



# India Budget 2020-21

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Key Tax Highlights

February 01, 2020

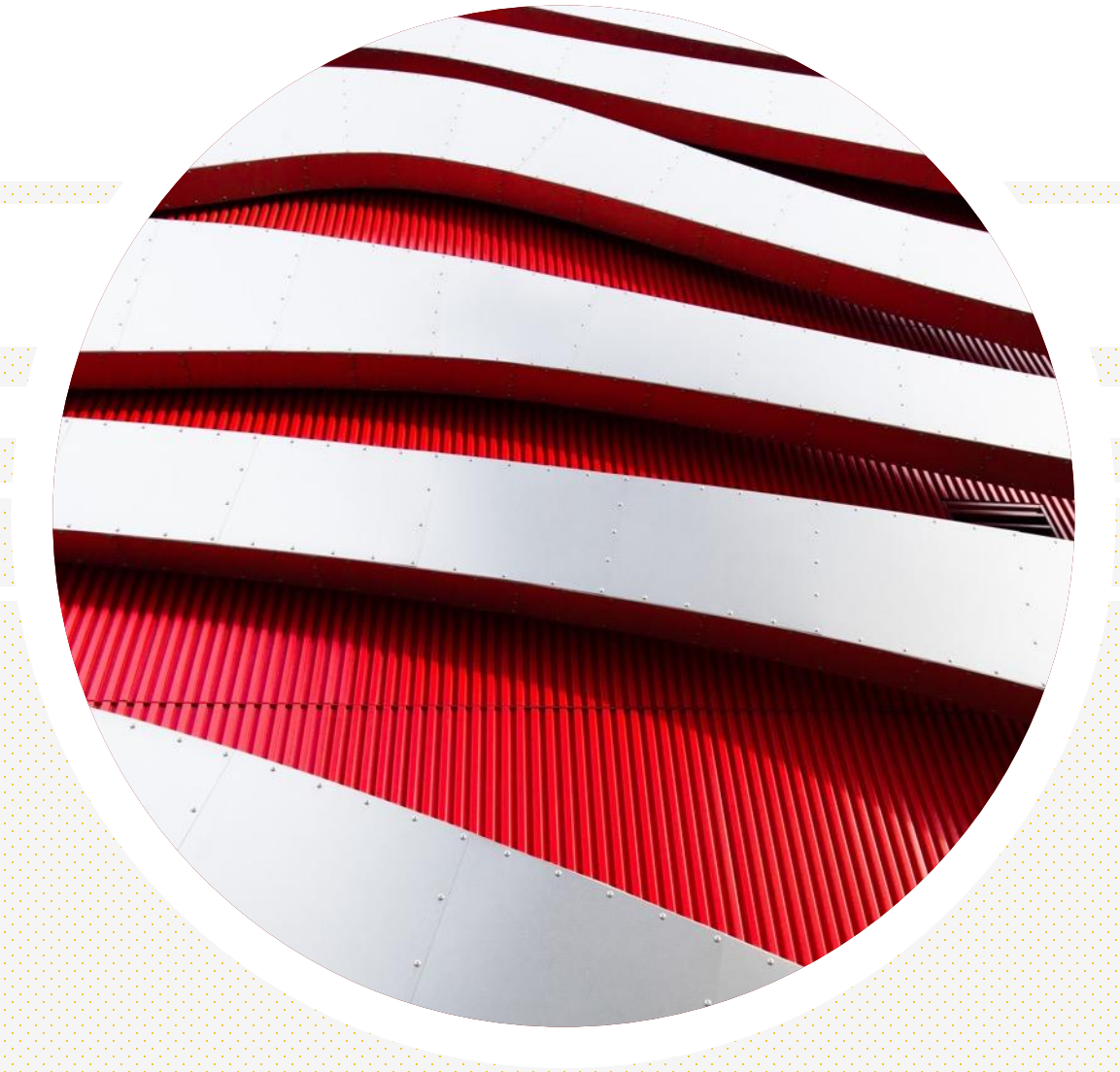
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### ▶ **Indirect Taxes**

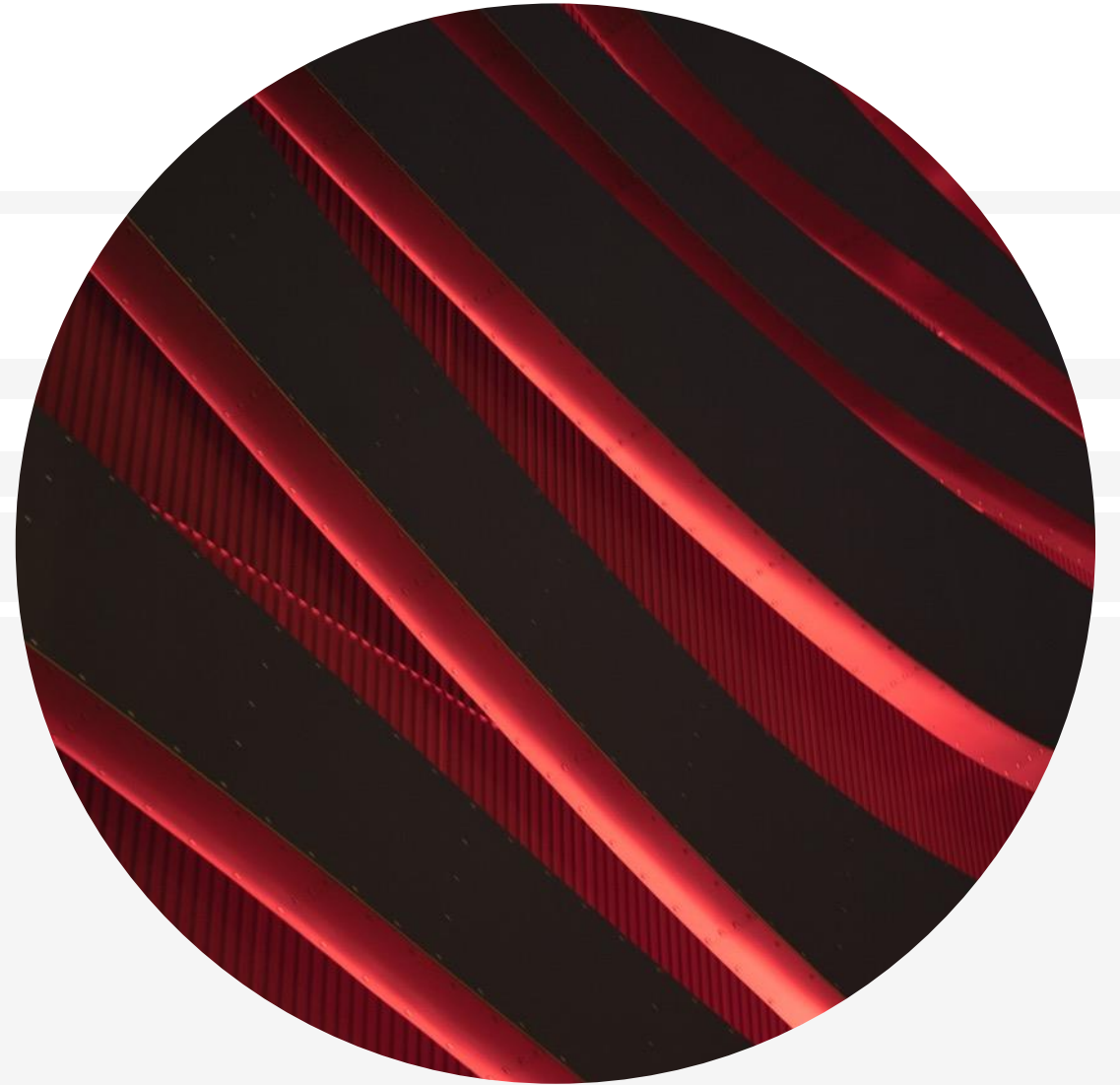
- Goods & Services Tax

### ▶ **Direct Taxes**

- Tax Rates
- Residential Status
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- International Tax
- Deduction of Tax at Source (TDS)
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# ▶ Indirect Taxes

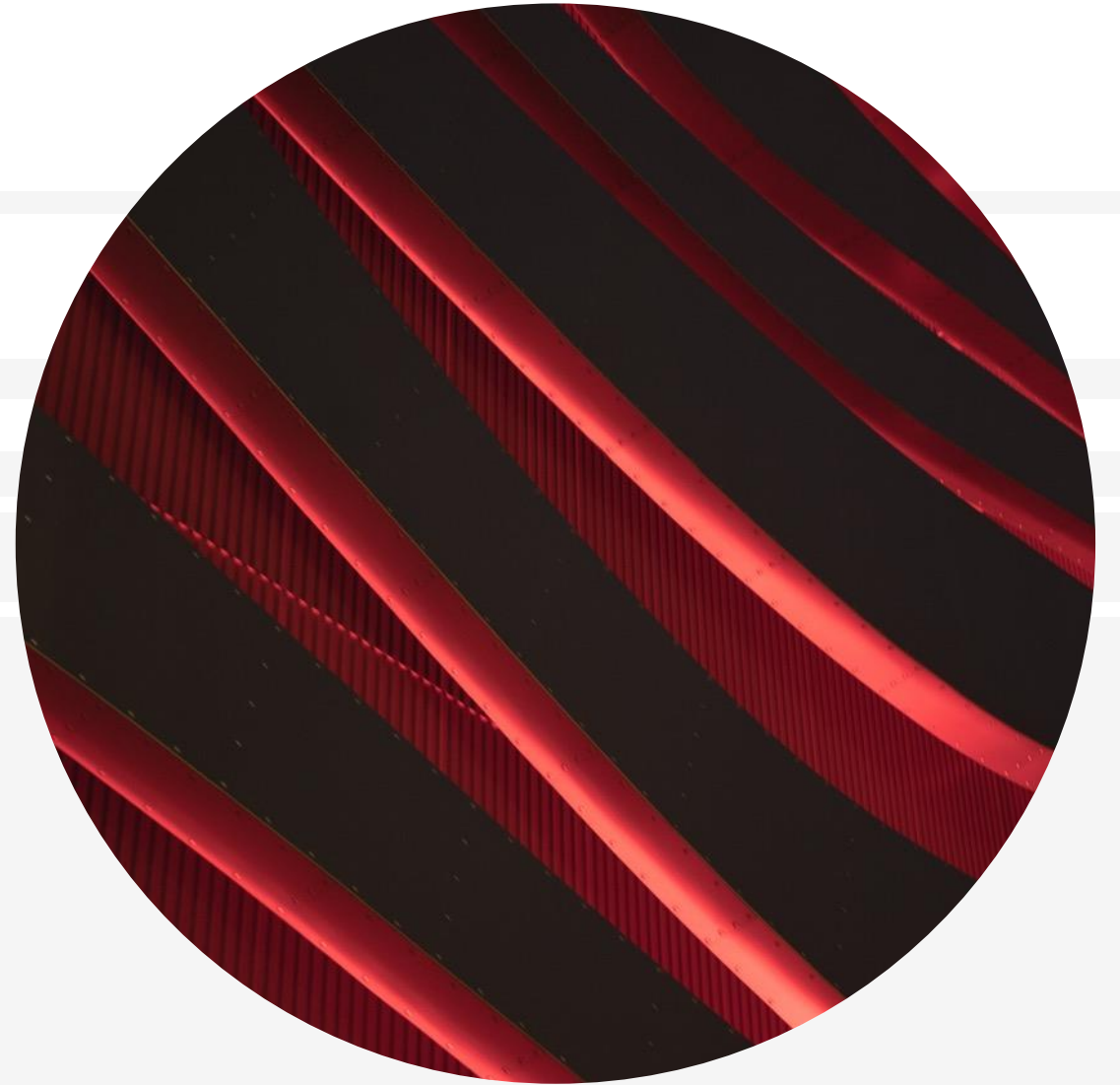


# Amendment in CGST/UTGST & IGST Laws

- Ladakh has been added in the definition of Union Territory
- Hitherto, power to cancel registration by proper officer were not available for persons' who had taken voluntary registration. The said powers are being proposed to be granted to the proper officer.
- Application for revocation of cancellation of registration order can now be before
  - Jt. Commissioner/Addl. Commissioner; and then after
  - CommissionerWho can extend the period by 30 days each on production of sufficient cause



# ▶ Direct Taxes





# REVISED INDIVIDUAL AND HUF TAX RATES

(Optional at the option of Taxpayer) \*

Slab Rates based on income	Tax Rates
0 to 2.5 Lakh	NIL
2.5 Lakh to 5 Lakh	5%
5 Lakh to 7.5 Lakh	10%
7.5 Lakh to 10 Lakh	15%
10 Lakh to 12.5 Lakh	20%
12.5 Lakh to 15 Lakh	25%
15 Lakh and above	30%

\* No exemption and deductions can be claimed if opted for revised rates



# Individual or HUF opting for new tax rates shall NOT be entitled to the following exemptions/ deductions

- Leave travel concession
- House rent allowance
- Allowances to MPs/MLAs
- Allowance for income of minor
- Exemption for SEZ unit contained in section 10AA
- Standard deduction, deduction for entertainment allowance and employment/professional tax
- Interest under section 24 in respect of self-occupied or vacant property
- Additional depreciation under section 32(1)(ia)
- Deductions under section 32AD, 33AB, 33ABA
- Various deduction for donation or expenditure on scientific research
- Deduction under section 35AD or section 35CCC
- Deduction from family pension
- Any deduction under chapter VIA, However, deduction under sub-section (2) of section 80CCD (employer contribution on account of employee in notified pension scheme) and section 80JJAA (for new employment) can be claimed.

## Tax Rates for Co-operative Societies (Optional at the option of Taxpayer)

A co-operative society resident in India shall have the option to pay tax at 22 percent for assessment year 2021-22 onwards in respect of its total income

*Note:- No exemption and deductions can be claimed if opted for section 115BAD*





# Changes in Residential Status

- Indian Citizen or Person of Indian Origin visiting India would be considered as Resident in India if their stay in India in a year exceeds **120 days** and their stay in India in previous 4 years exceeds 365 days
- An individual or an HUF shall be said to be “not ordinarily resident” in India in a year, if the individual or the manager of the HUF has been a non-resident in India in 7 out of 10 previous years preceding that year.
- An Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India.



# Business Connection

- Deferment in Significant Economic Presence ('SEP') test
  - SEP test for establishing business connection in India deferred - Amended provision to be effective from FY 2021-2022
- Business connection - income attribution clarified
- Scope of income attributable to Indian operations expanded to include:
  - Sale of data collected from Indian residents
  - Sale of goods and services using data collected from Indian residents
  - Income from advertisements targeted to Indian resident customers



# Abolition of Dividend Distribution Tax

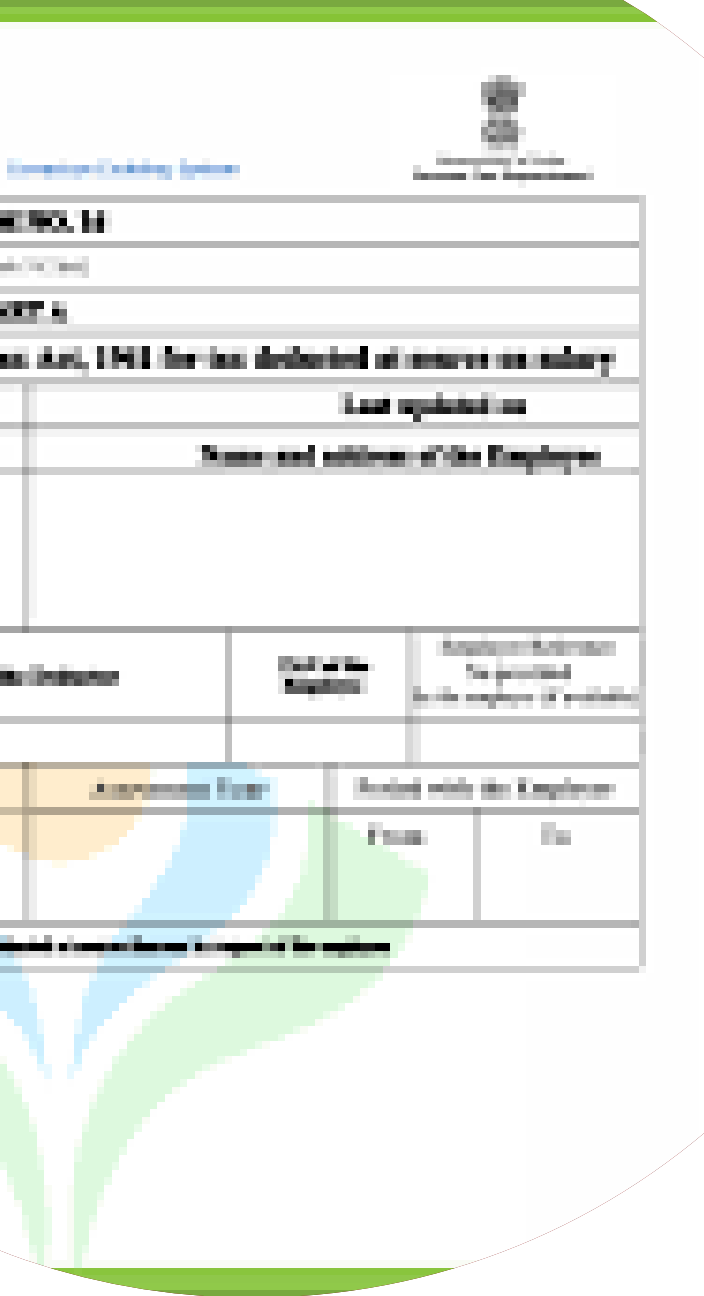
- Dividend Distribution Tax has now been abolished.
- Dividend paid by Domestic Indian company would now be liable to tax in the hands of the recipients.
- Expenses that can be claimed against such dividend income would be restricted to 20% of such dividend income



# Deferment of taxes on ESOPs for employees of start-ups

- Eligible start-ups are required to deduct or pay tax on perquisite income of its employees, within 14 days, from the date of occurrence of any event (whichever is earlier)
  - After expiry of 48 months from the end of relevant assessment year in which option is exercised
  - From the date on which the employee ceases to be an employee of such start-up employer
  - Date of sale of shares
- Where the employer fails to deduct tax, then onus will be on the employee to comply and pay tax thereon





# Changes in TDS provisions

- Individuals and HUF having business turnover exceeding Rs. 1 crore or Profession turnover exceeding Rs. 50 Lakhs will have to deduct TDS while making payments.
- All technical services (other than professional services) will now be liable to TDS @ 2%
- In context of TDS on contract, the definition of Job Work is expanded



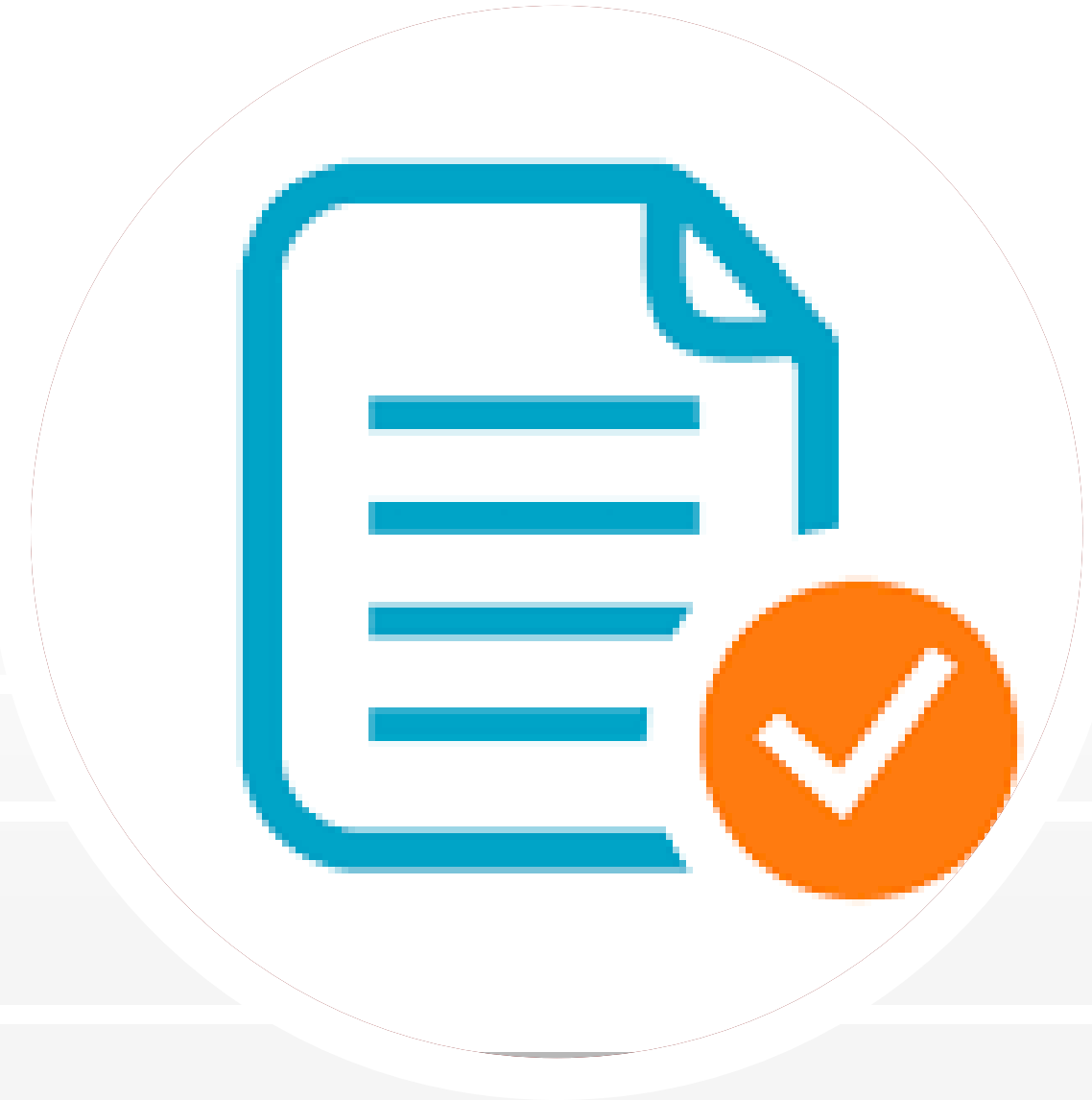
# Tax Collection at Source ('TCS')

- AD-Bank required to collect TCS at 5% (or 10% for non-PAN/ Aadhar card holder) for Liberalised Remittance Scheme remittance exceeding Rs 7 lakhs in a financial year
- Tour operator selling overseas tour program package to collect TCS at 5% (or 10% for non-PAN/ Aadhar card holder)
- Sale of goods in excess of Rs 50 lakhs by a seller shall attract TCS at 0.1% (or 1% for non-PAN/ Aadhar card holder)
- TCS not applicable in case remitter / buyer has deducted TDS under any other provisions of Income-tax Act, 1961



# Tax Compliance

- Faceless proceedings - Current scheme of faceless scrutiny proceedings proposed to be extended to Commissioner (Appeals) / penalty proceedings
- Stay of demand by Appellate Tribunal
  - Tribunal may grant stay of demand upto 180 days only if taxpayer deposit 20% of tax demand or provides security of equal amount
  - Extension of stay not possible beyond 365 days
- Reference to Dispute Resolution Panel ('DRP')
  - Current provision applicable only where the Revenue Authorities is proposing any variation to returned income or loss - Finance bill proposal to make provisions applicable to 'any variation' to the tax return
  - Option to avail DRP route extended to all non-residents



# Important Income Tax Due Dates for FY 2020-2021

Category	Due Dates
Income tax return by Individual, Firms, HUF not liable to Tax Audit	31 <sup>st</sup> July 2021
Filing of Tax Audit Report	30 <sup>th</sup> September 2021
Filing of Transfer Pricing Report	30 <sup>th</sup> September 2021
Income tax return by person other than covered above	31 <sup>st</sup> October 2021







# International Taxation

- Clarification in Section 90/90A - Amended to give effect to the language of preamble modified by Multi-lateral Instruments (MLI)
- Thin capitalisation - relaxation
  - Not applicable to interest paid by a Permanent Establishment of a foreign company engaged in banking business
- Relaxation in filing of tax return by non-resident (w.e.f. AY 2020-2021)
  - No filing tax return in India by a non-resident / foreign company deriving income by way of Royalty / FTS from India, if applicable taxes are paid by way of TDS

# Others relevant Provision

- Tax Audit Turnover limit increased from Rs. 1 crore to Rs. 5 crore in case where the cash receipts / payment does not exceed 5% of turnover.
- In order to incentivise building affordable housing to boost the supply of such houses, the period of approval of the project by the competent authority is proposed to be extended to March 31, 2021.
- A 100% deduction of profits and gains derived from an eligible business by an eligible start-up (incorporated between 01.04.2016 to 01.04.2021) for 3 consecutive assessment years out of 10 years beginning from the year in which it was incorporated if the total turnover of its business does not exceed Rs. 100 Crores in any of the previous years beginning from the year in which it is incorporated.
- The period of sanctioning of loan by the financial institution is proposed to be extended to March 31, 2021 in order to enable first time buyers to avail deduction of Rs. 1,50,000/-



# Vivad Se Vishwas Scheme - New Dispute Resolution Scheme

- Announced by the FM - not part of Finance Bill, 2020
- It is applicable for all appeals pending at any level

<b>Payment to be made under the Scheme</b>	<b>Tax payable under the Scheme</b>
On or before March 31, 2020	Tax amount (no interest and penalty)
From April 1, 2020 to June 30, 2020	Tax amount plus additional amount (not specified)
After June 30, 2020	Scheme is not applicable



# Thank You

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