

Union Budget 2020

Analysis



Preface

Hon'ble Finance Minister Nirmala Sitharaman presented Union Budget for the Financial Year 2020-21 on February 1, 2020 by dedicating it to 'Ease of Living' woven around 3 prominent themes, i.e., Aspirational India, Economic Development for All & Developing a Caring Society. These themes being held together by corruption free - policy driven good Governance, clean & sound Financial sector

The Government announced a series of reforms aiming to foster the overall growth of the economy. From outlining a 16 point action plan for boosting agricultural sector, driving digital revolution, major infrastructure investments, encouraging foreign investment, to protecting the domestic manufacturing industry by introducing safeguards from customs perspective, the budget aims to achieve prosperity & well being of all

On Direct Taxes front, although the Government has not been keen on giving much on-the-ground relief after substantial cut in tax rates for manufacturing companies towards end of 2019, it is interesting to see the new trend started by Government of offering alternative schemes of taxation for various categories of taxpayers – one with higher rate of tax but allows incentives / deductions, other with lower rate of tax but without incentives / deductions. Abolition of Dividend Distribution Tax, impetus to affordable housing sector & start-ups are welcome steps. Government's efforts to make assessment (audit), appellate & penalty proceedings online to minimize human interface between taxpayer & authorities is also well-founded, however much depends on the extent of its implementation

From an indirect taxes perspective, 'Make in India' has been the primary focus. Some significant amendments have been proposed to the Customs Act including stringent checks on rising imports under Free Trade Agreements & increase of Customs Duty in certain sectors like healthcare, electronic goods, etc. Changes in customs front aims to align Indian policies with global norms. On the GST front, push towards simplification & technology-led administration is expected to continue with new return forms & e-invoicing

In a nutshell, Government has smartly balanced expectations from the industry while maintaining public confidence viz-a-viz. its socio-economic-political responsibility.

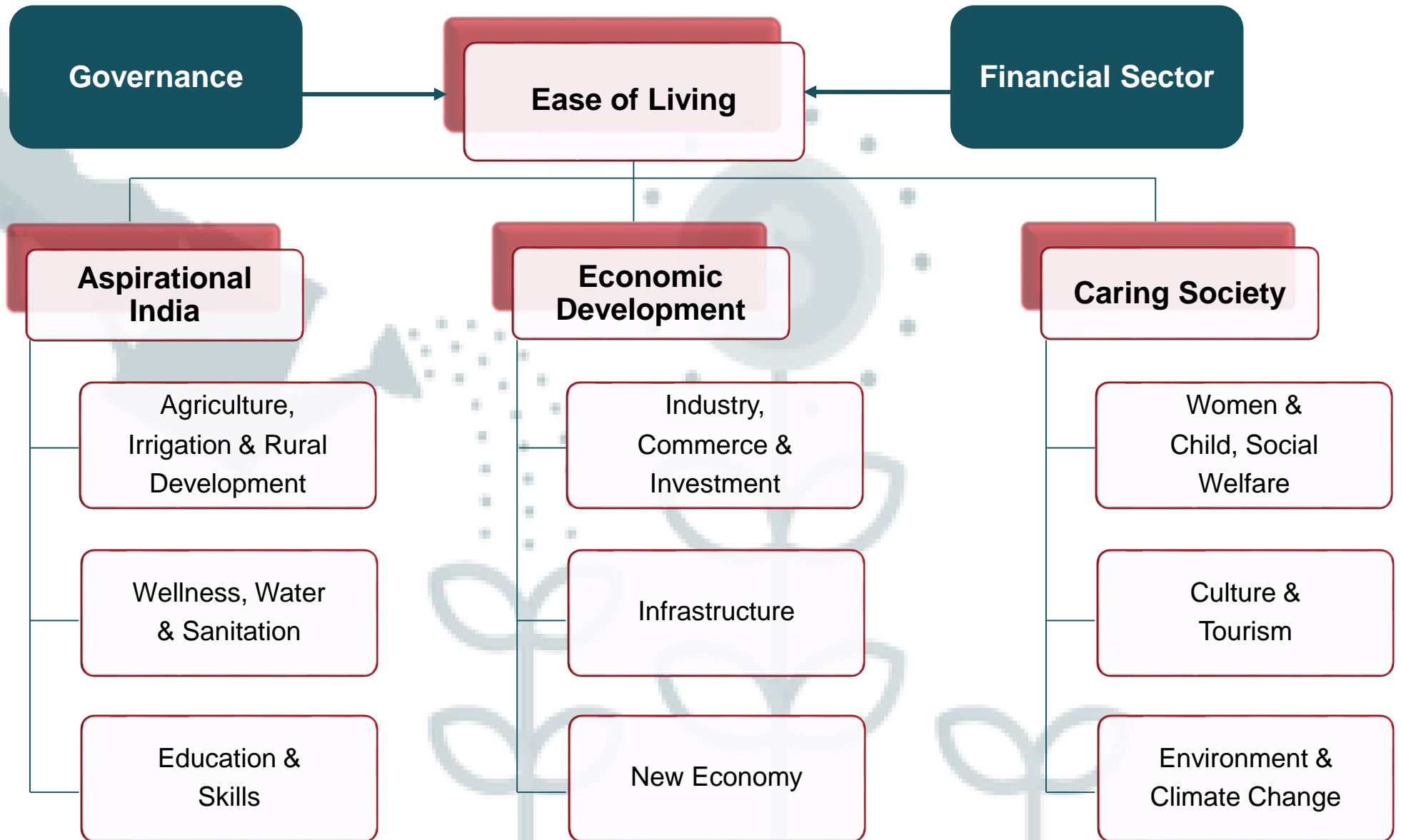
Key Economic Indicators

- GDP growth @ 5.0%
- Wholesale Price Index Inflation 1.5%
- Consumer Price Index Inflation 4.1%
- Industry Sector Growth 2.5%
- Agriculture & Allied Sector Growth 2.8%
- Services Sector Growth 6.9%
- Fiscal deficit 3.5%
- Revenue Deficit 2.7%



Prominent Budget Themes

Prominent Budget Themes



Sectoral Announcements



Governance

- Honourable exit through Insolvency & Bankruptcy Code (IBC) for companies
- Digital Governance
- Improve physical quality of life through National Infrastructure Pipeline
- Social Security through Pension & Insurance penetration
- Governance guided by “Sabka Saath, Sabka Vikas, Sabka Vishwas” with focus on:
 - Preventive Healthcare: Provision of Sanitation & Water
 - Healthcare: Ayushman Bharat
 - Clean Energy: Ujjwala & Solar Power
 - Financial Inclusion, Credit Support & Pension
 - Affordable Housing
 - Digital Penetration



Financial Sector

- Deposit Insurance Coverage to increase from INR 1 Lakh to INR 5 Lakh per depositor
- Eligibility limit for Non Banking Financial Companies (NBFCs) for debt recovery under The Securitisation & Reconstruction of Financial Assets & Enforcement of Securities Interest (SARFAESI) Act, proposed to be reduced to asset size of INR 100 Crore or loan size of INR 50 Lakh
- Proposal to sell balance holding of government in IDBI Bank
- Separation of National Pension Scheme (NPS) Trust for government employees from Pension Fund Regulatory & Development Authority (PFRDA)
- Specified categories of government securities to be opened for non resident investors
- Foreign Portfolio Investment (FPI) Limit for corporate bonds to be increased to 15%
- New debt Exchange-Traded Fund (ETF) proposed mainly for government securities

Aspirational India

Agriculture, Irrigation & Rural Development

- New Scheme to be operationalized to set up solar power generation capacity
- Viability Gap Funding for setting up of agriculture warehousing
- Village Storage scheme proposed to be run by small help groups (SHGs)
- Set up of Kisan Rail for seamless national cold supply of perishables
- Strengthening of 'Jaivikkheti'- online national organic products market
- Increase coverage of artificial insemination coverage to 70%
- Facilitation to double milk processing capacity by 2025
- Raising of fish production to INR 200 Lakh tonnes by 2022-23
- Raising of fishery exports to INR 1 Lakh Crore by 2024-25



Wellness, Water & Sanitation

- 'TB Harega Desh Jeetega' campaign launched to end Tuberculosis by 2025
- Expansion of Jan Aushadhi Kendra Scheme to all districts by 2024
- Viability Gap funding window for setting up hospitals in public private partnership (PPP) mode
- Focus on liquid & grey water management along with waste management
- INR 69,000 Crore is provided for the health sector



Education & Skills

- By 2021, 150 higher educational institutions to start apprenticeship embedded courses
- Internship opportunities to fresh engineers for a tenure up to 1 year by urban local bodies
- Degree level online education programmes for students of deprived section of the society
- Ind-SAT exam to be conducted in Asia & Africa under 'Study in India' programme
- Proposal for National Police University & a National Forensic Science University
- Special bridge courses to improve skill sets of those seeking employment abroad
- INR 99,300 Crore for education sector in 2020-21 & INR 3,000 Crore for skill development



Economic Development

Industry, Commerce & Investment

- Extension of invoice financing to Micro, Small & Medium Enterprises (MSMEs) through Trade Receivables Discounting System (TreDs)
- Provide subordinate debt for entrepreneurs of MSMEs
- EXIM & SIDBI to handhold MSMEs in export markets
- Proposal of National Technical Textiles Mission with four year implementation
- Niryat Rin Vikas Yojana (NIRVIK) Scheme for higher export credit disbursement launched
- Setting up of an Investment Clearance Cell to provide end to end facilitation
- Scheme to encourage manufacturing of mobile phones, electronic equipment & semi conductor packaging



Infrastructure

- National Logistics Policy to be launched soon
- Accelerated development of Highways
- Four Stations redevelopment projects
- 150 passenger trains through PPP mode
- 100 more airports to be developed under UDAAN
- Replace conventional energy meters by prepaid smart meters
- Expansion of National Gas Grid to 27,000 km
- INR 103 Lakh Crore National Infrastructure Pipeline Projects
- An International Bullion Exchange to be set up at Gujarat International Finance Tec-City (GIFT City)



New Economy

- Knowledge Translation Clusters for emerging technology sectors
- Scaling up of Technology Clusters harbouring test beds & small scale manufacturing facilities
- National Mission on Quantum Technologies & Applications with an outlay of INR 8,000 Crore proposed
- Early life funding for Start-ups
- Institute of Excellence in the field of Intellectual Property to be set up



Caring Society

Women & Child, Social Welfare

- More than 6 Lakh anganwadi workers equipped with smart phones
- Task force to be appointed to recommend regarding lowering Maternal Mortality Rate (MMR) & improving nutrition level



Culture & Tourism

- Proposal to establish Indian Institute of Heritage & Conservation
- Five archaeological sites to be developed as iconic sites
- Museum on Numismatics & Trade to be established
- Maritime museum to be set up at Lothal
- Re-curation of Indian museums across the country
- Tribal museum in Ranchi to be set up



Environment & Climate Change

- Coalition for Disaster Resilient Infrastructure launched in September 2019
- Encouragement to states implementing plans for cleaner air in cities above 1 Million





Direct Tax Proposals

Tax Rates



Individuals, HUF, Co-operatives

New Alternative & Optional Rates of taxation offered to Individuals, Hindu Undivided Family (HUF) & Co-operative society for AY 2021-22 onwards

Individuals & HUF - New Section 115BAC inserted

- Individuals & HUF allowed, at their option, to be governed by an alternative slab-rate of taxation on fulfillment of certain conditions
- Income shall be computed without exemption / deduction under other provisions of the Income-tax Act, 1961 (Act) (such as house rent allowance, leave travel concession, medical allowance, standard deduction, etc.)
- In case taxpayer has business income, option once exercised for a year can be withdrawn only once in any subsequent year. Thereafter, the person shall be disentitled to exercise the option again for any year unless he ceases to have business income
- Taxpayer has option to be governed by old / existing slab-rate of taxation if it is more beneficial to him

Co-operative societies - New Section 115BAD inserted

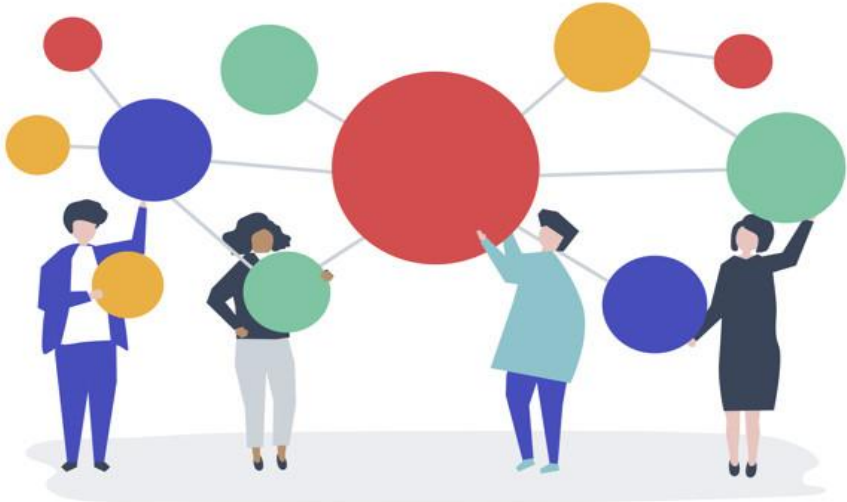
- Co-operative societies allowed, at their option, to be taxable @ 22% (excluding surcharge, cess) on fulfillment of certain conditions
- Income shall be computed without deduction under other provisions of the Act
- The Co-operative society has option to be governed by old / existing taxation structure if it is more beneficial to it
- Alternate Minimum Tax (AMT) shall not be applicable

Effective Personal Tax Rates

Taxable income (in INR)	Alternative Rates of Taxation u/s 115BAC	Existing Rates		
		< 60 years	Senior Citizens (60-80Years)	Super Senior Citizens (> 80 Years)
< 2.5 Lakh		Nil		
2.5 Lakh - 3 Lakh	5.20%	Nil		
3 Lakh - 5 Lakh		5.20%	Nil	
5 Lakh - 7.5 Lakh	10.40%	20.8%		
7.5 Lakh - 10 Lakh	15.60%	31.2%		
10 Lakh - 12.5 Lakh	20.80%			
12.5 Lakh - 15 Lakh	26.00%			
15 Lakh - 50 Lakh	31.20%			
50 Lakh - 1 Crore		34.32%		
1 Crore - 2 Crore		35.88%		
2 Crore - 5 Crore		39.00%		
> 5 Crore		42.74%		

Effective Tax Rate for Co-operative Society

Taxable income (in INR)	Effective Tax Rate u/s 115BAD	Existing Rate
Upto 10,000	25.17%	10.40%
10,000 - 20,000		20.80%
20,000 – 1 Crore		31.20%
> 1 Crore		34.94%



Effective Corporate Tax Rates

Legal Entity	New domestic companies engaged in manufacturing business / generation of power entitled for concessional tax rate u/s 115BAB	Existing domestic companies engaged in manufacturing business entitled for concessional tax rate u/s 115BAA	Others		
			Taxable Income (in INR)		
			< 1 Crore	1 Crore – 10 Crore	> 10 Crore
<i>Domestic Companies:</i>					
Turnover upto INR 400 Crore	17.16%	25.17%	26.00%	27.82%	29.12%
Turnover > INR 400 Crore				33.38%	
<i>LLPs, Partnership Firms</i>	NA		31.20%	34.94%	34.94%
<i>Foreign Companies</i>			41.60%	42.43%	43.68%

Surcharge

Taxable income (in INR)	Whether income includes income of Foreign Institutional Investor (FII) from specified securities or Capital Gains (CG) arising from their transfer			
	No		Yes	
	Where income includes CG on equity shares	Where income does not include CG on equity shares	Where income includes CG arising from transfer of specified securities [115AD(1)(b)]	Where income does not include CG arising from transfer of specified securities [115AD(1)(b)]
50 Lakh - 1 Crore	10%	10%	10%	10%
1 Crore - 2 Crore	15%	15%	15%	15%
2 Crore - 5 Crore		25%		25%
> 5 Crore		37%		37%

Tax Incentives



Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p>Amendment of section 115BAB to include generation of electricity as manufacturing</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 115BAB</i></p>	<p>As per recently introduced section 115BAB by Taxation Laws Amendment Act in 2019, <u>concessional tax rate @ 15%</u> has been allowed to <u>manufacturing companies</u> which are set up after October 1, 2019 & start production before March 31, 2023, provided they do not avail other incentives / deductions under the Act</p>	<p><u>Generation of electricity</u> included within the ambit for concessional rate of tax @ 15% to promote the sector</p>
<p>Exemption in respect of certain income of Indian Strategic Petroleum Reserves Limited (ISPRL)</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 10</i></p>	<ul style="list-style-type: none"> As per Section 10(48A), income arising to a foreign company on account of <u>storage & sale of crude oil</u> to a resident in India, is exempt provided such storage & sale is pursuant to an agreement / arrangement notified / approved by the Government of India. As per clause (48B), income arising to such foreign company on <u>sale of leftover stock of crude oil</u> after expiry / termination of above agreement / arrangement is also exempt. 	<p><u>New clause (48C)</u> inserted to provide <u>exemption to ISPRL</u> (being WOS of Oil Industry Development Board under Ministry of Petroleum & Natural Gas), as a result of replenishment of crude oil stored in its facility pursuant to directions of Government.</p> <p><i>Condition for eligibility:</i></p> <ul style="list-style-type: none"> The crude oil must <u>replenished within 3 years</u> from end of the financial year in which it was removed from the facility for the first time

Affordable Housing



Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Extension of time limit for sanctioning of loan for affordable housing for deduction u/s 80EEA</p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 80EEA</i></p>	<p>Deduction upto INR 1.5 Lakh is allowable on payment of interest on loan taken from financial institution for acquiring affordable housing apartment (provided stamp duty < INR 45 Lakh). Loan must be sanctioned between April 1, 2019 to <u>March 31, 2020</u></p>	<p>Sunset clause for sanctioning of loan by financial institution extended by 1 year to <u>March 31, 2021</u></p>	<p>To promote purchase of affordable housing by first time buyers</p>
<p>Extension of time limit for approval of affordable housing project for availing deduction u/s 80-IBA</p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 80IBA</i></p>	<p>Deduction of 100% of profits arising from development of affordable housing projects is allowable, provided project is approved by competent authority between April 1, 2016 to <u>March 31, 2020</u></p>	<p>Sunset clause for approval of project extended by 1 year to <u>March 31, 2021</u></p>	<p>To encourage affordable housing for masses</p>

Removing Difficulties for Taxpayers



Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Increase in safe harbour limit of 5% to 10% on real estate transactions</p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 43CA, 50C, 56(2)(x)</i></p>	<p>Currently, a <u>buffer of 5%</u> has been given by law to say that in case of <u>transfer of land / building</u>, in case the <u>value for stamp duty purposes</u> does not exceed actual value of consideration by more than 5%, the actual value of consideration exchanged shall be considered for taxability in hand of both, seller / transferor (as capital gains / business income) as well as buyer / transferee (as income from other sources)</p>	<p>The safe harbor limit of 5% has been <u>increased to 10%</u></p>	<p>To give more flexibility for real estate transactions</p>
<p>Modification of definition of 'business trust'</p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 2(13A)</i></p>	<p>Section 115UA provides regime for taxation of 'business trust'. Currently, units of a 'business trust' are <u>mandatorily required to be listed on stock exchange</u></p>	<p>Requirement of listing on stock exchange has been done away with</p>	<p>To enable private unlisted infrastructure / real estate trusts share the same status as public trusts with regard to tax treatment provided under the Act</p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Providing option to taxpayer for not availing deduction u/s 35AD (100% deduction of capital expenditure on certain specified business)</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 35AD</i></p>	<ul style="list-style-type: none"> • Currently, a taxpayer does not have option of not availing incentive u/s 35AD(1). • Due to operation of section 35D(4), a legal interpretation arises that a manufacturing company opting for recently introduced concessional tax rate of 22% / 15% which does not claim deduction u/s 35AD, would also be denied normal depreciation u/s 32. This has not been the intention of law 	<ul style="list-style-type: none"> • Deduction u/s 35AD(1) has been made <u>optional</u>. • Section 35AD(4) amended to provide that if deduction has been allowed to taxpayer under this provision, no deduction shall be allowed for the said expenditure <ul style="list-style-type: none"> - under any other section in the same previous year - u/s 35AD in any other previous year 	<ul style="list-style-type: none"> • To remove difficulty for manufacturing companies opting for recently introduced concessional tax rate of 22% / 15% • To align law with its legislative intent

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Allowing carry forward of losses / depreciation in certain amalgamations</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 72AA</i></p>	<p>Section 72AA provides for carry forward of accumulated losses / unabsorbed depreciation on amalgamation of <u>banking company with any other banking institution</u> only</p>	<p>Benefit of carry forward extended to amalgamation of;</p> <ul style="list-style-type: none"> • <u>a corresponding new bank with another corresponding new bank</u> governed by Banking Companies (Acquisition & Transfer of undertakings) Act, 1970 / Banking Companies (Acquisition & Transfer of undertakings) Act, 1980 • <u>a Government company with another Government company</u> governed by General Insurance Business (Nationalization) Act, 1972 	<p>To address issue faced by amalgamated public sector banks & public sector general insurance companies, as currently they are not getting benefit of carry forward of accumulated losses / unabsorbed depreciation.</p>

Measures to Provide Tax Certainty



Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Deductions allowable on payment basis u/s 43B extended to insurance companies as well</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: Rule 5 of 1st Schedule to Income-tax Act</i></p>	<ul style="list-style-type: none"> Deduction allowable in certain cases on payment basis <u>u/s 43B</u> are currently <u>not covered</u> in the scheme for computing tax liability of <u>insurance companies</u> Thus, it is possible that such sum may not be allowed as deduction in the year of payment even if it has been offered for disallowance in a prior year, which is not the intention of law 	<p>Rule 5 of 1st Schedule of Income-tax Act amended to allow for <u>deduction on payment basis u/s 43B in case of insurance companies</u></p>	<p>To align law with its legislative intent</p>
<p>Reduction in rate of tax deducted at source (TDS) on fees for technical services (other than professional services) to 2%</p> <p><i>Effective from: April 1, 2020 onwards</i></p> <p><i>Section(s) amended: 194J</i></p>	<p><u>TDS @ 10%</u> is applicable on payment of fee for technical services u/s 194J</p>	<p>TDS rate <u>reduced to 2%</u> from 10% (other than professional services)</p>	<p>To reduce litigations arising due to whether TDS should be deducted @ 2% u/s 194C (works contract) or 10% u/s 194J (technical services) in cases where nature of payment is not completely clear (for example, annual maintenance charges of a property)</p>

Widening of Tax Base



Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Enlarging scope for TDS u/s 194A on payment of interest by certain societies</p> <p><i>Effective from: April 1, 2020 onwards</i></p> <p><i>Section(s) amended: 194A</i></p>	<ul style="list-style-type: none"> Co-operative societies are not required to deduct TDS on income paid to their member or other co-operative society. Primary agricultural credit society / primary credit society / co-operative land mortgage bank are also not required to deduct TDS on income paid on deposits made with them 	<p>The said societies would be required to deduct TDS provided;</p> <ul style="list-style-type: none"> Their annual turnover > INR 50 Crore in the immediately preceding year, & Amount of interest paid /payable during the year exceeds; <ul style="list-style-type: none"> - INR 50,000 in case of senior citizen - INR 40,000 in case of others 	<p>To extend scope of TDS on interest payment by large co-operative societies</p>
<p>TDS @ 1% on e-commerce transactions</p> <p><i>Effective from: April 1, 2020 onwards</i></p> <p><i>Section(s) amended: 194O</i></p>	<p>Currently no TDS is required on payment by e-commerce operator to e-commerce participant (i.e. seller)</p>	<ul style="list-style-type: none"> New Section 194O inserted to provide for <u>TDS @ 1% on payment by e-commerce operator to the seller</u> on sale of goods / services through its online platform (TDS rate is 5% in no-PAN cases). No TDS required where seller is <u>individual / HUF</u> & his <u>aggregate sale</u> during the year through the e-commerce operator <u>≤ INR 5 Lakh</u>, provided PAN or Aadhaar no. is furnished. 	<p>To bring e-commerce operators, participants within tax net.</p>

Revenue Mobilization Measures



Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Rationalization of tax treatment of employer's contribution to recognized provident funds (PF), superannuation funds (SF) & NPS</p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 17(2)(vii), (viii)</i></p>	<p>Currently, there is <u>no combined upper limit for deduction of employer's contribution to PF, SF, NPS</u>, giving undue benefit to high-salaried employees who are able to design their salary package in a manner where significant part of their salary is paid by the employer in these 3 funds</p>	<ul style="list-style-type: none"> A combined annual upper limit of <u>INR 7.5 Lakh</u> has been prescribed for employers' contribution to these 3 funds. <u>Any excess contribution would be taxable.</u> Any <u>annual accretion</u> by way of interest, dividend, etc. to such fund relating to employer's contribution shall also be taxable. 	<p>To curb undue benefit to high-salaried employees, since Exempt-Exempt-Exempt (EEE) regime is followed for these 3 funds with no combined upper cap for employer's contribution.</p>
<p>Widening scope of Commodity Transaction Tax (CTT)</p> <p><i>Effective from: April 1, 2020 onwards</i></p> <p><i>Section(s) amended: 117 of Finance Act, 2013</i></p>	<ul style="list-style-type: none"> CTT was introduced by Finance Act, 2013 on sale of commodity derivatives based on non-agricultural commodities. Presently, as per Securities Contract (Regulation) Act, 1956 regulations, derivative trading in commodities is limited to commodity 'futures' & 'option on commodity futures' Necessary changes were required to align provisions of CTT with changes in commodity derivative market. 	<p>CTT chargeable on <u>new commodity derivative products</u> at following rates;</p> <ul style="list-style-type: none"> Sale of commodity derivative based on prices or indices of prices of commodity derivatives <u>@ 0.01%</u> Sale of an option in goods, where option is exercised resulting in actual delivery of goods <u>@ 0.0001%</u> Sale of an option in goods, where option is exercised resulting in a settlement otherwise than by actual delivery of goods <u>@ 0.125%</u> 	<p>To encourage commodity transactions settled by physical or actual delivery of goods</p>

Improving Effectiveness of Tax Administration



Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Modification of e-assessment scheme</p> <p><i>Effective from: April 1, 2020 onwards</i></p> <p><i>Section(s) amended: 143(3A)</i></p>	<p>As per current section 143(3A), best judgment (ex-parte) assessment u/s 144 was not covered by Government's scheme for e-assessment.</p>	<p>Scope expanded to entitle cover <u>best judgment assessment</u> under e-assessment scheme</p>	<p>To impart greater efficiency, transparency & accountability in assessment proceedings</p>
<p>Provision for e-appeal before Commissioner (Appeals)</p> <p><i>Effective from: April 1, 2020 onwards</i></p> <p><i>Section(s) amended: 250</i></p>	<p>E-assessment scheme is applicable only to assessment proceedings before AO, <u>not for appellate proceedings before Commissioner (Appeals)</u> (except for online filing of appeal)</p>	<p>Government has been empowered to notify <u>e-appeal scheme for appellate proceedings before Commissioner (Appeals)</u> as well.</p>	<p>Elimination of personal interface between taxpayer & Commissioner (Appeals) during appellate proceedings</p>
<p>Providing check on survey operations u/s 133A</p> <p><i>Effective from: April 1, 2020 onwards</i></p> <p><i>Section(s) amended: 133A(6)</i></p>	<p>No authority <u>below the rank of Joint Director / Joint Commissioner</u>, is allowed to conduct survey without prior approval of Joint Director / Joint Commissioner</p>	<p>Power to conduct survey has been made more stringent - In case survey is sought to be done which is <u>not based on information readily available with tax authorities</u>, it can be done only with prior approval of <u>Commissioner / Director</u></p>	<p>To prevent possible misuse of power by income-tax officers</p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Clarity on stay by the Income Tax Appellate Tribunal (ITAT)</p> <p><i>Effective from: April 1, 2020 onwards</i></p> <p><i>Section(s) amended: 254(2A)</i></p>	<p>Currently, there is no expressed requirement for pre-deposit of taxes before stay can be granted by ITAT</p>	<p>ITAT may grant stay provided taxpayer <u>deposits atleast 20% of tax / demand</u> or furnishes security of equal amount</p>	<p>To safeguard revenue's interest in terms of cash (tax) inflow</p>
<p>Provision for e-penalty</p> <p><i>Effective from: April 1, 2020 onwards</i></p> <p><i>Section(s) amended: 274</i></p>	<p>E-assessment scheme is expressedly applicable only to assessment proceedings before AO, <u>not for penalty proceedings</u></p>	<p>Government has been empowered to notify <u>e-scheme for penalty proceedings</u> as well</p>	<p>Elimination of personal interface between taxpayer & AO during penalty proceedings.</p>
<p>Insertion of Taxpayer's Charter</p> <p><i>Effective from: April 1, 2020 onwards</i></p> <p><i>Section(s) inserted: 119A</i></p>	<p>---</p>	<p><u>New section 119A inserted</u> to empower Central Board of Direct Taxes (CBDT) to adopt & declare a <u>Charter of Taxpayer's Rights</u>.</p>	<p>To ensure taxpayers' rights & establish trust between the taxpayer & tax department. So far, only 3 countries in the world have enshrined well rights of their taxpayers - Canada, US & Australia</p>

Preventing Tax Abuse



Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Penalty for fake invoices</p> <p><i>Effective from: April 1, 2020 onwards</i></p> <p><i>Section(s) amended: 271AAD</i></p>	---	<ul style="list-style-type: none"> New section 271AAD inserted to levy penalty if it is found that in books of accounts maintained by a person, there is a (i) <u>false entry</u> or (ii) any entry relevant for tax computation <u>has been omitted</u> to evade tax liability Any <u>other person</u> involved in such offence shall also be subjected to penalty 	After launch of Goods & Services Tax (GST), several cases of fraudulent input tax credit (ITC) claim have been caught by Government including fake invoices issued by racketeers who do not actually carry on any business or profession. Government intends to treat such cases harshly
<p>Amending definition of 'work' u/s 194C</p> <p><i>Effective from: Apr 1, 2020 onwards</i></p> <p><i>Section(s) amended: 194C</i></p>	TDS on works-contract u/s 194C is mandatory if a job-worker manufactures / supplies a product <u>by using material purchased from the same customer</u> who has placed the order. If material is purchased from any other person, it doesn't qualify as 'work', hence TDS is not applicable.	<ul style="list-style-type: none"> Applicability of TDS extended to cover cases where the job-worker procures material from an <u>'associate'</u> of its customer as well 'Associate' has been defined as a person covered u/s 40A(2)(b) 	Anti abuse - It has been noted that some assesseees are using the escape clause of the section by getting the job-worker to procure raw material through its related parties (instead of supplying on its own). As a result, substantial amount of income escapes tax net.

Rationalization of Provisions



Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<ul style="list-style-type: none"> Removing Dividend Distribution Tax (DDT) Moving to classical system of taxing dividend in hands of shareholders / unit holders. <p><i>Effective for: dividend declared, distributed or paid April 1, 2020 onwards</i></p> <p><i>Section(s) amended: 115O, 10(34)/(35)/(23FC)/(23FD)/(23D), 115R, 115UA(3), 57, 115A, 115AC, 115ACA, 115AD, 115C, 80M, 115BBDA, 194, 194LBA, 194K, 195, 196A, 196C, 196D</i></p>	<ul style="list-style-type: none"> In addition to corporate tax, a domestic company is required to pay DDT @ 15% on dividend declared, distributed or paid to shareholders. Such dividend is exempt in hands of shareholders. <u>Incidence of tax</u> thus, is on the <u>payer & not recipient</u> where it should ideally be. 	<ul style="list-style-type: none"> Various amendments proposed to the effect that dividend / income from units are <u>taxable in hands of recipients</u> (shareholders / unit holders) at the applicable rate Payer (domestic company / mutual funds) are not required to pay DDT any longer 	<p>Dividend ideally is income in hands of shareholders & not company. Incidence of tax should therefore, be on the recipient.</p> <p>The present system of taxation was re-introduced in 2003 since it was easier to collect tax at a single point then. However, with the advent of technology & easy tracking system available, justification for current system of taxation of dividend has outlived itself.</p>
<p>Rationalization of section 55 to compute cost of acquisition for land / building acquired before April 1, 2001</p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 55</i></p>	<p>While computing capital gain on transfer of an asset acquired before April 1, 2001, taxpayer has the option to adopt <u>fair market value as on April 1, 2001</u> as (deductible) cost of acquisition.</p>	<p>In case of a capital asset being land / building, fair market value as on April 1, 2001 <u>shall not exceed stamp duty value as on said date</u></p>	<p>To avoid artificial lowering of capital gains taxability on transfer of land / building acquired before April 1, 2001</p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<ul style="list-style-type: none"> • Increase in threshold for tax audit for businesses • Extension of due date for filing income-tax return (ITR) in certain cases <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 10, 10A, 12A, 32AB, 33AB, 33ABA, 35D, 35E, 44AB, 44DA, 50B, 80IA, 80IB, 80JJA, 92F, 115JB, 115JC, 115VW, 194A, 194C, 194H, 194I, 194J, 206C</i></p>	<ul style="list-style-type: none"> • Threshold limit in terms of turnover for requirement of tax audit is <ul style="list-style-type: none"> - <u>INR 1 Crore</u> for business - INR 50 Lakh for profession • Due date for filing annual ITR is <u>September 30</u> for following taxpayers (other than where transfer pricing is applicable); <ul style="list-style-type: none"> - Company - Any person (other than company) whose accounts are required to be audited - <u>Working partner</u> of a firm whose accounts are required to be audited 	<ul style="list-style-type: none"> • Threshold limit of turnover increased to <u>INR 5 Crore</u> for business, provided cash receipts / payments are < 5% of aggregate receipts / payments during the year • Due date for filing ITR extended from September 30 to <u>October 31</u> for the mentioned cases 	<ul style="list-style-type: none"> • To reduce compliance burden of small & medium enterprises • To enable pre-filing of returns in case of taxpayers having business or profession, tax audit report is required to be furnished at least 1 month in advance prior to due date of filing ITR

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Mandate of Form 26AS extended beyond information about TDS / tax collected at source (TCS)</p> <p><i>Effective from: June 1, 2020 onwards</i></p> <p><i>Section(s) amended: 203AA, 285BB</i></p>	<p>Current format of Form 26AS contains information about TDS / TCS only</p>	<p>New section 285BB inserted to mandate tax department to upload in the registered account of the taxpayer, a statement in prescribed form & manner & setting forth such <u>detailed information which is already in possession of the tax department</u></p> <p>Existing Section 203AA stands deleted.</p>	<p>With advancement in technology, multiple information about taxpayer such as sale/purchase of immovable property, share transactions etc. are being captured / proposed to be captured. In future, to facilitate compliance, this information will be provided to the taxpayer by uploading the same in the registered account of the taxpayer on the income-tax portal, so that the same can be used by him for filing of ITR & calculating his correct tax liability</p>



Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Withdrawal of exemption on certain perquisites / allowances provided to Union Public Services Commission (UPSC) Chairman, members & Election Commissioners</p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 10(45) of Income-tax Act, section 8 of Election Commission (Conditions of Service of Election Commissioners & Transaction of Business) Act, 1991</i></p>	<p>Most perquisites / allowances (such as rent free accommodation, transport, leave travel, etc.) enjoyed by Chairman, members of UPSC & Election Commissioners are currently exempt from tax</p>	<p>Exemption withdrawn on such perquisites / allowances</p>	<p>To curtail benefits allowed to Chairman. members of UPSC & Election Commissioners</p>
<p>Insolvency Professional (IP) allowed to validate ITR, act as Authorized Representative (AR)</p> <p><i>Effective from: April 1, 2020 onwards</i></p> <p><i>Section(s) amended: 288, 140</i></p>	<p>Currently, there is no specific provision in law empowering an Insolvency Professional (IP) admitted under the Insolvency & Bankruptcy Code, 2016, to validate ITR filed by a relevant company / LLP or to act as its AR.</p>	<p><u>IP allowed to validate ITR, act as AR</u> on behalf of a company / LLP undergoing insolvency proceedings.</p>	<p>More of a clarification in case of companies / LLPs undergoing insolvency proceedings.</p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Rationalization of sections 49 & 2(42A) in respect of segregated portfolios.</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 2(42A), 49</i></p>	<ul style="list-style-type: none"> Section 49 provides for cost of acquisition of capital asset in certain situations. 2(42A) provides definition of 'short-term capital asset' based on period of holding SEBI has vide circular dated December 28, 2018, permitted creation of segregated portfolio of debt & money market instruments by Mutual Fund schemes As per the circular, all the existing unit holders in the affected scheme as on the day of the credit event shall be allotted equal number of units in the segregated portfolio as held in the main portfolio On segregation, the unit holders come to hold same number of units in both the schemes. 	<ul style="list-style-type: none"> Section 2(42A) amended to include, in case of unit(s) in a segregated portfolio referred to in section 49(2AG), the <u>period for which the original unit(s) in the main portfolio were held by the taxpayer</u> New section 49(2AG) inserted to provide that cost of acquisition of unit to be calculated in same proportion as net asset value (NAV) of asset transferred bears to NAV of total portfolio immediately before the segregation of portfolios Correspondingly, clause (2AH) inserted to provide that cost of acquisition of original units held in main portfolio shall be deemed to have been reduced by amount arrived at under clause (2AG). 	<p>To align capital gain provisions with SEBI circular dated December 28, 2018, permitting creation of segregated portfolio of debt & money market instruments by Mutual Fund schemes.</p>

International Taxation



Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Modification in conditions for offshore funds' exemptions from 'Business Connection'</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 9A</i></p>	<p>Section 9A provides for <u>safe harbor rules in respect of offshore funds</u> including constitution of business connection in India & residential status of an eligible investment fund</p> <p><i>Conditions for eligibility:</i></p> <ul style="list-style-type: none"> • Amongst others, aggregate participation in the fund by <u>residents in India < 5%</u> of the fund corpus, & • If the fund has been established during the year, corpus must be atleast INR 100 Crore <u>at the end of 6 months</u> from the end of the month of its establishment, or at the <u>end of previous year</u>, <u>whichever is later</u> 	<p>Said conditions have been relaxed as below:</p> <ul style="list-style-type: none"> • While calculating participation of Indian residents in the fund, <u>contribution by the fund manager during first 3 years up to INR 25 Crore shall not be included</u> • Requirement of minimum corpus of INR 100 Crore must be fulfilled within <u>12 months from the end of the month of establishment of fund</u> 	<ul style="list-style-type: none"> • In the initial years of establishment, the resident fund manager in India is required to invest his money as 'skin in the game' to create reputation to attract investment • To avoid anomaly arising as certain funds due to its date of establishment may get favoured or discriminated against

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Amendment of section 194LC to:</p> <ul style="list-style-type: none"> Extend period of concessional rate of TDS, & Provide for concessional rate to bonds listed in stock exchanges in IFSC <p><i>Effective from: April 1, 2020 onwards</i></p> <p><i>Section(s) amended: 194LC</i></p>	<ul style="list-style-type: none"> Section 194LC provides for <u>concessional rate of TDS @ 5%</u> by an Indian company / business trust, on interest paid to non-residents on certain borrowings made in foreign currency from sources outside India before <u>July 1, 2020</u> including rupee denominated bond (RDB) Such interest must not exceed amount calculated at the rate approved by India Government 	<ul style="list-style-type: none"> Extension of period of concessional rate of TDS @ 5% to <u>July 1, 2023</u> from July 1, 2020 TDS rate shall be <u>4%</u> on interest payable to non-resident, in respect of monies borrowed in foreign currency from a source outside India, by way of issue of any long term bond or RDB between April 1, 2020 to July 1st, 2023 & which is <u>listed only on a recognized stock exchange located in any IFSC</u> 	<p>To attract fresh investment, create jobs & stimulate economy</p>
<p>Aligning purpose of entering into Double Taxation Avoidance Agreements (DTAA) with Multilateral Instrument (MLI)</p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 90(1)(b), 90A(1)(b)</i></p>	<p>Section 90 empowers Government to enter into DTAA's with other countries. Similarly, section 90A empowers Government to adopt & implement an agreement between an Indian association & any foreign association for granting relief, avoidance of double taxation, exchange of information & recovery of income-tax</p>	<p>Scope of sections 90 & 90A have been extended to cover <u>eliminate double taxation without creating opportunities for non-taxation / reduced taxation through tax evasion / avoidance</u> (including treaty-shopping arrangements aimed at obtaining indirect benefit of residents of 3rd jurisdictions)</p>	<p>To give effect to Multilateral Convention (MLI) recently signed by India along with representatives of many countries as an outcome of G-20 Organization for Economic Co-operation & Development's (OECD) project to prevent base erosion & profit shifting</p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Amendment of section 194LD to:</p> <ul style="list-style-type: none"> Extend period of concessional rate of TDS, & Extend concessional rate of TDS to cover municipal debt securities <p><i>Effective from: April 1, 2020 onwards</i></p> <p><i>Section(s) amended: 194LD</i></p>	<p>Section 194LD provides for concessional rate of TDS @ 5% on interest payments to FII & Qualified Foreign Investors (QFI) on their investment in Government securities & RDB of an Indian company, provided:</p> <ul style="list-style-type: none"> Rate of interest does not exceed the rate notified by India Government, & Interest must be payable between the period June 1, 2013 & July 1, 2020 	<ul style="list-style-type: none"> Extension of period of concessional rate of TDS @ 5% to <u>July 1, 2023</u> from July 1, 2020 Concessional rate of TDS @ 5% shall also apply on interest payable, between April 1, 2020 to July 1, 2023, to an FII or QFI in respect of investment made in municipal debt security 	<p>To attract fresh investment, create jobs & stimulate economy considering that Foreign Portfolio Investors (FPIs) have now been permitted to invest in municipal bonds by Securities & Exchange Board of India (SEBI) & Reserve Bank of India (RBI) under the limits available for FPI investments in State Development Loans (SDL)</p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Exemption to non-residents having passive income by way of royalty & fee for technical services (FTS) not attributable to PE, from filing ITR</p> <p><i>Effective from: AY 2020-21 onwards</i></p> <p><i>Section(s) amended: 115A</i></p>	<p>Exemption from filing ITR u/s 115A(5) is available to non-residents having dividend or interest income, but <u>not royalty or FTS</u></p>	<p>Exemption from filing ITR has been extended to non-residents having <u>royalty or FTS income</u> (not attributable to PE in India & taxable on gross basis) provided TDS has been appropriately withheld on such income.</p>	<p>To remove anomaly in law & reduce compliance burden on non-residents deriving royalty / FTS income from India.</p>
<p>Modification of Residency provisions</p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 6(1),(6)</i></p>	<ul style="list-style-type: none"> Relaxation available to Indian citizen / person of Indian origin (PIO) allowing them to visit India for longer duration of <u>upto 182 days</u> (instead of 60 days) without becoming resident of India Qualification criteria for individuals / HUF to be 'resident but not ordinary resident': <ul style="list-style-type: none"> Non-resident in <u>9 out of 10</u> preceding years, or Aggregate stay in India during <u>7 preceding years < 729 days</u> 	<ul style="list-style-type: none"> Relaxation for Indian citizen / PIO curtailed to <u>120 days</u>' stay (from existing 182 days) to continue qualifying as non-resident in India Amended qualification criteria for individuals / HUF to be 'resident but not ordinary resident': <ul style="list-style-type: none"> Non-resident in <u>7 out of 10</u> preceding years Clarity provided - An Indian citizen who is not taxable in any other country shall be considered as resident in India. 	<p>Anti abuse - To avoid situations making it possible for high-net worth individuals, who may be Indian citizens, to not be taxable anywhere in the world</p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Widening of scope of section 206C to include TCS on;</p> <ul style="list-style-type: none"> • Foreign remittance through Liberalized Remittance Scheme (LRS) • Sale of overseas tour package • Sale of goods over specified limit <p><i>Effective from: April 1, 2020 onwards</i></p> <p><i>Section(s) amended: 206C</i></p>	<p>Foreign remittance under LRS, sale of overseas tour packages are currently not covered within scope of TCS</p>	<p>TCS made chargeable on following transactions;</p> <ul style="list-style-type: none"> • Foreign remittance through LRS – Authorized Dealer (AD) Bank to charge <u>TCS @ 5%</u> if he receives sum <u>≥ INR 7 Lakh</u> for remittance outside India (10% in no PAN / Aadhaar cases) • Seller of an overseas tour program package shall collect <u>TCS @ 5%</u> from consumer (10% in no PAN / Aadhaar cases) • Seller of goods in certain cases liable to collect <u>TCS @ 0.1%</u> on consideration received from buyer in a year in excess of <u>INR 50 Lakh</u> (1% in no PAN / Aadhaar cases) 	<p>To increase tracking of high-income earners</p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Deferral of Significant Economic Presence (SEP) rule by 1 year</p> <p><i>Effective from: AY 2022-23 onwards</i></p> <p>Expansion of source rule to cover advertisement & certain other income earned from India</p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 9(1)(i)</i></p>	<ul style="list-style-type: none"> Section 9(1)(i) states that any <u>India-sourced income shall be taxable in India</u>, including income arising through or from any 'business connection' in India. Finance Act, 2018 clarified that SEP of a non-resident in India shall constitute 'business connection' thereby creating a taxable presence in India. For this purpose, threshold amount of payments arising from specified transactions & / or number of users which would create SEP India, were yet to be prescribed Currently, <u>SEP rule was supposed to be applicable from AY 2021-22 onwards</u> 	<ul style="list-style-type: none"> Applicability of SEP rule has been <u>deferred by 1 year from AY 2022-23 onwards</u> Scope of source rule has been clarified / expanded to include; <ul style="list-style-type: none"> - Income from <u>advertisement meant to target Indian customers</u>, or - Income from <u>sale of data</u> collected from India, or - Income from <u>sale of goods & services</u> using data collected from India 	<p>Since discussion on the issue is still going on in G20-OECD base erosion & profit shifting (BEPS) project, the threshold numbers for SEP have not yet been notified. G20-OECD report is expected by the end of December 2020</p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Royalty income taxable in India to include consideration for sale, distribution or exhibition of cinematographic films</p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 9(1)(vi)</i></p>	<p>Currently, <u>consideration for sale, distribution or exhibition of cinematographic films</u> received by non-resident is not taxable as royalty in India <u>under the Act</u>, even if DTAA allows India to tax such income as royalty</p>	<p><u>Consideration for sale, distribution or exhibition of cinematographic films</u> has been included within the definition of royalty income taxable in India under the Act</p>	<p>Intention to provide level-playing field for India residents - As per existing provision India had been foregoing its right to tax royalty in case of a non-resident from another country, without other countries offering similar concession to Indian resident</p>
<p>Power of CBDT to make rules for manner & procedure by which income shall be arrived in case of;</p> <ul style="list-style-type: none"> • Operations carried out in India by non-resident <p><i>Effective from: AY 2021-22 onwards</i></p> <ul style="list-style-type: none"> • Transaction / activities of a non-resident <p><i>Effective from: AY 2022-23 onwards</i></p> <p><i>Section(s) amended: 295</i></p>	<p>Section 295(2)(b) empowers CBDT to make rules for the manner & procedure by which income shall be arrived in cases of;</p> <ul style="list-style-type: none"> • Income derived partly from agriculture & partly from business • Persons residing outside India • Individual assessable u/s 64(2) (i.e, member of HUF who converts personal property into property of HUF) 	<p>Power of CBDT to make rules extended to following cases u/s 295(2)(b);</p> <ul style="list-style-type: none"> • Operations carried out in India by non-resident • Transaction / activities of a non-resident 	<p>To expand powers of CBDT</p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Exemption in respect of certain income of wholly owned subsidiary (WOS) of Abu Dhabi Investment Authority (ADIA) & Sovereign Wealth Fund</p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 10</i></p>	<p>Section 10 provides for exemption in respect of certain incomes & activities</p>	<p>New clause (23FE) inserted to provide <u>exemption to (a) WOS of ADIA (resident in UAE), (b) any other sovereign wealth fund owned & controlled by foreign Government,</u> of income arising through / from investment in India, in an enterprise carrying on business of developing, operating, maintaining any infrastructure facility defined in Explanation to section 80IA(4)(i) or such other business as may be notified by the India Government</p> <p><i>Conditions for eligibility:</i></p> <ul style="list-style-type: none"> • Investment must be made on or before March 31, 2024, & • Must be held for at least 3 years 	<p>To promote investment in India by sovereign wealth funds</p>

Transfer Pricing



Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Exclusion of interest payable to Permanent Establishment (PE) of a non-resident bank for purpose of disallowance u/s 94B</p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 94B</i></p>	<ul style="list-style-type: none"> Section 94B is an anti-abuse provision introduced in 2017 to address the issue of BEPS by way of excess interest deductions Currently, interest payable on loan borrowed from branch of a foreign bank attracts <u>limitation u/s 94B of deduction upto 30% of earnings before interest, taxes, depreciation & amortisation (EBITDA) or interest paid, whichever is less</u> 	<p>Interest limitation rule u/s 94B would <u>not apply to debt borrowed from PE in India of a foreign bank</u></p>	<p>Genuine transaction of borrowing debt from a foreign bank should not come under the clutches of section 94B being an anti-abuse provision</p>
<p>Attribution of profit to PE included within scope of Safe Harbor Rules (SHR) & Advance Pricing Agreement (APA)</p> <p><i>Effective from: AY 2020-21 onwards for SHR. April 1, 2020 onwards for APA.</i></p> <p><i>Section(s) amended: 92CB, 92CC</i></p>	<p>Attribution of profits to PE of a non-resident u/s 9(1)(i) currently is not covered under SHR or APA</p>	<p>Same has been included within the scope of SHR & APA</p>	<p>To provide certainty & avoid disputes</p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Reference to Dispute Resolution Panel (DRP)</p> <p><i>Effective for: variations proposed to be made by AO April 1, 2020 onwards</i></p> <p><i>Section(s) amended: 144C</i></p>	<ul style="list-style-type: none"> Reference to DRP can be made in case Assessing Officer (AO) proposes to make variation <u>only in returned loss / income</u> filed by the taxpayer. In other words, any other variation proposed to be made by AO is currently out of scope of reference to DRP A <u>non-resident not being a company</u>, is currently not eligible for DRP 	<ul style="list-style-type: none"> DRP can be referred in case AO proposes to make any kind of variation whatsoever (<u>not limited to returned loss / income</u>) which is prejudicial to interest of taxpayer <u>Non-resident not being a company</u>, included as eligible assessee for reference to DRP 	<p>To expand scope of cases which can be referred to DRP for quick resolution of disputes</p>

Start-ups



Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Rationalization of provisions for start-up</p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 80IAC</i></p>	<p>Deduction of 100% of profits available to eligible start-ups</p> <p><i>Conditions for deduction:</i></p> <ul style="list-style-type: none"> • Deduction available for 3 consecutive AYs out of <u>7 years at the option of taxpayer</u> • The start-up must be incorporated between April 1, 2016 & April 1, 2021 • Total turnover < <u>INR 25 Crore</u> 	<p>Conditions for deduction relaxed as below:</p> <ul style="list-style-type: none"> • Deduction shall be available for 3 consecutive AYs out of <u>10 years beginning from the year of incorporation</u> • Threshold limit of turnover increased to <u>INR 100 Crore</u> in any of the years beginning from year of incorporation 	<p>To encourage start-ups</p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Deferring TDS / tax payment in respect of income pertaining to Employee Stock Option Plan (ESOP) of start-ups</p> <p><i>Effective from: April 1, 2020 onwards</i></p> <p><i>Section(s) amended: 192, 191, 156, 140A</i></p>	<p>Currently <u>ESOPs</u> are taxable in 2 phases as below;</p> <ul style="list-style-type: none"> • As perquisite (salary) at the time of exercise • As capital gain at the time of sale <p>Tax on perquisite is required to be paid at the time of exercising of option which may lead to cash flow problem as the benefit of ESOP is in kind.</p>	<p>While deducting TDS on perquisite by an eligible start-up, the tax should be deducted / paid on such income within 14 days;</p> <ul style="list-style-type: none"> • After expiry of 48 months from end of relevant AY, or • Date of sale of specified security / sweat equity share by employee, or • Date on which employee ceases to work with the start-up <p>whichever is earliest, at the applicable rates of the year in which the said security / sweat equity share is allotted / transferred</p>	<p>To ease burden of payment of taxes by employees of the eligible start-ups or TDS by the start-up employer</p>

Rationalization of provisions relating to exempt institutions



Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>General exemptions not available if registered for specific exemptions</p> <p><i>Effective from: June 01, 2020 onwards</i></p>	<p>As per Section 11(7), any entity registered u/s 12AA shall not be granted exemption under any other provisions except agricultural income u/s 10(1) & section 10 (23C)</p>	<p><u>Exemption u/s 10(23C) & also 10(46) (i.e. institutions established by the Government / for the benefit of general public) shall be allowed to an entity even if registered u/s 12AA provided that the registration u/s 12AA shall become inoperative</u></p> <p>If the entity wishes to make section 12AA operative in the future, it will have to file an application & deduction u/s 10(23C) & 10(46) shall not be available.</p> <p>The <u>switching may be allowed only once</u> so that it is not done routinely</p>	<p>To provide relief to trusts or institutions established by the Central or State Government for the benefit of general public</p>
<p>Filing of statement of donation received by donee to cross-check claim of donation by donor</p> <p><i>Effective from: June, 01 2020 onwards</i></p>	<p>At present, there is no reporting obligation on the exempt entity to report the details of donation received</p>	<p>Donee shall be required to furnish a statement in respect of donation received. In the event of failure, fee & penalty will be levied</p> <p>Deduction u/s 80G / 80GGA to a donor shall be allowed only if a statement is furnished by the donee</p> <p>Similar to section 80G, deduction of cash donation u/s 80GGA shall be restricted to INR 2,000/- only</p>	<p>With the advancement in technology, it is now feasible to standardize the process through one-to-one matching between the receipts by the exempt entity & the deduction claimed by the assessee</p>

Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Rationalizing the process of registration & approval of exempt entities</p> <p><i>Effective from: June 01, 2020 onwards</i></p>	<p>Currently, registrations u/s 12AA & 10(23C) are for an indefinite period</p> <p>Further, the process of obtaining registration / approval is manual which has practical challenges</p>	<p>New section 12AB proposed to enable the registration process electronically</p> <p>Registration / approval for exemption shall be <u>limited for 5 years</u> at one time calculated from 1st April, 2020</p> <p>Fresh application u/s 10(23C), 12AA shall be provisionally approved for <u>3 years without enquiry</u></p> <p>Application subsequent to provisional registration should be at least <u>6 months</u> prior to expiry of provisional registration or within 6 months of start of activities, whichever is earlier</p> <p>Proposal to improve the present process of registration / approval / notification with the <u>advent of technology</u></p>	<p>The limitation period would ensure that the <u>conditions of approval are adhered to</u> as the exempt entities would be revisiting the concerned authorities for renewal</p> <p><u>Technology</u> would help in reducing difficulties & obtaining registrations / approvals</p>



Indirect Tax Proposals

Indirect Tax Proposals - GST

Budget Proposal	Existing Provision	Proposed Amendment
<p>Definition of Union Territory</p> <p><i>Section(s) amended: 2(114) of CGST Act</i></p>	<p>“Union territory” means the territory of:</p> <ul style="list-style-type: none"> • Andaman & Nicobar Islands • Lakshadweep • <u>Dadra & Nagar Haveli</u> • <u>Daman & Diu</u> • Chandigarh • Other territory 	<p>The definition of “Union territory” amended to give force to:</p> <ul style="list-style-type: none"> • The Jammu & Kashmir Reorganization Act, 2019 • Dadra & Nagar Haveli and Daman & Diu (Merger of Union Territories) Act, 2019.
<p>Composition scheme to exclude certain categories of taxable persons</p> <p><i>Section(s) amended: 10 of the CGST Act</i></p>	<p>A taxpayer is eligible to opt for composition scheme if he is <u>not engaged in</u>:</p> <ul style="list-style-type: none"> • supply of <u>goods</u> not leviable to tax • inter-state outward supplies of <u>goods</u> • supply of <u>goods</u> through an e-commerce operator required to collect tax at source 	<p>It is proposed to further exclude the following taxpayers from the ambit of the composition scheme engaged in making,</p> <ul style="list-style-type: none"> • Supply of <u>services</u> not leviable to tax • Inter State outward supply of <u>services</u> • Outward supply of <u>services</u> through an e-commerce operator
<p>Delink debit note date from underlying invoice date for availing Input Tax Credit (ITC)</p> <p><i>Section(s) amended: 16(4) of the CGST Act</i></p>	<p>Taxpayer can claim ITC in respect of any invoice or debit note up to the due date of Return for the month of September of the following financial year to which the <u>underlying invoice or invoice relating to such debit note pertains</u></p>	<p>It is proposed to <u>delink the date of debit note from the date of issuance of underlying invoice</u> for availment of ITC</p>

Indirect Tax Proposals - GST

Budget Proposal	Existing Provision	Proposed Amendment
<p>Cancellation of registration obtained voluntarily</p> <p><i>Section(s) amended: 29(1)(c) of the CGST Act</i></p>	<p>The tax officer may either on his own or basis application from the registered person [except taxpayer who has obtained voluntary registration u/s 25(3)] may cancel the registration under prescribed circumstances</p>	<p>In case of a person whose turnover does not exceed the threshold limit but has obtained registration voluntarily may also cancel registration</p>
<p>Extension of date for application for revocation of cancellation</p> <p><i>Section(s) amended: 30(1) of the CGST Act</i></p>	<p>Taxpayer may apply for revocation of cancellation of the registration <u>within 30 days</u> from the date of service of the cancellation order</p> <p>Currently, there is <u>no provision</u> whereby the tax authority can <u>extend</u> such period of 30 days</p>	<p>Jurisdictional tax authorities empowered to extend the date of application for revocation of cancellation of registration in deserving cases</p>
<p>Issuance of invoices in case of supply of taxable services</p> <p><i>Section(s) amended: 31(2) of the CGST Act</i></p>	<p>A taxpayer supplying taxable services shall issue tax invoice before or after the provision of service within the prescribed period</p> <p>The Government may specify the categories of services in respect of which:</p> <ul style="list-style-type: none"> • any other document which shall be deemed to be a tax invoice • tax invoice may not be issued 	<p>The Government may <u>specify the categories of services</u> for which a tax invoice shall be issued <u>within such time & in such manner</u> as may be prescribed</p>

Indirect Tax Proposals - GST

Budget Proposal	Existing Provision	Proposed Amendment
<p>Deductor not required to issue TDS certificate</p> <p><i>Section(s) amended: 51(3) & 51(4) of the CGST Act</i></p>	<p>The deductor is required to furnish TDS certificate to the deductee <u>within 5 days</u> failing which late fee shall apply</p>	<p>Deductor not required to issue TDS certificate;</p> <p>Omission of corresponding late fees</p>
<p>Beneficiary of fraudulent ITC liable for penalty</p> <p><i>Section(s) amended: 122 & 132 of the CGST Act</i></p>	<p>--</p>	<p><u>New section 122(1A)</u> inserted to make the beneficiary of the fraudulent ITC liable for penalty similar to the penalty leviable on the person who commits such offences</p> <p>Offence of fraudulent availment of ITC without an invoice or bill shall be cognizable & non-bailable</p>
<p>Manner & time limit for taking transitional credit w.e.f. July 1, 2017</p> <p><i>Section(s) amended: 140</i></p>	<p>---</p>	<p>Section 140 amended retrospectively from July 1, 2017 to prescribe the manner & time limit for taking transitional credit</p>
<p>Extended period for removal of difficulty order</p> <p><i>Section(s) amended: 172</i></p>	<p>If any difficulty arises in giving effect to any provisions of the GST laws, the Government may make provisions for removing the said difficulty <u>within 3 years</u> from the commencement of GST Act</p>	<p>The threshold period of 3 years has been <u>extended to 5 years</u> from date of commencement of the GST laws</p>

Indirect Tax Proposals - GST

Budget Proposal	Existing Provision	Proposed Amendment
<p>Business assets transferred or put to private use without consideration</p> <p><i>Effective from: July, 1 2017</i></p> <p><i>Amended: Entries at 4(a) & 4(b) in Schedule II</i></p>	<p>Where assets of a business are transferred / disposed off / put to any private use, <u>whether or not for a consideration</u>, will be treated as supply of goods</p>	<p>Transfer of business assets without consideration shall not be deemed as supply of goods or services or both retrospectively from July 1, 2017</p>

- Simplified GST Returns to be implemented from April 1, 2020 with features like SMS based filing for nil return, return pre-filling, improved Input Tax Credit (ITC) flow
- Refund process simplified, fully automated with no human interface
- Electronic invoice to be implemented in a phased manner
- Aadhaar based verification to weed dunny / non-existent units
- Dynamic QR-code proposed for consumer invoices
- Cash reward is envisaged to incentivize customers to seek invoice
- Deep data analytics & AI tools for crackdown on ITC, refund & other frauds
- GST rate structure deliberated to address issues like inverted duty structure
- Retrospective GST rate amendment to exempt the following:
 - Supply of fishmeal (chapter 2301) for the period July 1, 2017 to November 30, 2017
 - Concessional GST rate of 12% on supply of pulley, wheels & other parts used as agriculture machinery from July 1, 2017 to December 31, 2018
 - The above GST rate amendments will come into effect from the date of Notification

Indirect Tax Proposals – Excise & Customs

Excise

- Excise duty rates on cigarettes & other tobacco products (excluding bidis) have been increased

Customs

- Central Government (CG) empowered to prevent injury to the economy by uncontrolled import or export of “any other goods”
- Any notice issued u/s 28 for non-levy, short levy, non-payment, short-payment or erroneous refund prior March 29, 2018 shall continue to be governed by that section
- New Chapter VAA “Administration of Rules of Origin Under Trade Agreement” & a new section 28DA “Procedure regarding claim of preferential rate of duty” inserted to provide for administering preferential tax treatment regime under Trade Agreements
- Pending verification, preferential benefit shall be suspended & goods to be cleared only on furnishing security equal to differential duty
- Introduction of Electronic Duty Credit Ledger (ECDL) for duty credit in lieu of duty remission in respect of exports or other benefit
- Goods imported at preferential rate by contravening Customs law shall be confiscated
- CG to apply safeguard measures (like Safeguard Duty, Tariff Rate Quota) on imports causing serious injury to domestic industry
- 5% Health Cess imposed on import of medical devices falling under headings 9018 to 9022
- On review, certain customs exemptions which have outlived their utility are being withdrawn

Changes in Basic Customs Duty

Changes in the Rate of Basic Custom Duty on selected products

Sl.	Commodity	Old Rate	New Rate
1	Walnuts, shelled	30%	100%
2	Other chemical products & preparations of the chemical or allied industries, not elsewhere specified	10%	17.5%
3	Footwear	25%	30%
4	Parts of footwear	15%	20%
5	Tableware, kitchenware, water filters (of a capacity not exceeding 40 litres (lt)) & other household articles, of porcelain or China	10%	20%
6	Ceramic table-ware, kitchen-ware, clay articles & other household articles	10%	20%
7	Glassware of a kind used for table, kitchen, toilet, office, indoor decoration or similar purposes (other than that of heading 7010 or 7018)	10%	20%
8	Table kitchen or other household articles & parts thereof, of iron or steel, iron or steel wool, pot scourers & scouring or polishing pads, gloves & the like, of iron or steel, including pressure cookers pans utensils, misc articles such as iron & steel wool, polishing pads, gloves etc.	10%	20%
9	Table, kitchen or other household articles & parts thereof, of copper, pot scourers & scouring or polishing pads, gloves & the like, of copper	10%	20%

Changes in Basic Customs Duty

Changes in the Rate of Basic Custom Duty on selected products

Sl.	Commodity	Old Rate	New Rate
10	Table, kitchen or other household articles & parts thereof, of aluminum, pot scourer & scouring or polishing pads, gloves & the like, of aluminum	10%	20%
11	Padlocks & locks (key, combination or electrically operated) of base metal, clasps & frames with clasps, incorporating locks of base metals, keys for any of the foregoing articles, of base metals (other than lock of a kind used for automobiles)	10%	20%
12	Brooms, brushes, hand operated mechanical floor sweepers, not motorized, mops & feather dusters, prepared knots & tufts for broom or brush making, paint pads & rollers, Squeegees (other than roller squeegees)	10%	20%
13	Hand sieves & hand riddles	10%	20%
14	Combs, hair-slides & the like, hairpins curling pins, curling grips, hair curlers & the like, other than those of heading 8516 & parts thereof	10%	20%
15	Vacuum flasks & other vacuum vessels, complete with cases, parts thereof other than glass inners	10%	20%
16	Table fans	10%	20%
17	Ceiling fans	10%	20%

Changes in Basic Customs Duty

Changes in the Rate of Basic Custom Duty on selected products

Sl.	Commodity	Old Rate	New Rate
18	Pedestal fans	10%	20%
19	Blowers, portable	10%	20%
20	Food grinders	10%	20%
21	Other grinders & mixer	10%	20%
22	Other appliances	10%	20%
23	Shavers	10%	20%
24	Hair clippers	10%	20%
25	Hair-removing appliances	10%	20%
26	Water heaters & immersion heaters	10%	20%
27	Storage heating radiators	10%	20%
28	Other electrical space heating apparatus	10%	20%
29	Hair dryers	10%	20%
30	Other hair dressing apparatus	10%	20%

Changes in Basic Customs Duty

Changes in the Rate of Basic Custom Duty on selected products

Sl.	Commodity	Old Rate	New Rate
31	Hand drying apparatus	10%	20%
32	Electric smoothing irons	10%	20%
33	Other ovens, cookers, cooking plates, boiling rings, grillers & roasters	10%	20%
34	Coffee & tea makers	10%	20%
35	Toasters	10%	20%
36	Electro-thermic fluid heaters	10%	20%
37	Electrical or electronic devices for repelling insects	10%	20%
38	Other electro-thermic appliances used for domestic purposes	10%	20%
39	Electric heating resistors	10%	20%
40	Coin (of precious metal)	10%	12.5%
41	Railway carriage fans	7.5%	10%
42	Other fans with a self-contained electric motor not exceeding 125W	7.5%	20%
43	Air circulator	7.5%	10%

Changes in Basic Customs Duty

Changes in the Rate of Basic Custom Duty on selected products

Sl.	Commodity	Old Rate	New Rate
44	Industrial fans blowers & similar blowers	7.5%	10%
45	Other industrial fans	7.5%	10%
46	Compressor of refrigerator & air conditioner	10%	12.5%
47	Pressure vessels	7.5%	10%
48	Commercial type combined refrigerator freezers, fitted with separate external doors	7.5%	15%
49	Commercial freezer of chest type, not exceeding 800lt capacity	7.5%	15%
50	Other chest type freezers	10%	15%
51	Electrical freezers of upright type, not exceeding 800lt capacity	7.5%	15%
52	Other freezers of upright type, not exceeding 800lt capacity	7.5%	15%
53	Refrigerating or freezing display counters, cabinets, show-cases & the like	7.5%	15%
54	Heat pumps other than AC machines	7.5%	15%
55	Ice making machinery	7.5%	15%
56	Water cooler	10%	15%

Changes in Basic Customs Duty

Changes in the Rate of Basic Custom Duty on selected products

Sl.	Commodity	Old Rate	New Rate
57	Vending machine, other than automatic	10%	15%
58	Refrigerating equipment / devices used in leather industry	7.5%	15%
59	Refrigerated farm tanks, industrial ice cream freezer	7.5%	15%
60	Others (like freezers of capacity 800lt & more etc.)	7.5%	15%
61	Welding & plasma cutting machines	7.5%	10%
62	Static converters	15%	20%
63	Dip bridge rectifier	10%	20%
64	Populated, loaded or stuffed printed circuit boards	10%	20%
65	Catalytic convertor	10%	15%
66	Seats & parts of seats (other than aircraft seats & their parts)	20%	25%
67	Other furniture & parts	20%	25%
68	Mattress supports, articles of bedding & similar furnishing	20%	25%
69	Lamps & lighting fittings including searchlights & spotlights & parts thereof, Illuminated signs, illuminated name plates & the like, having a permanently fixed light source, & parts thereof except solar lantern & solar lamps	20%	25%

Changes in Basic Customs Duty

Changes in the Rate of Basic Custom Duty on selected products

Sl.	Commodity	Old Rate	New Rate
70	Tricycles, scooters, pedal-cars & similar wheeled-toys, dolls carriages, dolls, other toys, reduced-size (scale) models & similar recreational models, working or not, puzzles of all kinds	20%	60%
71	Filing, cabinets, card-index cabinets, paper-trays, paper rests, pen trays, office-stamp stands & similar office or desk equipment, of base metal, other than office furniture of heading 9403	10%	20%
72	Fittings for loose-leaf binders or files, letter clips, letter corners, paper clips, indexing tags & similar office articles, of base metal, staples in strips (for example, for offices, upholstery, packaging), of base metal	10%	20%
73	Sign-plates, name-plates, address-plates & similar plates, numbers, letters & other symbols, of base metal, excluding those of heading 9405	10%	20%
74	Artificial flowers	10%	20%
75	Glass beads	10%	20%
76	Bells, gongs, statuettes, trophies & like, non-electric of base metal, statuettes & other ornaments of base metal, photograph, picture or similar frames, of base metal, mirrors of base metal	10%	20%
77	Pure-bred breeding horses	30%	Nil
78	Very low sulphur fuel oil meeting ISO 8217:2017 RMG380 viscosity in 220-400 CST standards / marine fuel Oil 0.5% (FO), under the same conditions as available to IFO 180 CST & IFO 380 CST under entry at S.No. 139 of Notification no. 50/2017-Customs dated June 30, 2017	10%	Nil
79	Calcined petroleum coke	10%	7.5%

Changes in Basic Customs Duty

Changes in the Rate of Basic Custom Duty on selected products

Sl.	Commodity	Old Rate	New Rate
80	Colloidal precious metals, compounds of precious metals, amalgams of precious metals	7.5%	10%
81	Butyl acrylate	5%	7.5%
82	Polyester Liquid Crystal Polymers (LCP) for use in manufacture of connectors	7.5%	Nil
83	Calendared plastic sheets for use in manufacturing of smart cards	10%	5%
84	<ul style="list-style-type: none"> • Newsprint, if the importer, at the time of import is an establishment registered with the Registrar of Newspapers, India (RNI) • Uncoated paper used for printing newspaper, if the importer, at the time of import is an establishment registered with the Registrar of Newspapers, India (RNI) • Lightweight coated used for printing magazines, subject to end-use conditions 	10%	5%
85	List of items allowed duty free import up to 3% of FOB value of sports goods exported in the preceding financial year is amended to include willow	Applicable rate	Nil
86	Gold used in the manufacture of semiconductor devices or light emitting diodes	Nil	12.5%
87	Rubies, emeralds, sapphires-unset & imported uncut	Nil	0.5%
88	Rough coloured gemstones	Nil	0.5%
89	Rough semi-precious stones	Nil	0.5%
90	Pre-forms of precious & semi-precious stones	Nil	0.5%

Changes in Basic Customs Duty

Changes in the Rate of Basic Custom Duty on selected products

Sl.	Commodity	Old Rate	New Rate
91	Rough synthetic gemstones	Nil	0.5%
92	Rough cubic zirconia	Nil	0.5%
93	Polished cubic zirconia	5%	7.5%
94	Platinum or Palladium used in manufacture of: • All goods, including noble metal compounds & noble metal solutions (2843) Catalyst with precious metal or precious metal compounds as the active substance (3815 12)	12.5%	7.5%
95	Spent Catalyst / Ash containing precious metal like gold from which such precious metal is retrieved subject to specified conditions	12.5%	11.85%
96	Goods specified in list 10 of Notification No. 50/2017-Customs dated June 30, 2017, required for use in high voltage power transmission project	5%	7.5%
97	Rotary tillers / weeder	2.5%	7.5%
98	Goods specified in list 14 of Notification No. 50/2017-Customs dated June 30, 2017, required for construction of road like paver finisher, machines for filling up cracks in roads, mobile bridge inspection units etc.	Nil	Applicable BCD
99	Motors like single phase AC motors, stepper motors, wiper motors etc.	7.5%	10%
100	Copper & articles thereof used in manufacturing of specified electronic items	Nil	Applicable BCD
101	Specified chargers & power adapters	Applicable BCD	20%

Changes in Basic Customs Duty

Changes in the Rate of Basic Custom Duty on selected products

Sl.	Commodity	Old Rate	New Rate
102	PCBA of cellular mobile phones (with effect from (w.e.f.) April 1, 2020)	10%	20%
103	Fingerprint readers for use in cellular mobile phones	Nil	15%
104	Vibrator / ringer of cellular mobile phones (w.e.f. April 1, 2020)	Nil	10%
105	Display panel & touch assembly of cellular mobile phones (w.e.f. October 1, 2020)	Nil	10%
106	Headphones & earphones	Applicable BCD	15%
107	Following parts of microphone for use in manufacture of microphone namely: <ul style="list-style-type: none"> • microphone cartridge • microphone holder • microphone grill • microphone body etc. 	10%	Nil
108	Micro-fuse base, sub-miniature fuse base, micro-fuse Cover & sub-miniature fuse cover for use in manufacture of micro fuse & sub-miniature fuse	7.5%	Nil
109	Noble metal solutions & noble metal compounds used in manufacture of catalytic converter & their parts	5%	Applicable BCD
110	Platinum or palladium used in manufacturing of catalytic converter & their parts	5%	Applicable BCD

Changes in Basic Customs Duty

Changes in the Rate of Basic Custom Duty on selected products

Sl.	Commodity	Old Rate	New Rate
111	<ul style="list-style-type: none"> • Parts of catalytic converter for manufacture of catalytic converters • The following goods for use in the manufacture of catalytic converters & its parts, namely: <ul style="list-style-type: none"> - Raw substrates (ceramics) - Wash coated substrates (ceramics) - Raw substrates (metal) - Wash coated substrates (metal) - Stainless steel wire cloth stripe - Wash coat 	5%	7.5%
112	Completely Built Units (CBUs) of commercial vehicles (other than electric vehicles) (w.e.f. April 1, 2020)	30%	40%
113	CBUs of commercial electric vehicles (w.e.f. April 1, 2020)	25%	40%
114	Semi Knocked Down (SKD) forms of electric passenger vehicles (w.e.f. April 1, 2020)	15%	20%
115	SKD forms of electric vehicles-bus, trucks & two wheelers (w.e.f. April 1, 2020)	15%	25%
116	Completely Knocked Down (CKD) forms of electric vehicles - passenger vehicles, three wheelers, two wheelers, bus & trucks (w.e.f. April 1, 2020)	10%	15%
117	Exemption from import duty for specified military equipment, when imported by Defense Public Sector Undertakings (PSUs) & other PSUs for defence forces	As applicable	Nil

Changes in Basic Customs Duty

New entries added to the First Schedule

Sl.	Tariff Item	Description	Tariff Rate	Effective Rate
1	8414 51 50	Wall fans	20%	20%
2	8529 90 30	Open cell for television set	15%	0%
3	8541 40 11	Solar cells not assembled	20%	0%
4	8541 40 12	Solar cells assembled in modules or made up in panels	20%	0%



Changes in Basic Customs Duty

Custom duty exemptions are being withdrawn on certain goods by deleting entries of Notification No. 50 / 2017

Sl.	Sl. No. of Notification No. 50 / 2017	Description of goods
1	5	Tuna bait (0303)
2	7	Goods upto an aggregate of Ten Thousand Metric Tonnes (mt) of total imports of Milk & cream, in powder, granules or other solid form in a FY [040210, 04022100]
3	7A	Whey, concentrated, evaporated or condensed, liquid or semi-solid (0404 10 10)
4	7B	Other whey (0404 90 00)
5	8	Butter ghee, butter oil (0405)
6	9	Other cheese (0406 90 00)
7	10	Pancreas (products of animal origin, not elsewhere specified) (Chapter 5)
8	11	Conch shell (0508 00)
9	18	Bulbs or tubers, other live plants (0601 or 0602)
10	36	All goods other than meslin or wheat (1001)
11	38	Meslin (1001)
12	40	Maize upto an aggregate of five Lakh mt of total imports of such goods in a FY (1005 90 00)

Changes in Basic Customs Duty

Custom duty exemptions are being withdrawn on certain goods by deleting entries of Notification No. 50 / 2017

Sl.	Sl. No. of Notification No. 50 / 2017	Description of goods
13	47	Sugar beet seeds [1209 10 00]
14	56	Edible oils [1508, 1512, 1513, 1514,1515 or 1511 10]
15	58	Refined vegetable oils of edible grade, in loose or bulk form (other than palm oil) (chapter 15)
16	59	Vegetable oils of edible grade, in loose or bulk form (other than those specified against S. No. 58 & palm oil), imported for the manufacture of oil commonly known as “Vanaspati” or for refining Explanation. -The expression “vegetable oil” means- (a) in the case of cottonseed oil, oil having a free fatty acid content of at least 0.2%; & (b) in the case of any other vegetable oil, oil with free fatty acid content of at least 0.5% (15)
17	68	Crude sunflower seed or safflower oil upto an aggregate of One Lakh & Fifty Thousand mt of total imports of such goods in a FY (1512 11)
18	69	Crude sunflower seed or safflower oil other than those specified against S. No. 68 (1512 11)
19	72	Refined rape, colza or mustard oil upto an aggregate of One Lakh & Fifty Thousand mt of total imports of such goods in a FY (1514 19 or 1514 99)
20	78	Margarine, animal or vegetable oils of edible grade (1517 or 1518)
21	83	Glycerol, crude, glycerol waters & glycerol lyes, (other than crude glycerin) (1520 00 00)

Changes in Basic Customs Duty

Custom duty exemptions are being withdrawn on certain goods by deleting entries of Notification No. 50 / 2017

Sl.	Sl. No. of Notification No. 50 / 2017	Description of goods
22	83A	Raw sugar upto an aggregate of three Lakh mt of total imports of such goods. Provided that the import of raw sugar in physical form is completed within sixty days from the date of issue of the Tariff Rate Quota Allocation Certificate or license by Directorate General of Foreign Trade (DGFT) to the importer. Provided further that the importer shall convert the raw sugar into white/ refined sugar within a period, not exceeding thirty days, from the date of filing of bill of entry or the date of entry inwards, whichever is later (1701)
23	89	Dextrose monohydrate (1702)
24	92	Molasses resulting from extraction or refining of sugar (1703)
25	93	Chewing gum whether or not sugar coated (1704 10 00)
26	94	Food preparations, for infant use & put up for retail sale, of- (i) goods of headings 0401 to 0404, containing cocoa calculated on a totally defatted basis, in a proportion by weight of 5% or more but less than 10%, or (ii) flour, meal, starch or malt extract containing cocoa calculated on a totally defatted basis, in a proportion by weight of 40% or more but less than 50% [1806 90]
27	95	Preparations for infant use put up for retail sale (1901 10)
28	98	preserved potatoes (2004 10 00)
29	99	Peanut butter (2008 11 00)
30	105	Wine, for use as sacramental wine (2204)

Changes in Basic Customs Duty

Custom duty exemptions are being withdrawn on certain goods by deleting entries of Notification No. 50 / 2017

Sl.	Sl. No. of Notification No. 50 / 2017	Description of goods
31	108	Angostura bitters (2208)
32	113	Fin fish feed (2301 20, 2309 90 32, 2309 90 39)
33	115	Dietary soya fibre (2304)
34	148	Naphtha, when imported by Ratnagiri Gas & Power Private Limited (RGPPL), for use in generation of electricity in the power plants of RGPPL at Dabhol, District Ratnagiri, Maharashtra (2710)
35	149	Naphtha, when imported for generation of electrical energy by a generating company as defined in section 2(28) of the Electricity Act, 2003 (36 of 2003) to supply electrical energy or to engage in the business of supplying electrical energy (2701)
36	152	Propane, butane (27111200, 27111300)
37	160	Electrical energy (2716 00 00)
38	170	Phosphoric acid, for the manufacture of fertilizers (28)
39	212	Japanese Encephalitis (JE) vaccine, imported by the Andhra Pradesh Government through UNICEF (30)
40	220	Kyanite salts, in a form indicative of their use for manurial purpose (31)
41	243	Isolated soya protein (3504)

Changes in Basic Customs Duty

Custom duty exemptions are being withdrawn on certain goods by deleting entries of Notification No. 50 / 2017

Sl.	Sl. No. of Notification No. 50 / 2017	Description of goods
42	244	Colour positive unexposed cinematographic film in jumbo rolls & colour negative unexposed cinematographic film in rolls of 400 feet & 1000 feet (37)
43	245	Instant print film (3701 20 00 or 3702)
44	246	Cinematographic films, exposed but not developed (3704)
45	247	Promotional material (like Trailers, making of film etc.) imported in the form of electronic promotion kits (EPK)/ beta cams (Any Chapter)
46	263	The following polymers of ethylene, namely: - (i) Low density polyethylene (LDPE), (ii) Linear low-density polyethylene (LLDPE), (iii) High density polyethylene (HDPE), (iv) Linear medium density polyethylene (LMDPE), (v) Linear high-density polyethylene (LHDPE) (3901)
47	264	All goods other than poly iso-butylene (3902)
48	266	All goods [3903]
49	274	Compostable polymer or bio-plastic used in the manufacture of bio degradable agro mulching films, nursery plantation pots & flower pots (39139090)
50	275	Water blocking tape for use in the manufacture of insulated wires & cables falling under heading 8544 (except sub-heading 8544 11) (3919 90 90))
51	278	Subbed polyester base, imported by M/s Hindustan Photo Films Manufacturing Company Limited, Udhagamandalam for the manufacture of medical or industrial Xray films & graphic art films (3920)

Changes in Basic Customs Duty

Custom duty exemptions are being withdrawn on certain goods by deleting entries of Notification No. 50 / 2017

Sl.	Sl. No. of Notification No. 50 / 2017	Description of goods
52	286	Patent leather (4114 2010)
53	287	Raw furskins (4301), tanned & dried furskins (4302)
54	386	Lead bars, rods, profiles & wire (7806)
55	388	Zinc tubes, pipes & tube or pipe fittings (7907)
56	389	Tin plates, sheets & strip, of a thickness exceeding 0.2 mm; tin foil (whether or not printed or backed with paper, paperboard, plastics or similar backing materials), of a thickness (excluding any backing) not exceeding 0.2 mm; tin powders & flakes (8007)
57	398	Parts & components of the goods specified in List 10 required for use in high voltage power transmission project (any chapter)
58	401	All items of equipment including machinery & rolling stock, procured by or on behalf of Delhi Metro Rail Corporation Ltd. for use in- (i) Delhi MRTS Project Phase-I; and (ii) Specified corridors of Delhi MRTS Project Phase-II, comprising of the following, namely: - a) Vishwavidyalaya- Jahangirpuri; b) Central Secretariat-QutabMinar (via All India Institute of Medical Sciences); c) Shahdara- Dilshad Garden; d) Indraprastha-New Ashok Nagar; e) Yamuna Bank-AnandVihar-Inter State Bus Terminus; and f) Kirti Nagar-Mundka (along with operational Link to Shahdara- Rithala corridor) (Any Chapter)
59	412	Goods specified in list 15 required for construction of roads (84 or any other chapter)

Changes in Basic Customs Duty

Custom duty exemptions are being withdrawn on certain goods by deleting entries of Notification No. 50 / 2017

Sl.	Sl. No. of Notification No. 50 / 2017	Description of goods
60	447	The following goods required for manufacture of optical disk drives (ODD), namely: (i) Pick up assembly (ii) Digital signature procession integrated circuit (iii) DC motor (iv) LDO voltage regulator (84 or any other chapter)
61	456	The following goods, namely: - (a) Sprinklers & drip irrigation systems for agricultural & horticultural purposes, (b) Micro Irrigation equipment (8424)
62	457	Disc harrows (8436 21 00)
63	459	Parts for manufacture of printers falling under sub heading 8443 32 (except 8443 99 51, 8443 99 52, 8443 99 53) (8443)
64	465	CD-writers (8471)
65	474	MP3 or MP4 or MPEG 4 player with or without radio or video reception facility (85)
66	483	One set of pre-recorded cassettes accompanying books for learning languages & essential complement to such books (85)
67	484	Audio cassettes, if recorded with material from books, newspaper or magazines, for the blind (85)
68	515	Colour television picture tubes for use in the manufacture of cathode ray televisions (8540 11)

Changes in Basic Customs Duty

Notifications related to custom duty exemptions are being withdrawn

Sl.	Notification No.	Notification Subject
1	13/2010-Customs dated February 19, 2010	Exemption to import of goods in relation to Commonwealth Games, 2010
2	73/1999-Customs dated June 8, 1999	Exemption to import by Power Grid Corporation of India for the setting up of Rihand- Sasaram-Biharshariff HV DC Link Back to Back Station Project.
3	205/1992-Customs dated May 19, 1992	Exemption to imports under Advance Customs Clearance Permit
4	105/1999-Customs dated August 10, 1999	Exemption under SAARC Preferential Trade Agreement
5	56/2006-Customs dated June 7, 2006	Exemption from Special additional duty to specified goods produced in Nepal
6	22/2003-Customs dated February 4, 2003	This notification provides exemption to wool or woollen fabrics by Red Cross & Paper Money. (The entry related to Red Cross has been merged in notification No.148/1994-Customs dated July 13, 1994 & exemption to paper money will now be granted through notification No. 50/2017-Customs dated June 30, 2017. Accordingly, the notification No. 22/2003-Customs is being rescinded.)
7	22/2007-Customs dated March 1, 2007	Preferential rates on certain CTH
8	14/2004-Customs dated January 8, 2004	Water supply projects for industrial use exempted under Project Imports. This exemption will now be available through notification No. 50/2017-Customs dated June 30, 2017

Exemption from Social Welfare Surcharge

Social Welfare Surcharge (SWS) is being exempted on selected products

Sl.	HS Code	Description
1	0404 10 10	Whey, concentrated, evaporated or condensed, liquid or semi solid
2	0406 90 00	Cheese, other
3	0601,0602	Bulbs or tubers, other live plants
4	0802 12 00	Almonds, shelled
5	0802 31 00	Walnuts, in shell
6	0802 32 00	Walnuts, shelled
7	1001 11 00 1001 91 00 1001 99 20	Wheat & meslin
8	100,590	Maize
9	1704 10 00	Chewing gum, whether or not sugar coated
10	190,110	Preparations suitable for infant or young children, put up for retail sale
11	2009 11 00	Orange juice, frozen
12	2009 12 00	Orange juice, not frozen, or a brix value not exceeding 20

Exemption from Social Welfare Surcharge

SWS is being exempted on selected products

Sl.	HS Code	Description
13	2009 19 00	Orange juice, other
14	2515 12 20	Marble & travertine slabs
15	6802 10 00	Tiles, cubes & similar articles, whether or not rectangular (including square), the largest surface area of which is capable of being enclosed in a square the side of which is less than 7 cm, artificially coloured granules, chippings & powder, other monumental or building stone & articles thereof, simply cut sawn with a flat even surface
16	6802 21 10	Marble blocks / tiles
17	6802 21 20	Marble monumental stone
18	6802 21 90	Other tiles, cubes & similar articles
19	6802 91 00	Marble, travertine & alabaster
20	6802 92 00	Other calcareous stone
21*	8702 or 8704	All commercial vehicles (including electric vehicles), if imported or CBUs

* S. No. 21 will be exempt from levy of SWS on or from 01.04.2020.

Changes in Excise

Amendment in the Seventh Schedule to the Finance Act, 2001

Sl.	Tariff Item	Description of goods	Unit	From	To
1	2402 20 10	Other than filter cigarettes, of length not exceeding 65 millimeter (mm)	Tu	INR 90 per Thousand	INR 200 per Thousand
2	2402 20 20	Other than filter cigarettes, of length exceeding 65 mm but not exceeding 70 mm	Tu	INR 145 per Thousand	INR 250 per Thousand
3	2402 20 30	Filter cigarettes of length (including the length of the filter, the length of filter being 11 mm or its actual length, whichever is more) not exceeding 65 mm	Tu	INR 90 per Thousand	INR 440 per Thousand
4	2402 20 40	Filter cigarettes of length (including the length of the filter, the length of filter being 11 mm or its actual length, whichever is more) exceeding 65 mm but not exceeding 70 mm	Tu	INR 90 per Thousand	INR 440 per Thousand
5	2402 20 50	Filter cigarettes of length (including the length of the filter, the length of filter being 11 mm or its actual length, whichever is more) exceeding 70 mm but not exceeding 75 mm	Tu	INR 145 per Thousand	INR 545 per Thousand
6	2402 20 90	Other (cigarettes containing tobacco)	Tu	INR 235 per Thousand	INR 735 per Thousand
7	2402 90 10	Cigarettes of tobacco substitutes	Tu	INR 150 per Thousand	INR 600 per Thousand
8	2403 11 10	Hookah or gudaku tobacco	Kg	10%	25%

Changes in Excise

Amendment in the Seventh Schedule to the Finance Act, 2001

Sl.	Tariff Item	Description of goods	Unit	From	To
9	2403 19 10	Smoking mixtures for pipes & cigarettes	Kg	45%	60%
10	2403 19 90	Other smoking tobacco	Kg	10%	25%
11	2403 91 00	Homogenised or reconstituted tobacco	Kg	10%	25%
12	2403 99 10	Chewing tobacco	Kg	10%	25%
13	2403 99 20	Preparations containing chewing tobacco	Kg	10%	25%
14	2403 99 30	Jarda scented tobacco	Kg	10%	25%
15	2403 99 40	Snuff	Kg	10%	25%
16	2403 99 50	Preparations containing snuff	Kg	10%	25%
17	2403 99 60	Tobacco extracts & essence	Kg	10%	25%
18	2403 99 90	Other (manufactured tobacco & substitutes)	Kg	10%	25%

About Us

KrayMan is an Accounting & Advisory Firm specializing in Assurance, Tax, Regulatory, Compliance & Outsourcing, Corporate Secretarial, Transaction Advisory & HR Advisory services. We cater to International & Domestic Clients.

We are a team of professionals comprising of Chartered Accountants, Company Secretaries, Cost & Management Accountants, Advocates & MBAs who are truly committed in providing timely, professional & quality services to our Clients thereby building a long term relationship with them.

We are members of following associations:

- Japan Chamber of Commerce & Industry in India (JCCII) – an organization of more than 400 Japanese companies working towards the welfare of Japanese companies in India
- Prime Advisory Network (PAN), United Kingdom - a network of Accountants & Lawyers with presence in more than 60 countries
- Cross Border Associates (CBA), Germany - specializing in mergers & acquisitions activities having presence in more than 95 countries
- TiE Delhi - world's largest entrepreneurial organization with 62 chapters in 18 countries

For any assistance, please feel free to contact us at communications@krayman.com

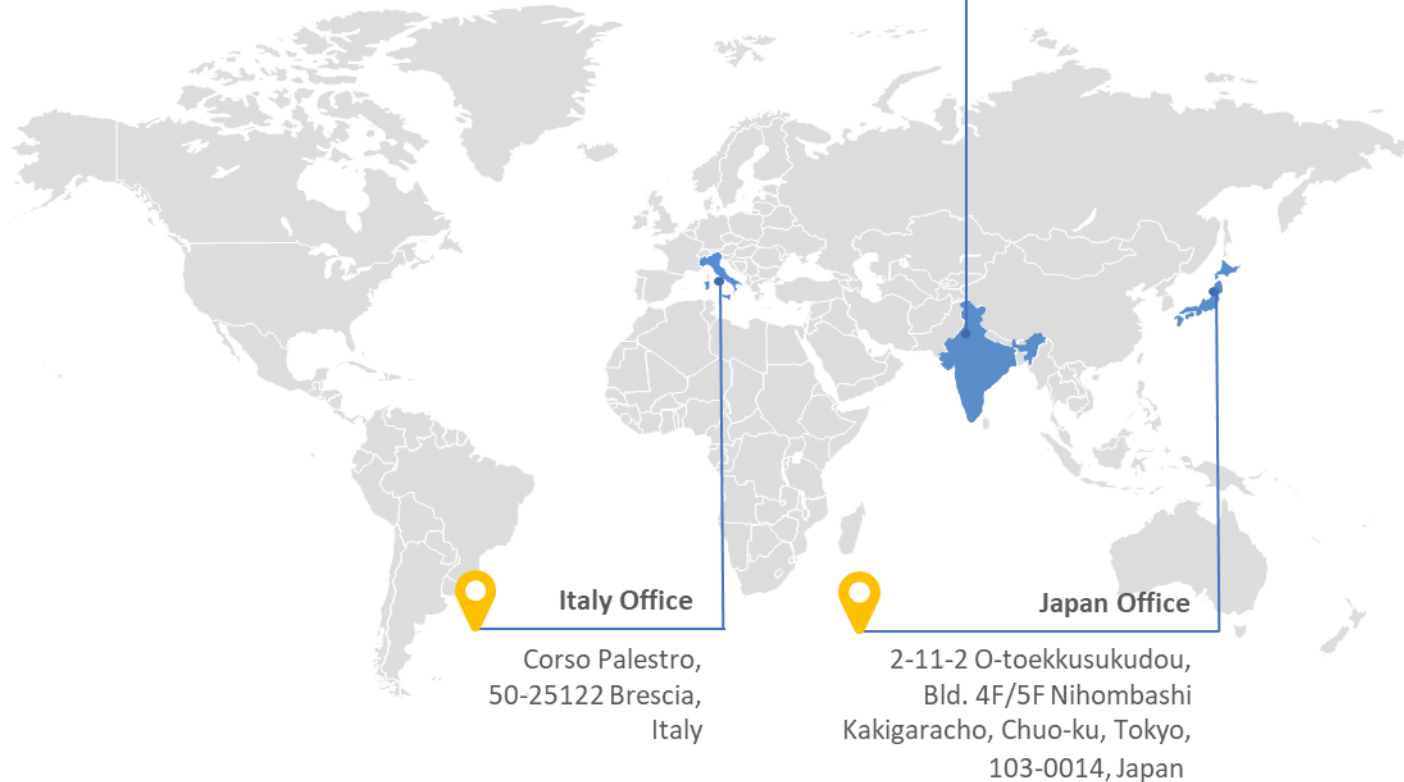
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Disclaimer

The intention of the newsletter is to cover highlights of the Union Budget 2020. Attempt has been made to cover key announcements. No claim is made to cover each & every proposal introduced in the Union Budget. The newsletter contains information of general nature & is not meant to be a substitute for professional advice in any manner. In case the reader requires any specific inputs / suggestions / advice from our end, please contact us separately.