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Finance secretary  
1986 batch IAS  
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**TEAM FM**

Key members of Finance  
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Budget team



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# UNION BUDGET FY 2020-2021

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Finance Minister Nirmala Sitharaman, who presented her second full-year annual Budget today in Parliament recited a verse in Kashmiri. "Our country like a Shalimar garden, like lotus in Dal lake, the best country in the world"

# BUDGET EXCERPTS 2020

## Personal Income Tax

Individuals and HUF will now have an option to choose between the present tax regime or to choose the New Tax regime

Present FY 2019-20		Proposed New Tax regime FY 2020-21**	
Income Range	Rate (%)	Income Range	Rate (%)
Upto 2,50,000*	Nil	Upto 2,50,000	Nil
2,50,000 to 5,00,000	5%	2,50,000 to 5,00,000	5%
5,00,000 to 10,00,000	20%	5,00,000 to 7,50,000	10%
10,00,000 and above**	30%	7,50,000 to 10,00,000	15%
* Exemption limit for senior and super senior citizens remains at INR 3,00,000 and INR 5,00,000 respectively in the present tax regime. There is no categorisation as such in the new proposed tax regime for senior and super senior citizens.		10,00,000 to 12,50,000	20%
		12,50,000 to 15,00,000	25%
		15,00,000 and above	30%
Tax rebate u/s 87A upto INR 12,500 is applicable if an individual's (Resident Individuals including Senior Citizens) taxable income is less than or equal to Rs 5 Lakhs only.			
Surcharge at 10% on income exceeding INR 50,00,000; Surcharge at 15% on income exceeding INR 1,00,00,000 but less than 2,00,00,000			
Surcharge at 25% on income exceeding INR 2,00,00,000 but less than 5,00,00,000 Surcharge at 37% on income exceeding INR 5,00,00,000.			

### \*\* New simplified tax regime

The new tax regime shall be optional for the taxpayers. An individual who is currently availing more deductions & exemptions under the Income Tax Act may choose to avail them and continue to pay tax in the present/old regime.

### **Deductions/ Exemptions not available under the new proposed tax regime**

- ♣ House rent allowance
- ♣ Daily Allowance/other allowances
- ♣ Income of minor child
- ♣ Standard deduction on salaries (INR 50,000)
- ♣ Housing Loan interest
- ♣ Family Pension
- ♣ Any deduction under Chapter VI-A other than section 80CCD contribution to pension scheme of CG or section 80JJAA;
- ♣ No set off of any loss
  - (a) Carried forward or depreciation attributable to any of the said deductions
  - (b) under the head Income from house property
- ♣ deduction for allowances or perquisite

The option shall be exercised for every previous year where the individual or the HUF has **no business income**, and in other cases the option once exercised for a previous year shall be valid for that previous year and all subsequent years.

### **Amendments proposed in the Direct Taxation Regime**

- ♣ An eligible Start-up having turnover up to 100 crores is allowed deduction of 100% of its profits for three consecutive assessment years out of Ten years
- ♣ Increase in Safe harbour Limit upto 10% (earlier 5%) in taxing the income from capital gains, business profits and other sources in respect of transactions in real estate, if the consideration value is less than circle rate **by more than 10 percent**, the difference is counted as income both in the hands of the purchaser and seller.
- ♣ The concessional corporate tax rate of 15% is proposed to new domestic companies engaged in the generation of electricity. Further, new provisions were introduced in September 2019 offering a concessional corporate tax rate of 15% to the newly incorporated domestic companies in the manufacturing sector which starts manufacturing by 31st March, 2023.
- ♣ Deferring TDS or tax payments in respect of income pertaining to Employee Stock Option Plan (ESOP) of start-ups. Now the company will withhold the taxes on perquisite value of ESOP's as per the following:

- ✓ after the expiry of forty eight months from the end of the relevant assessment year;  
or
- ✓ from the date of the sale of such specified security or sweat equity share by the assessee;  
or
- ✓ from the date of which the assessee ceases to be the employee of the person;

Whichever is the earliest on the basis of rates in force of the financial year in which the said ESOP was allotted or transferred.

- ♣ The rate of TDS on fees for technical services (other than professional services) u/s 194J is reduced to 2% from the existing 10% to reduce the large number of litigations on the issue of short deduction of tax where the assessee deducts tax under section 194C, while the tax officers claim that tax should have been deducted under section 194J of the Act.
- ♣ Co-operative societies are currently taxed at a rate of 30% with surcharge and cess. It is proposed to provide an option to cooperative societies to be taxed at 22% plus 10% surcharge and 4% cess with no exemption/deductions. Also no AMT will be applicable to the society under the new regime.
- ♣ TDS on E-commerce transactions through insertion of a new section 194J  
In order to widen and deepen the tax net by bringing participants of e-commerce within tax net, it is proposed to levy TDS at the rate of 1% (one percent) to be deducted by the E-commerce operator on the gross amount of sales or services exceeding 5 lakhs. ("services" is defined to include fees for technical services and fees for professional services, as defined in section 194J)
- ♣ It is proposed to provide a combined upper limit of seven lakh and fifty thousand rupee in respect of employer's contribution to recognized provident funds, superannuation funds and national pension scheme and any excess contribution is proposed to be taxable. Further, it is also proposed that any annual accretion by way of interest, dividend or any other amount of similar nature during the previous year to the balance at the credit of the fund or scheme may be treated as perquisite to the extent it relates to the employer's contribution which is included in total income.
- ♣ 80EEA (Tax incentive for affordable housing) deduction in respect of interest up to one lakh fifty thousand rupees on loan taken for residential house property from any financial institution has been extended for any loans taken for the above said upto March 2021.

### **IMPROVING EFFECTIVENESS OF TAX ADMINISTRATION**

- ♣ It is proposed to insert sub-section (6A) in section 250 of the Act to provide for faceless interface before the Commissioner Appeals. i.e. introducing E Appeals. This amendment will take effect from 1st April, 2020.
- ♣ E-penalty scheme launched on the lines of E-assessment Scheme. This amendment will take effect from 1st April, 2020
- ♣ It is proposed to provide that ITAT may grant stay if the assessee deposits not less than twenty per cent of the amount of tax, interest, fee, penalty, or any other sum payable under the provisions of this Act, or furnish security of equal amount in respect thereof.
- ♣ Exempting non-resident from filing of Income-tax return if income consists only of Dividend, interest, royalty, Fee for technical services if TDS is deducted according to provisions of the Act.
- ♣ It is proposed that the survey operations under section 133A of the Income Tax Act will only be conducted by Joint Director or Joint Commissioner. This amendment will take effect from 1st April, 2020
- ♣ Change in residency rule: It is proposed that an Indian citizen or a person of Indian origin shall be considered an Indian resident from tax perspective if he is in India for 120 days instead of 182 days in that previous year. Further, an Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India and taxed accordingly.
- ♣ It is proposed to amend the definition of “work” under section 194C to provide that in a contract manufacturing, the raw material provided by the assessee or its related party will be under the purview of TDS deduction.
- ♣ It is proposed to remove the Dividend distribution Tax in the hands of the company. Dividend or income from units will be taxable in the hands of shareholders or unit holders at the applicable rates in force. It is also proposed to provide that the deduction for expense under section 57 of the Act shall be maximum 20 per cent of the dividend or income from such units.

- ♣ It is proposed to rationalise the provision that in case of a capital asset, being land or building or both, the fair market value of such an asset on 1st April, 2001 shall not exceed the stamp duty value of such asset as on 1st April, 2001 where such stamp duty value is available.
- ♣ The unique registration number (URN) shall be issued to all the new and existing charitable institutions. Further, new charitable institutions shall be given a provisional registration for three years.
- ♣ A new section 12AB in the Income-tax Act has been inserted relating to procedure for fresh registration of Trust which will be valid for 5 years.
- ♣ The entities receiving donation/ sum shall furnish a statement and a certificate to the donor/ payer and the claim for deduction to the donor/ payer will be allowed on that basis only. Filing of statement of donation by donee to cross-check the claim of donation by the donor.
- ♣ 'Vivad Se Vishwas' scheme launched wherein a taxpayer whose appeals are pending at any level would be required to pay only the amount of the disputed taxes and will get complete waiver of interest and penalty provided he pays by 31st March, 2020. Those who avail this scheme after 31st March, 2020 will have to pay some additional amount. The scheme will remain open till 30th June, 2020.
- ♣ It is proposed to allot PAN online instantly on the basis of Aadhaar without any requirement for filling up of detailed application form.
- ♣ Determination of period of holding of the capital asset held by the assessee in the affected scheme as on the day of the credit event shall be allotted equal number of units in the two schemes - the main scheme and segregated scheme. The cost of acquisition of a unit or units in the segregated portfolio shall be the amount which bears to the cost of acquisition of a unit or units held by the assessee in the total portfolio.

**Rationalisation of provisions relating to tax audit in certain cases.**

These amendments will take effect from assessment year 2020-21 and subsequent assessment years.

- ♣ It is proposed to increase the threshold limit for a person carrying on business from one crore rupees to **five crore rupees** in cases where-
  - (i) aggregate of all receipts in cash during the previous year does **not exceed five per cent** of such receipt; and
  - (ii) aggregate of all payments in cash during the previous year does **not exceed five** percent of such payment.
- ♣ The tax audit report to be furnished by the assessee at least one month prior to the due date of filing of return of income to enable the pre-filing of returns in case of Tax audit assessee.
- ♣ The due date for filing return of income under sub-section (1) of section 139 is proposed to be 31<sup>st</sup> October 2020 as against the present 30<sup>th</sup> September 2020.
- ♣ There is no change in the present corporate taxation regime.

### Corporate Assessee

Present		Proposed	
Company	Rate (%)	Company	Rate (%)
Domestic		Domestic	
- SME/ New Enterprise**	22%	- SME/ New Enterprise*	15%
- SME/ New Enterprise**	25%	- SME/ New Enterprise**	22%
- Others	30%	- SME/ New Enterprise**	25%
Foreign***	40%	- Others	30%
Surcharge at 7% and 12% where income exceeds INR 1cr and INR 10cr respectively.		Foreign***	
** Companies with turnover not exceeding INR 400cr in the FY 2017-18		* The concessional corporate <u>tax rate of 15%</u> is proposed to new domestic companies engaged in the <u>generation of electricity</u> and to the newly incorporated domestic companies in the manufacturing sector which starts manufacturing by 31st March, 2023.	
***Surcharge at 2% and 5% where income exceeds INR 1cr and INR 10cr respectively.			

## Amendments proposed in the Indirect Taxation Regime

### Goods and Services Tax

- ♣ A simplified return under GST shall be implemented from the 1st April, 2020. This is under pilot run. It will make return filing simple with features like SMS based filing for nil return, return pre-filing, improved input tax credit flow and overall simplification.
- ♣ Refund process has been simplified and has been made fully automated with no human interface.
- ♣ Electronic invoice is another innovation wherein critical information shall be captured electronically in a centralized system. It will be implemented in a phased manner starting from this month itself on optional basis.
- ♣ It is proposed to introduce a new provision in the Act to provide for a levy of penalty on a person, for using forged or falsified documents such as a false invoice or invoice without supply of actual goods or services.

### Customs/ Other Indirect Tax

*Here's what has become expensive:*

Following is a list of imported items that will become costlier:

- ♣ Butter ghee, butter oil, edible oils, peanut butter
- ♣ Chewing gum, dietary soya fibre, isolated soya protein
- ♣ Walnuts (shelled)
- ♣ Footwear, shavers, hair clippers, hair-removing appliances
- ♣ Tableware, kitchenware, water filters, glassware
- ♣ Household articles of porcelain or china
- ♣ Rubies, emeralds, sapphires, rough coloured gemstones
- ♣ Hand sieves and hand riddles
- ♣ Combs, hairpins, curling pins, curling grips, hair curlers
- ♣ Table fans, ceiling fans and pedestal fans
- ♣ Water heaters and immersion heaters.

*Here's what has become cheaper:*

- ♣ newsprint
- ♣ sports goods
- ♣ microphone

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