and Petrochemicals</b>		

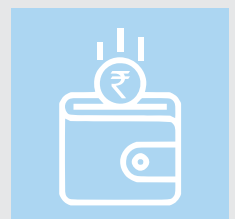
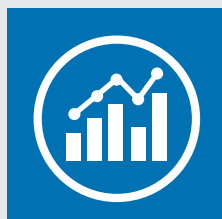
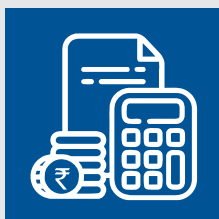




9	2709 00 00	Petroleum Crude	Nil	Re. 1 per tonne
10	2710	Naphtha	5%	4 %
11	2903 15 00	Ethylene dichloride (EDC)	2%	Nil
12	2910 20 00	Methyloxirane (Propylene Oxide)	7.5%	5%
13		<b>Plastic and Rubber</b>		
14	3904	Poly Vinyl Chloride	7.5%	10%
15	3926 90 91, 3926 90 99	Articles of plastics	10%	15%
16	4002 31 00	All goods i.e. Butyl Rubber	5%	10%
17	4002 39 00	Chlorobutyl rubber or bromobutyl rubber	5%	10%
		<b>Paper and Paper products</b>		
18	48	a. Newsprint b. Uncoated paper used for printing of newspapers c. Lightweight coated paper used for printing of magazines	Nil	10%
19	4901 10 10, 4901 91 00, 4901 99 00	Printed books (including covers for printed books) and printed manuals, in bound form or in loose-leaf form with binder, executed on paper or any other material including transparencies.	Nil	5%
		<b>Textiles</b>		
20	5101	Wool Fibre	5%	2.5%
21	5105	Wool Tops	5%	2.5%
		<b>Flooring materials</b>		
22	2515 12 20, 6802 10 00, 6802 21 10, 6802 21 20, 6802 21 90, 6802 91 00, 6802 92 00	Marble Slabs	20%	40%
		<b>Inputs for Optical Fibres</b>		
23	28 or 70	Raw materials used in manufacture of Preform of Silica:- (i) Refrigerated Helium Liquid (2804 29 10) (ii) Silicon Tetra Chloride and Germanium Tetra Chloride (2812 19 20, 2812) (iii) Silica Rods (7002 20 90) (iv) Silica Tube (7002 31 00)	Applicable Rate	Nil
24	5603 94 00	Water blocking tapes for manufacture of optical fiber cable	Nil	20%
		<b>Precious Metals</b>		



25	7106	Silver dore bar, having silver content not exceeding 95%	8.5%	11%
26	7108	Gold dore bar, having gold content not exceeding 95%	9.35%	11.85%
27	71 or 98	(a) Gold (excluding ornaments studded with stones or pearls) imported by an eligible passenger as baggage (b) Silver (excluding ornaments studded with stones or pearls) imported by an eligible passenger as baggage	10%	12.5%
		<b>Iron and Steel, Other base metals</b>		
28	7218	Stainless steel in ingots or other primary forms; semi-finished products of stainless less	5%	7.5%
29	7224	Other alloy steel in ingots or other primary forms; semi-finished products of other alloy steel	5%	7.5%
30	7225, 7225 19 90	Inputs for the manufacture of CRGO steel:- a) MgO coated cold rolled steel coils b) Hot rolled coils c) Cold-rolled MgO coated and annealed steel d) Hot rolled annealed and pickled coils e) Cold rolled full hard	5%	2.5%
31	7226 99 30	Amorphous alloy ribbon	10%	5%
32	7229	Wire of other alloy steel (other than INVAR)	5%	7.5%
33	8105 20 10	Cobalt mattes and other intermediate products of cobalt metallurgy	5%	2.5%
		<b>Capital goods</b>		
34	8474 20 10	Stone crushing (cone type) plants for the construction of roads	Nil	7.5%
35	82, 84, 85 or 90	Capital goods used for manufacturing of following electronic items, namely- (i) Populated PCBA (ii) Camera module of cellular mobile phones (iii) Charger/Adapter of cellular mobile phone (iv) Lithium Ion Cell (v) Display Module (vi) Set Top Box (vii) Compact Camera Module	Applicable rate	Nil
36	84, 85 or 90	Capital goods used for manufacturing of specified electronic items, namely- (i) Cathode Ray tubes; (ii) CD/CD-R/DVD/DVD-R; (iii) Deflection components, CRT monitors/CTVs; (iv) Plasma Display Panel	Nil	Applicable
		<b>Electronics</b>		

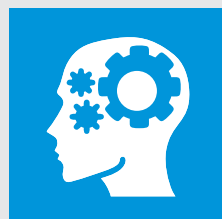
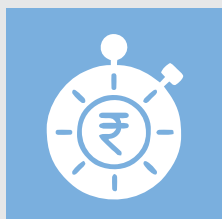




37	8504 40	Charger/Power adapter for CCTV camera/IP camera/DVR/NVR	Nil	15%
38	85	Specified electronic items like plugs, sockets, switches, connectors, relays.	Nil	Applicable rate
		<b>Automobile and automobile parts</b>		
39	8421 39 20, 8421 39 90	Catalytic convertor (All goods under these tariff items other than catalytic converters will continue at 7.5%)	5%	10%
40	8702, 8704	Completely Built Unit (CBU) of vehicles falling under heading 8702, 8704	25%	30%
41	Any Chapter	Following parts of electric vehicles:- (i) E-Drive assembly, (ii) On board charger, (iii) E-compressor and (iv) Charging Gun	Applicable rate	Nil
42	87	Prescribing actual user condition in respect of existing exemption from BCD to parts of Hybrid vehicles	-	-
		<b>Oil rigs and other goods used for oil exploration</b>		
43	84 or any other chapter	Providing option to pay BCD at transaction value on the disposal of goods, imported without payment of customs duty for petroleum operations / coal bed Methane operations where such disposal is made in unserviceable and mutilated condition	Applicable rate on depreciated value	7.5% on transaction value
		<b>Export Promotion for Sports goods</b>		
44	39 , 4407	Foam/EVA foam (39) and Pine Wood (4407) are being included in the list of items allowed duty free import upto 3% of FOB value of sports goods exported in the preceding financial year subject to specified conditions	Applicable rate	Nil
		<b>Clarifications and Miscellaneous changes regarding Basic Customs Duty</b>		
		<b>Fisheries</b>		
45	2309	Clarification is being issue that prawn feed and shrimp larvae feed, other than in pellet form will also attract 5% customs duty applicable on other fish feed in pellet form.		

## V. PROPOSALS INVOLVING CHANGES IN EXPORT DUTY RATES

S. No.		Export duty changes	From	To
1	41	El tanned Leather	15%	Nil
2	41	Hides, skins and leathers, tanned and untanned, all sorts	60%	40%





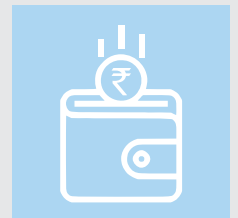
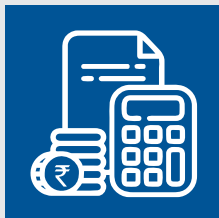
## VI. AMENDMENT IN THE SIXTH SCHEDULE TO THE FINANCE ACT, 2018:

S. No.	Amendments in scheduled rate of Road and Infrastructure Cess levied as additional duty of customs, on Petrol and Diesel [to be effective from 06.07.2019]* [Clause [201] of the Finance (No. 2) Bill, 2019] [effective rate is prescribed by notification as detailed in VII below]	Rate of Duty	
		From	To
1	Motor spirit commonly known as petrol	Rs. 8 per litre	Rs 10 per litre
2	High speed diesel oil	Rs. 8 per litre	Rs 10 per litre

\* Will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

## VII. Effective change in rate of Road and Infrastructure Cess on Petrol and Diesel

S. No.	Description	Rate of Duty	
		From	To
<b>Change in effective rate of Road and Infrastructure Cess, levied as additional duty of customs, on Petrol and Diesel</b>			
1	Motor spirit commonly known as petrol	Rs. 8 per litre	Rs. 9 per litre
2	High speed diesel oil	Rs. 8 per litre	Rs. 9 per litre



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