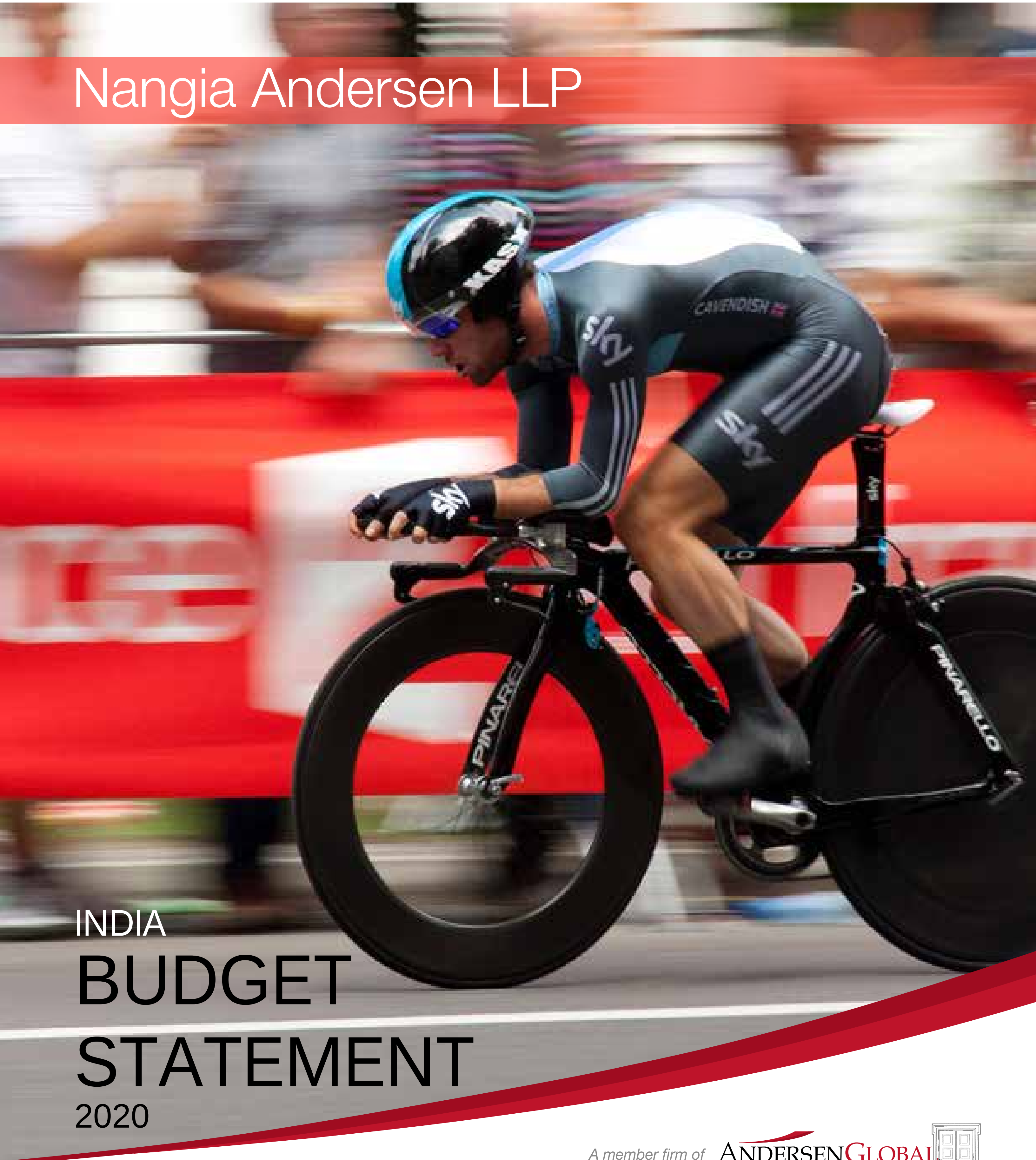
Nangia Andersen LLP



INDIA BUDGET STATEMENT 2020

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CONTENTS

This document summarises the important provisions of the Budget 2020 proposals as placed before the Parliament. Topics presented are grouped into chapters and sections to facilitate an understanding of the proposals. These are, however, not mutually exclusive.

Unless otherwise stated, Direct Tax Proposals will be applicable from A.Y. 2021-2022.

The proposals are subject to amendment as the Finance Bill passes through the Parliament.

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FOREWORD

In pursuit of the aspirational 5 trillion dollar economy by 2025, the Hon'ble Finance Minister Nirmala Sitharaman presented her second budget of the current Government.

Amid slowdown in the global economy, India is also experiencing a very sluggish phase. Consequently, the expectations from the Budget 2020 were really high, to provide the requisite impetus and pathway towards boosting confidence and enhancing purchasing power to jump-start the slow economy.

At the very inception, the Hon'ble FM applauded the Government for their achievements including, *inter-alia*, containment of inflation, banking sector overhaul through recapitalization and loan clean-up, IBC route exit for corporates and introduction (and maturing) of Goods and Service tax, which has played a very vital role in formalization and unison of the economy.

The Budget was presented as being premised on three primary principles being **Aspirational India** (Agriculture Irrigation and Rural development; Wellness, water and sanitation; Education & skills), **Economic development** (Industry, Commerce and Investment; Infrastructure; New Economy) and **Caring Society** (Women & Child, Social Welfare; Culture and Tourism; Environment and

Climate Change) laying down multiple action points and policy drivers. What was unprecedented was the mention of 'ease of living' for every citizen: *"Holding this bouquet together are two hands – one, Corruption free, policy-driven good governance and two, clean and sound financial sector. With this backdrop, our government shall work towards taking the country forward so that we can leapfrog to the next level of health, prosperity and well-being. We shall strive to bring ease of living for every citizen"*

The Budget also provides another round of tax respite and support to start-ups in acknowledgement and consideration for the Indian spirit of entrepreneurship, and the growing tribe of Indian youth who are giving up assured pays to become employment providers. Several initiatives towards strengthening the blue economy, electronic manufacturing industry, proliferation of technologies, education and skill development, infrastructure, et al were also announced. The Budget is inclusive and has offering for every strata, viz. women, youth, entrepreneurs, farmers, senior citizen and schedule castes and tribals.

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In wake of the widening fiscal deficit and economy slowdown, the disinvestment of the one of largest Government jewels, LIC, by means of an IPO was announced which would have far reaching consequences. Major policy announcements have been made for development of railways, highways, warehousing, hospitals, 5 smart cities, power and airports.

The depositor's sentiments have been addressed to an extent by means of enhancing age old depositor insurance of Rs. 1,00,000 by 5 times and simultaneous amendments proposed to the Banking Regulation Act and other regulations. Government has also announced diluting their stake in IDBI Bank.

At the wake of the tax proposals, it has been stated that Government had undertaken radical fiscal measures to pave way for high growth and India being a desirable destination for doing business. The major corporate tax rate related measures were already introduced midyear via ordinances which have been stated to bring down India's corporate tax rates to amongst the lowest in the world, whilst moving to regime devoid of profit-linked deductions. However, the Budget might have missed providing enough measures for encouraging the demand side which was topping everyone's budget wish/expectation list. The new optional personal taxation regime, which garnered maximum attention in the post budget debates, does not promise a definitive tax saving to the entire cross section.

The Government did heed to the demands of the corporates by doing away with the Dividend Distribution Tax (DDT) and going back to the shareholder level dividend taxation. This would remove multiplicity of taxation on distribution on one hand and also provide appropriate credit to foreign shareholders.

Government also concentrated on boosting start-ups by increasing turnover limit which was expected coupled with period of exemption and deferral of ESOP taxation for start-up employees. Also, the Budget has averred the introduction and adoption of the Tax Payer's Charter to enhance trust between taxpayers and the administration and hopefully alleviate the vexation. Other measures in this thread are faceless appeals, Vivad se Vishwas and widening the ambit for approaching Dispute Resolution Panel.

Looking at the GST regime, to ease the compliance burden, a simplified return shall be implemented from 1st Aril 2020. Taking cognizance of the taxpayers demands, procedural requirements have been simplified along with automation of refund processing.

To summarise, a balanced and inclusive approach has been chosen with focus on agriculture, startups, education, healthcare, infrastructure, technology and manufacturing. On the tax side, predominant theme was enhancing tax base and conciliatory tax administration. What remains to be seen is, whether these measures would be enough to revive the growth rate which is at a decade low, in the short term and progress on the ambitious chart of USD 5 trillion by 2025.

BUDGET IMPACT 2020
EXECUTIVE SUMMARY

DIRECT TAXES

Tax Rates

Executive Summary of Changes

- For Individual taxpayers, earning upto INR 0.5 million, no change in taxation and their entire income remains exempt from tax.
- For taxpayers earning more than INR 0.5 million, an alternative regime of 7 new slabs of tax rates is now prescribed, if taxpayer chooses to give up various deductions/ exemptions available under Income tax including HRA, deduction for home loan interest, standard deduction of INR 50,000 and almost all deductions under Chapter VI-A, including 80C, 80CCD (except employers' contribution to NPS), 80D, 80DD, etc.
- The new personal tax regime is optional for individual taxpayers. Such option can be exercised by taxpayers every year before filing their tax return, if they don't have any business income. For taxpayers having business income, such option can be exercised only once and once exercised, taxpayer can not revert to old regime.
- The concessional tax regime @ 22% as in case of corporates have now been extended to cooperative societies.
- Further, for availing the concessional tax rates, now the Companies and cooperative societies will need to give up almost all the deductions under Chapter VI-A, except section 80-JJAA (deduction for generating new employment) and section 80M (deduction of dividend distributed against dividend income).

Nangia-Andersen's Take

- The impact of new tax slabs/ regime for individual taxpayers shall vary from case to case, depending upon the aggregate amount of exemptions claimed by the individual under the existing regime. The option shall be beneficial for those who were not availing exemptions/ deductions previously. However, for individuals already availing full benefit for exemptions/ deductions available under the Income tax provisions, new regime may actually result in increased tax liability and they would have no benefit/ incentive to opt for the new slab rates.
- Taxpayers would need to undertake a very careful analysis of benefits under both the schemes every year before filing their income tax return, so that they don't lose out on tax benefits. Further, such exercise will also need to be made, when taxpayers plan their investments for the year.
- Small businesses and village industries in form of co-operative societies would benefit from new reduced tax rate. However, with this change, now firms and local authorities would be under highest possible slab rates of 30% plus applicable surcharge and cess.
- Further, withdrawal of all the deductions under Chapter VI-A may reduce the overall tax benefit of reduced tax rates, which would need to be computed on case to case basis.

Tax incentives for start-ups

Executive Summary of Changes

- The eligibility criteria for claiming tax holiday u/s 80-IAC has been increased from existing turnover of maximum INR 250 millions to maximum INR 1,000 millions.
- Further, the window for claiming tax holiday has been increased from existing 3 years out of first 7 years to 3 years out of first 10 years.

Nangia-Andersen's Take

- The rationalization of provisions relating to tax holiday given to eligible start-up companies was much awaited move and is in fact clarificatory, post notification of 19th February 2019 issued by Ministry of Industry and Commerce, where maximum turnover for eligible start ups was already increased to INR 1 billion and eligibility window for such start ups was already increased to 10 years.
- Nonetheless, this amendment will give benefit and boost to start-up ecosystem and improve sentiments.

Extension of concessional rate to be made available to companies engaged in generation of electricity

Executive Summary of Changes

• The concessional rate tax regime of 22% tax rate has been made available for companies engaged in generation of electricity.

Nangia-Andersen's Take

• This change will give incentive and tax benefit to all the companies engaged in generation of solar power, micro hydro power, etc. and will be a boost to the power sector.

Increase in safe harbour limit from 5 per cent to 10 percent in case of real estate transactions

Executive Summary of Changes

• For transactions involving sale/ purchase of real estate (i.e. land & building), stamp duty value is deemed to be minimum transaction value benchmark. Earlier, the income tax provisions allowed variation of 5% from such benchmark stamp duty value and any variation beyond such permissible limit was considered to be taxable. In budget, it is proposed to increase such permissible variation from existing 5% to 10%.

Nangia-Andersen's Take

• In case of sale or purchase of land or building, the erstwhile safe harbour rate of 5% was relatively low and as such was easily infringed while considering the value adopted for the purpose of stamp duty. This resulted in increased tax burden in the hands of Taxpayer. Therefore, the proposed increase in safe harbour to 10% would be beneficial for the Taxpayers.

Exemption of Non-residents from filing of Income Tax returns

Executive Summary of Changes

• Earlier non-residents having income only in nature of interest and dividend were exempted from filing tax return in India, provided tax was already paid. In budget 2020, it is now proposed to exempt even those non residents earning royalty & FTS income only, on which tax has been paid, as prescribed u/s 115A of the Act.

Nangia-Andersen's Take

• The relief from filing return of income have now been extended to non-residents earning income on account of Royalty and FTS which was earlier available only on dividend and interest income and where tax was withheld in terms of the Act.

• However, it may be pertinent to note that in cases where the transactions for Royalty and FTS are undertaken between related parties, the transfer pricing compliances would still be required to be complied with.

• Further, in cases lower tax rates as per respective DTAA have been considered, the said relief shall not be available and such non-resident would be required to file the return of income.

Deferring TDS or tax payment for ESOPs

Executive Summary of Changes

• Presently, all employees receiving ESOPs are liable to pay tax on FMV of such ESOPs (after reducing the exercise price) at the time of allotment of securities under ESOPs, irrespective of whether any cash income/ consideration has been received by such employees or not.

• Now it is proposed to relax the ESOP taxation for employees of eligible start-ups u/s 80-IAC of the Act, to defer their tax liability till maximum 5 year from end of the Financial Year, when such ESOP option is exercised by the employee of eligible start-up.

Nangia-Andersen's Take

• The relaxation of tax events for ESOPs held by employees in case of eligible start-ups is a welcome step and will give further boost to start up ecosystem, who intend to remunerate their employees through their stock options instead of a cash remuneration.

• However, considering the hardship of employees in other sectors as well, similar relaxation should also have been made for ESOPs granted to employees of other companies as well.

Modification of the definition of "Business Trust"

Executive Summary of Changes

• Definition of "Business Trust" have been modified in order to align with SEBI regulations thereby including business trusts which are not listed on recognized stock exchange.

Nangia-Andersen's Take

• This is a welcome clarificatory amendment in Income tax laws to make it congruent with SEBI regulations.

Reduction in TDS rate for FTS

Executive Summary of Changes

• Relaxation has been made in TDS provisions, reducing the rate of TDS from existing 10% to proposed 2% in case of Fees for Technical Services (other than professional services) under section 194J of the Act.

Nangia-Andersen's Take

• Although, the move of reducing withholding tax rate in terms of Section 194 J in case of Fee for Technical Services (other than professional services) from 10% to 2% would significantly reduce the litigation revolving around determining applicability of 194 C or 194 J , however, certain ambiguity may still prevail for certain technical services as to whether the same would constitute "Fee for Technical Services" or "Professional Service", thus, more clarity would be required on this aspect.

Widening the scope of TDS on e-commerce Transactions

Executive Summary of Changes

• New TDS provision in form of Section 194-O is proposed to be introduced providing that every E-commerce operator is required to deduct TDS @1% (5% in case of non availability of PAN/ Adhaar of payee) at the time of credit or payment (whichever is earlier) of amount of sale or service or both to the account of e-commerce participant (person resident in India selling goods or providing services or both).

Nangia-Andersen's Take

• The proposed insertion of new levy of TDS widen the tax base and bring all small retailers/sellers selling goods or services through digital platform under tax net who may be earlier not covered under the tax regime.

• At the same time, this will also lead to increase in TDS compliance burden for all e-commerce operators (whether resident or non-resident).

Widening the scope of Section 206C

Executive Summary of Changes

- New provisions have been introduced, requiring the AD and Tour operators to Collect and Deposit tax at source at the rate of 5% in respect of overseas remittances under LRS exceeding INR 0.7 million and in case of sale of overseas tour program packages irrespective of any amount. The rate of TCS is further increased to 10% if PAN/ AADHAAR is not provided.

Nangia-Andersen's Take

- The scope of Section 206C has been significantly widened covering overseas remittance through LRS and overseas tour package which would lead to increase in compliance burden on the part of sellers.
- This is likely to increase the tax base, wherein all transactions of foreign remittances (including remittances for foreign education, maintaining family abroad, healthcare) exceeding the prescribed limit and overseas travel program packages would be reported to the Tax Authorities and tax authorities will have ready data for matching these expenditures/ remittances with reported income of the taxpayers.

Modification of e-assessment scheme

Executive Summary of Changes

- Under existing regime, best-judgment assessment u/s 144 was not covered under provisions of e-assessment u/s 143(3A), in order to retain discretion of Assessing Officer in cases of best judgment assessment. It is now proposed that even cases of 'best judgment assessment' u/s 144 would be covered under e-assessment regime.

Nangia-Andersen's Take

- As per existing provisions, the e-assessment scheme did not cover cases under section 144,

however, the proposed modification have enhanced the scope, thus now covering the said cases. With this, the Tax payers are required to be mindful and complying with the e-notices from time to time.

Amendment to DRP

Executive Summary of Changes

- With proposed amendment, option of DRP has now been extended to all non-residents as well as a foreign company. Further, scope of cases which could be referred to DRP have also been increased covering any adverse variation proposed in draft assessment order.

Nangia-Andersen's Take

- This move will enable more Taxpayers avail the DRP route of dispute resolution, which is a fast track mode of resolving disputes within time-bound period of 9 months, vis-à-vis traditional Commissioner Appeals route, which generally takes longer.

Provision for E-appeal before First Appellate Authority

Executive Summary of Changes

- Presently, appeals before first Appellate Authority, i.e. CIT(A) are filed electronically, however, it requires personal representation before the CIT(A) for disposal of appeals. It is now proposed to emend Section 250 and introduce faceless electronic system for disposal of appeals, which will not require any personal representation before CIT(A).

Nangia-Andersen's Take

- The launch of facility of faceless appeals is a welcome move that will enable Taxpayers to reap the benefits of digitization and save personal visits to the Department. However, now Taxpayers will need to be very clear, detailed and self-explanatory in their appeal submissions, which may be understood by the Appellate Authority, even without any personal explanation/ hearing.

Provision on e-Penalty

Executive Summary of Changes

- Identical to e-assessment scheme, the Governments intends to propose a similar scheme for e-penalty, where penalty cases will be disposed by Tax officers electronically without any personal interaction.

Nangia-Andersen's Take

- The launch of facility of faceless penalty proceedings is a welcome move that will enable Taxpayers to reap the benefits of digitization and save personal visits to the Department. However, now Taxpayers will need to be very clear, detailed and self-explanatory in their penalty submissions, which may be understood by the Tax Authority, even without any personal explanation/ hearing.
- Efficacy of any such electronic and faceless scheme needs to be examined, wherein the cases are pending before appellate authorities or in rectification.

Pre-conditions introduced for grant of Stay on Demand by the ITAT

Executive Summary of Changes

- Under existing scheme, stay on disputed tax demand is granted by Tribunal, in respect of any appeal pending before the Tribunal, subject to payment of any amount or conditions imposed by Tribunal at its discretion.
- It is now proposed before grant of stay, minimum 20% of disputed tax, interest or penalty demand will be mandatorily deposited by taxpayers. Such pre-deposit will also be mandatory for cases of extension of stay, where no payment was required to be deposited at the time of grant of original stay.

Nangia-Andersen's Take

- This move intends to collect minimum 20% of disputed tax demand, when taxpayers seek any stay on tax demand, irrespective of strength of the case on merits, where Tribunals used to grant stay without any pre-deposit or payment condition. This would result in hardship for taxpayers, even when tax demands raised by lower tax authorities is not prima-facie incorrect.

- The proposed amendment requires more clarity as to whether the stay would be granted in cases where the Taxpayers have already paid 20% of taxes while in appeal before CIT (A) or this would entail an additional burden on the Taxpayers while in appeal before ITAT.

Modification of residency provisions

Executive Summary of Changes

- The Government has proposed to introduce stricter tax residency rules for Indian citizens staying abroad and visiting India on short visits, who were erstwhile considered to be non-resident unless their stay exceeded 182 days. This period has now been reduced to 120 days, reducing the window of such Indian citizens to visit and stay in India.

- Further, Indian citizens, who stay outside India but are not liable to tax in any other part of the world, due to their residence, domicile or any other similar reason, would be now deemed to be Indian residents.

- However, conditions has been relaxed for individuals, generally foreign expatriates working in India and qualifying as NOR, as condition for qualifying as NOR has been reduced from existing 'being non-resident in 9 out of 10 immediately preceding years' to 'being non-resident in 7 out of 10 immediately preceding years'.

Nangia-Andersen's Take

- While the intent of Government to prevent tax abuse by Indian citizens staying abroad and arranging their affairs to qualify as 'stateless person' is good, but the Government should bring out necessary clarifications to alleviate concerns of normal salaries Indian expatiates working abroad and not liable to tax due to tax laws of those countries and not by way of any tax avoidance arrangement.

- Relaxation given to foreign expatriates, in qualification of NOR condition is welcome and will save such employees from various compliance/ reporting requirements otherwise applicable to RORs only.

Aligning purpose of entering into DTAA with MLI

Executive Summary of Changes

- The government has amended the provisions of section 90/90A to include the language of preamble modified by MLI being minimum standard.

Nangia-Andersen's Take

- The proposed amendment is more of clarificatory nature, as the Act already contains GAAR provisions which restricts impermissible arrangements, the main purpose of which is to obtain the tax benefit. However, this may have impact on the transactions having lower tax impacts on which GAAR is not applicable.

SEP rules

Executive Summary of Changes

- It has been proposed to defer the applicability of SEP provisions by 1 year, since the issue of taxation under SEP is still in discussion before G20 nations under the BEPS project, for which OECD report is expected by the end of December 2020.

Nangia-Andersen's Take

- The postpone of SEP rule is a welcome move. The revised provisions in light of OECD report will ensure lower chances of dispute.

Expansion of source rule of taxation

Executive Summary of Changes

- Income tax law presently does not provide for deemed taxation of income in India from advertisement that targets Indian consumers or income from sale of data collected from India or income from sale of goods and services using such data collected from India.

- It has been proposed to amend Section 9 of the Act, to provide that the income from above sources shall be deemed to accrue or arise in India and shall be subject to tax in India.

Nangia-Andersen's Take

- The inclusion of income from advertisement and data pertaining to Indian users may impact the cases wherein there is no protection available under the DTAA. The foreign taxpayers may also face challenges in determining the attribution rate for these incomes.

Aligning exemption for FPI from indirect transfer provisions

Executive Summary of Changes

- Since FPI Regulations, 2014 under SEBI regulations are repealed and replaced by FPI Regulations of 2019., corresponding change has been made in Income tax laws, exempting FPIs registered under new regulations from indirect transfer provisions.

Nangia-Andersen's Take

- The grandfathering of FPI under previous regulation is a welcome move. Further, it is interesting to note that under the new regulations only Category-I FPIs are covered. This may have impact on Category-II FPI.

Expanding definition of Royalty

Executive Summary of Changes

- It is provided to amend the definition of royalty to include the income of non-residents from sale, distribution or exhibition of cinematographic films.

Nangia-Andersen's Take

- With this amendment, the foreign filmmakers are likely to face Indian WHT, unless there is protection available under the DTAA.

Removing Dividend Distribution Tax

Executive Summary of Changes

Dividend Distribution Tax has been abolished. Instead of that, classic system of taxing dividends in hands of the shareholders has been re-introduced.

- Deduction would be allowed to Indian holding company to claim deduction of dividends paid to its shareholders against its dividend income, to remove the cascading effect.

Nangia-Andersen's Take

- The proposal to abolish DDT and restoring back of dividend taxation in the hands of shareholders will promote foreign investments as the credit of taxes paid by the shareholder in India will be available in their respective foreign country as well. Even the small taxpayer will get benefit as their effective tax rate is lower. This will promote the company to distribute their income to the shareholders instead of ploughing it back into the business which will ultimately result in degradation of the health of the economy. However, this would entail an adverse impact on the large investors covered under maximum tax brackets.

VIVAD SE VISHWAS- Direct Tax Dispute Resolution Scheme

Executive Summary of Changes

The Budget proposes to introduce a new scheme "VIVAD SE VISHWAS" similar to the Sabka Vishwas Legacy Dispute Resolution Scheme) as introduced earlier for indirect tax. The scheme aims at reducing litigations in the direct taxes. Under new scheme, a taxpayer 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 March 31, 2020. Those who avail this scheme after March 31, 2020 will have to pay some additional amount. The scheme will remain open till June 30, 2020. Cases where appeals are pending at any level can also benefit from this scheme.

Rationalization of provisions relating to Tax Audit

Executive Summary of Changes

- The threshold limit for getting the books of account audited under Tax Audit provisions have been increased from existing INR 1 million to INR 5 million.
- Further, due date for filing Income tax return for Tax Audit cases has been extended to 31st October instead of existing 30th September, while due date for filing Tax Audit report remains the same, i.e. 30th September.

Nangia-Andersen's Take

- With an intent of promoting cashless economy and give stimulus to small and medium sized enterprises thereby reducing their compliance burden, the increase in monetary limit for Tax Audit is a welcome move.
- Further, with different due dates of filing Tax Audit Report and Income Tax Return, the Taxpayers would get considerable time to evaluate their computations and file return of income. This will also help Taxpayers to gain some time and aid in overall streamlining the process of e-assessments scheme, the time barring for which has been preponed to 30th September from this year.

Rationalization of due date of Transfer Pricing certification

Executive Summary of Changes

Further, due date for filing Transfer Pricing Certificate has been advanced to 31st October instead of existing 30th November, while due date for filing Income Tax Return in Transfer Pricing cases remains the same, i.e. 30th November.

Nangia-Andersen's Take

Further, with different due dates of filing Transfer Pricing Certificate and Income Tax Return, the Taxpayers would get considerable time to evaluate their Tax positions, Income tax computation and file return of income. This will also help Taxpayers to gain some time and aid in overall streamlining the process of e-assessments scheme, the time barring for which has been preponed to 30th September from this year.

INDIRECT TAXES

Customs Duty

Executive Summary of Changes

- Rate of Basic Customs Duty increased on specified goods to promote 'Make in India' campaign
- New chapter "Administration of rules of origin under trade agreement" introduced, regarding administering the preferential tariff treatment regime
- Health Cess of 5% imposed on the import of medical devices/ instruments w.e.f. 2 February 2020
- Anti-circumvention measures made more comprehensive and wider in scope to deal with the case of circumvention
- Investigation into case of circumvention of countervailing duty for enabling imposition of such duty
- Exemption from Social Welfare Surcharge withdrawn on specified products

Nangia-Andersen's Take

- Under the Make in India initiative and with a view to encourage domestic manufactures, Customs duty rates have been revised on electric vehicles, and parts of mobiles. At the same time, special attention has been taken to put measured restraint on import of those items which are being produced by Micro, Small and Medium enterprises with better quality, by increasing customs duty rates on items like footwear and furniture.
- Further, to achieve the twin objectives of giving impetus to the domestic industry and also to generate resources for health services, a health cess of 5%, has been imposed on the imports of medical equipment.
- Additionally, review of Rules of Origin is proposed to ensure stringent checks on fraudulent preferential duty claims on goods imported under the Free Trade Agreements. Provisions for checking dumping of goods and imports of subsidized goods would also be strengthened for ensuring a level playing field for domestic industry, in line with the international best practices.

Goods & Services Tax

Executive Summary of Changes

- Restrictions imposed in relation to eligibility for composition scheme in case of certain specified supplier of services
- Persons who voluntarily obtained GST registration now allowed cancellation of GST registration
- Provision relating to time limit for availment of ITC in cases of debit note rationalized
- Measures taken to deter ITC frauds

Nangia-Andersen's Take

- With a view to identify taxpayers who intend to evade taxes, strict measures have been introduced under the GST legislation for crackdown on GST input tax credit, refund, and other frauds.

Excise Duty

Executive Summary of Changes

- National Calamity Contingent Duty of INR 50 per tonne has been levied on Petroleum Crude

Nangia-Andersen's Take

- As a revenue measure, Excise duty, by way of National Calamity Contingent Duty has been increased on petroleum crude and on Cigarettes and other tobacco products.

BUDGET FINANCIALS

Amount in INR Billion

		2018-19 Actuals	2019-20 Budget Estimates	2019-20 Revised Estimates	2020-21 Budget Estimates
1.	Revenue Receipts (2+3)	15,529	19,628	18,501	20,209
	2. Tax Revenue (Net to Centre)	13,172	16,496	15,046	16,359
	3. Non-Tax Revenue	2,357	3,132	3,455	3,850
4.	Capital Receipts (5+6+7)	7,622	8,236	8,485	10,213
	5. Recoveries of Loans	181	148	166	150
	6. Other Receipts	947	1,050	650	2,100
	7. Borrowing and Other Liabilities	6,494	7,038	7,668	7,963
8.	Total Receipts (1+4)	23,151	27,863	26,986	30,422
9.	Total Expenditure (10+13)	23,151	27,863	26,986	30,422
	10. On Revenue Account	20,074	24,478	23,496	26,301
	11. Interest Payments	5,826	6,605	6,251	7,082
	12. Grants in Aid for creation of capital assets	1,918	2,073	1,917	2,065
	13. On Capital Account	3,077	3,386	3,489	4,121
14	Revenue Deficit (10-1)	4,545	4,850	4,995	6,092
		(2.4)	(2.3)	(2.4)	(2.7)
15	Effective Revenue Deficit (14-12)	2,627	2,777	3,078	4,027
		(1.4)	(1.3)	(1.5)	(1.8)
16	Fiscal Deficit [9-(1+5+6)]	6,494	7,038	7,668	7,963
		(3.4)	(3.3)	(3.8)	(3.5)
17	Primary Deficit (16-11)	668	433	1,417	881
		(0.4)	(0.2)	(0.7)	(0.4)

Capital receipts = (Recoveries of loans + Disinvestment Receipts + Borrowings and other liabilities)

Revenue Deficit = (Revenue Receipts – Revenue Expenditure)

Effective Revenue Deficit = (Capital Expnediture – Grants of creation of capital assets)

Fiscal deficit = (Total Receipts – Borrowings and other liabilities – Total Expenditure)

Primary Deficit = (Fiscal Deficit – Interest Payments)

BE = Budget Estimates RE= Revised Estimates

Where the rupee comes from

Borrowings and Other Liabilities	20.00%
Corporation Tax	18.00%
Goods and Services Tax	18.00%
Income Tax	17.00%
Non-Tax Revenue	10.00%
Union Excise Duties	7.00%
Non Debt Capital Receipts	6.00%
Customs	4.00%

Where the rupee goes

States shares of taxes and duties	20.00%
Interest Payments	18.00%
Central Sector Scheme	13.00%
Finance Commission and Other Transfers	10.00%
Other expenditure	10.00%
Centrally Sponspored Scheme	9.00%
Defence	8.00%
Subsidies	6.00%
Pensions	6.00%

ECONOMIC SURVEY

INTRODUCTION

The survey carries the vision that India's aspiration to become a USD 5 trillion economy depends critically on strengthening the invisible hand of markets and supporting it with hand of trust.

The survey identifies several levers for furthering wealth creation such as:

- Entrepreneurship at the grassroots, as reflected in number of new firms creation in India's districts;
- Promote "pro-business" policies that unleash the power of competitive markets to generate wealth;
- Provide equal opportunities for new entrants, enable fair competition and ease doing business;
- Eliminate policies that unnecessarily undermine markets through government intervention;
- Enable trade for job creation; and
- Efficiently scale up the banking sector to be proportionate to the size of the Indian economy.

The survey mentions the initiatives taken by the government such as "Start-up India" campaign fuel productivity, growth and entrepreneurship in India. As confirmed by the World Bank's data on entrepreneurship, India now ranks third in the number of new firms created.

The survey portrays creation of 40 million well paid jobs by the year 2025 and 80 million by year 2030 for the burgeoning youth by integrating "Assemble in India for the world" into "Make in India". To achieve, the survey stresses "laser like" focus on assembling operations on the tech-driven products.

The survey also stated privatisation and strategic divestment as one of the tools for growth in GDP. Further, the survey portrayed that the real affordability of food for a common man has substantially improved in India since 2006-07 to 2019-20, with a minimum 18% decrease in the affordability of the food.

Consistent with the hand of trust supporting the invisible hand of markets, the survey provides careful evidence that India's GDP growth estimates can be trusted.

FISCAL DEFICIT

- Estimated fiscal deficit target for FY 2019-20 is 3.8% of GDP. For 2020-21 it is expected to reduce to 3.5%.

- The impact of slowdown was also seen on the tax collections.
- During the year 2019-20 (upto November), the net tax revenue to the Center has been 7,510 billion, which is 45.5% of the BE.
- The survey lauds that indirect taxes fell short of BEs by about 16%, following a shortfall in GST revenues as compared to the BE.
- In 2019-20, considerable growth in non-tax revenue has been evidenced. As against the 2019-20 BE of 3,130 billion for non-tax revenue, the actual realization upto November 2019 has been 74.3% of the BE.
- Major structural reforms have been undertaken in taxation during the current financial year include change in corporate tax rates and measures to ease the implementation and compliance of GST.
- Government stood by its path of fiscal consolidation in 2019-20.

GDP GROWTH

- The year 2019 was a difficult year for the global economy with the world output growth estimated to grow at its slowest pace of 2.9%, declining from a subdued 3.6% in 2018 and 3.8% in 2017.
- Amidst a weak environment for global manufacturing, trade and demand, the Indian economy slowed down with GDP growth moderating to 4.8% 2019-20, as compared to 6.2% in 2018-19. A sharp decline in real fixed investment is induced by a sluggish growth of real consumption and has weighed down GDP growth from 2018-19 to 2019-20.
- To boost the economy, the government in 2019-20 has taken important reforms such as introducing insolvency and Bankruptcy Code, corporate tax rates reforms, easing of credit particularly for the stressed real estate and NBFC sectors, amongst other measures.
- India's external sector gained stability in 2019-20, with a narrowing of CAD as percentage of GDP from 2.1 in 2018-19 to 1.5 in 2019-20, impressive FDI, rebounding of portfolio flows and accretion of foreign exchange reserves.
- On the supply side, the deceleration in GVA growth has been contributed generally by all sectors save 'Agriculture and allied activities' and 'Public administration, defence, and other services', whose growth in 2019-20 was higher than in 2018-19.
- GDP growth for the year 2020-21 is projected at 6% to 6.5%.

AGRICULTURE AND ALLIED ACTIVITIES

- The share of agriculture and allied sectors in the total GVA of the country has been continuously declining on account of relatively higher growth performance of non-agricultural sectors, a natural outcome of development process.
- Agriculture sector in India goes through cyclical movement in terms of growth. The GVA in agriculture improved from negative 0.2% in 2014-15 to 6.3% in 2016-17, again decelerated to 2.9% in 2018-19 and further to 2.8% in 2019-20.
- While crops, livestock and forestry sector showed fluctuating growth rates over the period from 2014-15 to 2017-18, the fisheries sector has shown growth from 4.9% in 2012-13 to 11.9% in 2017-18.
- 89% of the groundwater extracted is used for irrigation and crops such as paddy and sugarcane consume more than 60% of the irrigation water. Survey highlights that focus should shift from land productivity to irrigation water productivity and devising policies to incentivize farmers to improve water use efficiency.

INDUSTRIAL, CORPORATE AND INFRASTRUCTURE PERFORMANCE

- The industrial growth rate in terms of IIP during 2018-19 stood at 0.6% in 2019-20 (April-November) as compared to 5% growth rate in 2018-19 during the same period.
- The moderation in growth was mainly due to slower credit flow to MSME industries, reduced lending by NBFCs, tapering of domestic demand for key sectors such as automotive sector, pharmaceuticals, machinery and equipment, volatility in crude oil prices, prevailing

trade related uncertainties etc.

- Fertilizer sector achieved a growth of 4.0% during 2019-20 (April-November) as compared to (-)1.3% during 2018-19 (April-November). Further, crude steel production witnessed growth of 1.5% during 2019-20 (April-October).
- The report of the task force on National Infrastructure Pipeline released on December 31, 2019 has projected total infrastructure investment of INR 102 trillion during the period FY 2020 to 2025 in India.
- To achieve the GDP of USD 5 trillion by 2024-25, India needs to spend about USD 1.4 trillion on infrastructure. The challenge is to step-up annual infrastructure investment so that lack of infrastructure does not become a binding constraint.

SERVICES SECTOR

- The services sector accounts for 55% of India's GVA. Its growth rate moderated to 6.9% in 2019-20 from 7.5% in 2018-19.
- The segments that saw deceleration are bank credit service sector, air passenger traffic, rail freight traffic. However, foreign tourist arrivals and port traffic have continued to rise during 2019-20.
- Gross FDI equity inflows into services sector have witnessed a strong recovery and services exports have maintained their momentum during April-September 2019.
- Services exports have outperformed goods exports in the recent years. India's share in world's commercial services exports has risen steadily over the past decade to reach 3.5% in 2018, twice the share in world's merchandise exports at 1.7%.

CAPITAL MARKETS

- The total money raised by public and rights issue increased to 738.96 billion in the year 2019-20 (up to December 31, 2019) from 443.55 billion in the corresponding period in 2018-19.
- The survey mentioned that the resource mobilisation through public issue (equity) decreased in April-December 2019 compared to the similar period for year 2018-19, continuing with the declining trend of year 2018-19.
- The resource mobilization through issuance of debt securities to public declined significantly to 117.46 billion raised through 27 issues during April-December 2019, as compared to 285.65 billion through 15 issues in the corresponding period of the year 2018-19.
- The survey highlights that there were 225 issues which raised 1790 billion through private placement of equity securities in April-December 2019, compared to 335 issues which raised 1570 billion in April-December 2018.

INFLATION

- Since 2012, there has been a change in inflation dynamics. There is evidence for a strong reversion of headline inflation to core inflation. However, transmission of inflation from noncore components to core components is minimal. Therefore, there may be a case for monetary policy to not respond to transitory shocks in non-core components of inflation.
- In the four metropolitan cities of the country, retail prices of various essential commodities have diverged from wholesale prices over the years.
- During 2019-20, WPI based inflation has been on a continuous fall declining from 3.2% in April 2019, only marginally rising in November and December to end at 2.6% in December 2019.
- Food index which declined on an annual basis between 2017-18 and 2018-19, saw an uptick during the period April-December 2019.
- Headline CPI inflation was 3.7% in 2018-19 (April to December 2018), compared to 4.1% in 2019-20 (April to December 2019).

FOREIGN EXCHANGE RESERVES

- The year 2018-19 witnessed vulnerabilities which lead to the depletion of the foreign exchange reserves.
- The survey mentions that the year 2019 recorded an accretion of USD 27.5 billion as such, India's foreign exchange reserve now stood at USD 461.2 billion as on January 10, 2020.
- Such accretion in the foreign exchange reserves was achieved due to stability of the India's external sector.
- With improvement in BOP position anchored by capital flows bouncing back through FDI, FPI and ECBs, receipt of robust remittances and contraction of CAD to GDP ratio.

EXCHANGE RATE

- The exchange rate in 2018-19 was more volatile mainly due to volatility in crude prices.
- However, the nominal exchange rate has been saw a stability trend during the Year 2019-20.
- The average exchange rate of INR against the USD showed a depreciating trend. The exchange rate INR/USD was 67.1 in 2016-17 which appreciated to 64.5 in 2017-18 and then depreciated to 69.9 in 2018-19 and 70.4 in 2019-20.

EXTERNAL TRADE

- Export growth remains subdued with external demand weakened by slowdown in global investment, output and heightened trade tensions, notwithstanding resilient service exports.
- The survey highlights that the imports have contracted more sharply than exports in 2019-20, with easing of crude prices, which has mainly driven the narrowing of CAD.
- The survey also mentions that in 2019-20 the major commodity groups have shown a positive growth in exports while imports of major commodity groups have contracted.
- The survey portrays that the net export of goods and services have decreased by 1.3% in the year 2019-20 as compared to 2018-19. Further, the net imports of

goods and services have decreased by 2.4% in the year 2019-20 as compared to the year 2018-19.

ECONOMIC SURVEY – ISSUES AND PRIORITY

- The reason for the lavender colour of the survey as also used in the new INR 100 note, signifies the synthesis between the old and new. The theme of the economic survey is "wealth creation". Wealth is both a cause and effect of investment.

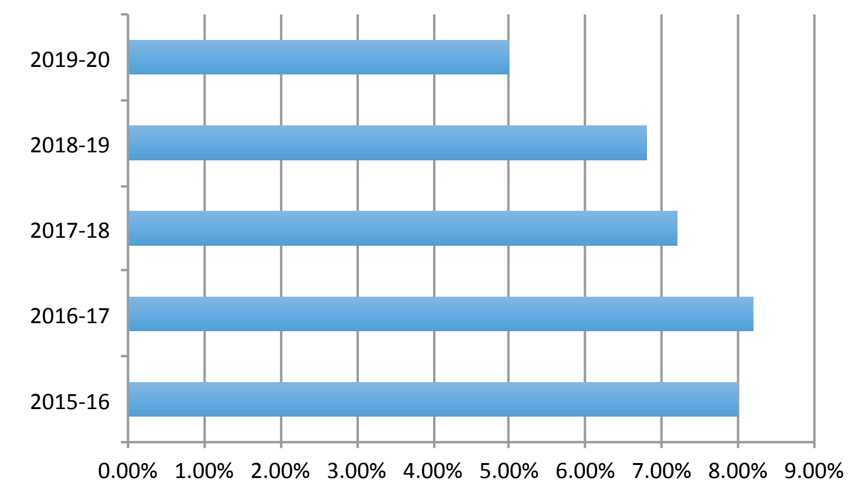
- The vision of USD 5 trillion economy and an aspiration to achieve GDP growth rate of 6% to 6.5%, there is a need of number of reforms to put Indian economy to the trajectory of high growth.

- India is ranked at 63rd position in World Bank's ease of doing business 2019 rankings, a jump of 79 positions from 142nd rank in 2014. However, the economy is still trailing in several parameters such as ease of starting business, paying taxes, registering property and enforcing contracts.

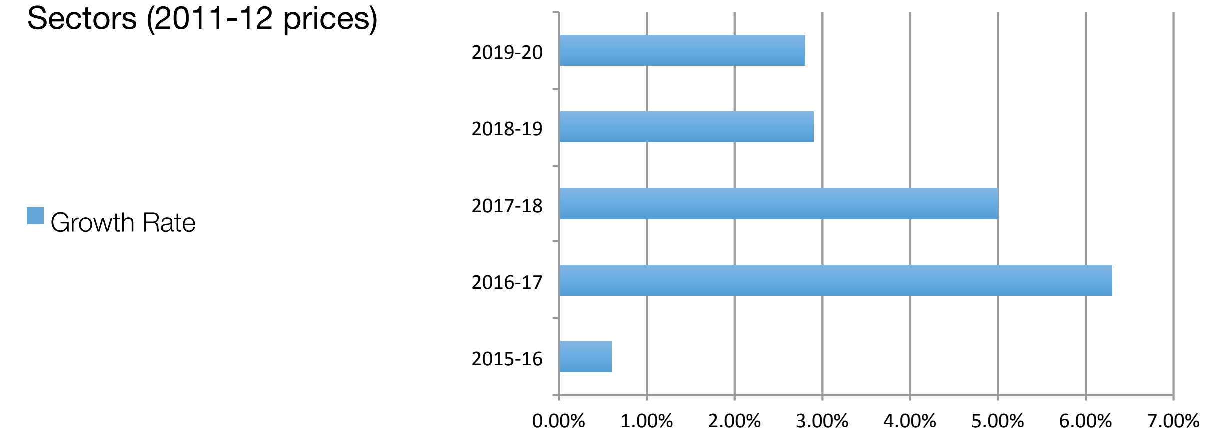
- There is a need for policy certainty. Global headwinds are certainly beyond the control of the government, but policymakers need to double down on reducing its intervention because it dampens investment growth and wealth creation which sometimes results in more harm than the good.

- With the right approach of the government, well implemented policies and thrust on wealth creation, the target of GDP growth and aspiration of USD 5 trillion economy looks within the reach.

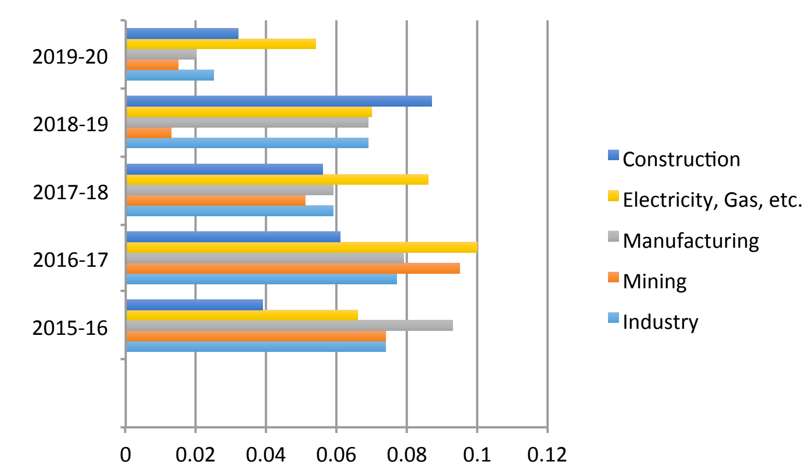
GROWTH IN GDP



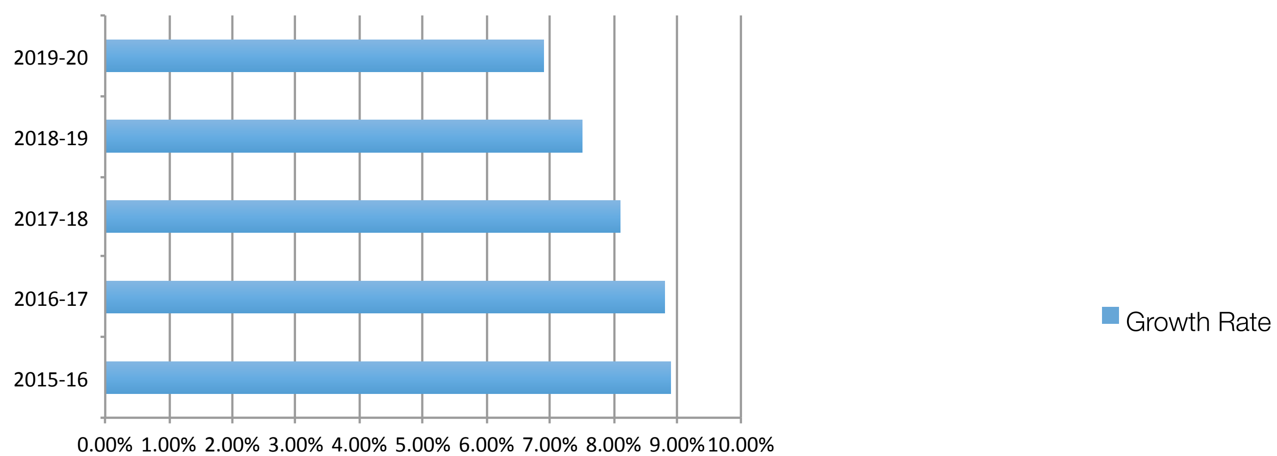
Growth in Agriculture & Allied Sectors (2011-12 prices)



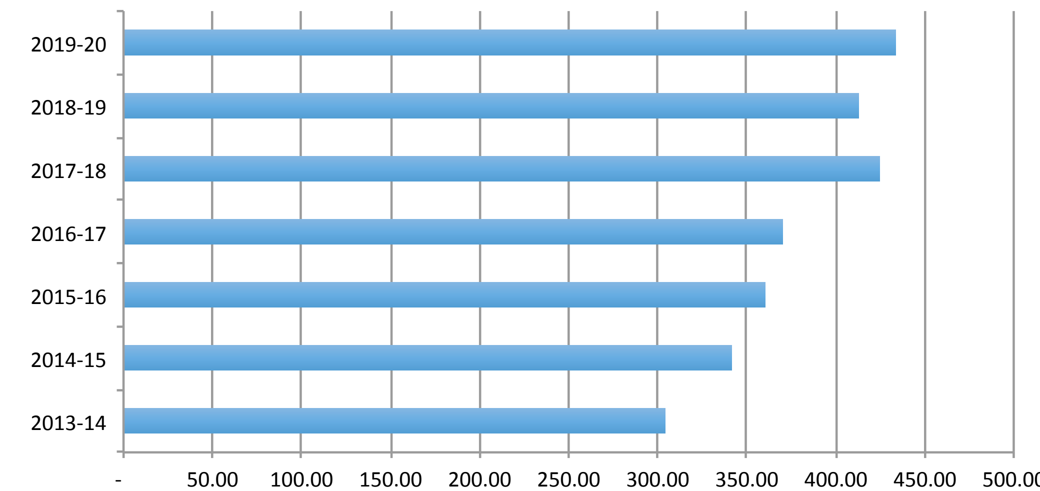
GROWTH IN INDUSTRY (New Series - Constant 2011-12 prices)



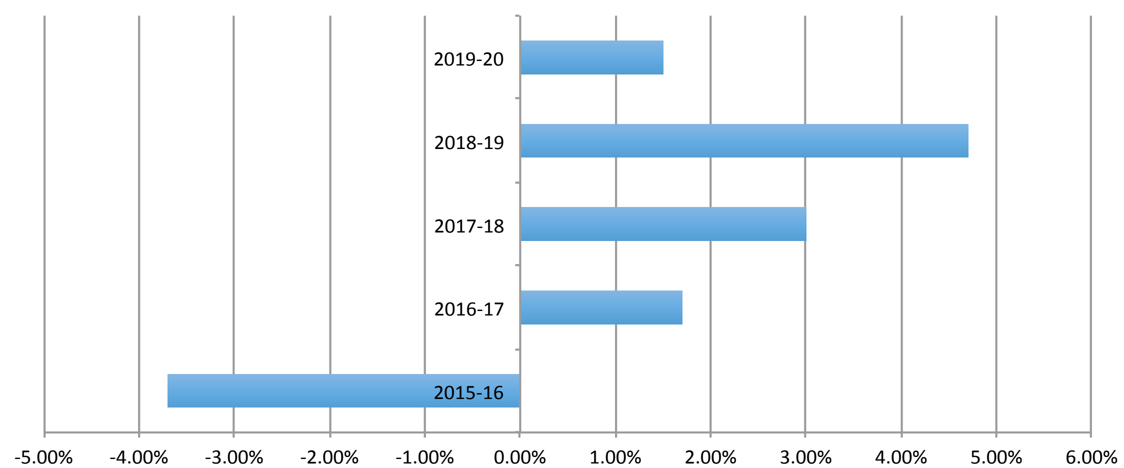
GROWTH IN SERVICES (New Series - Constant 2011-12 prices)



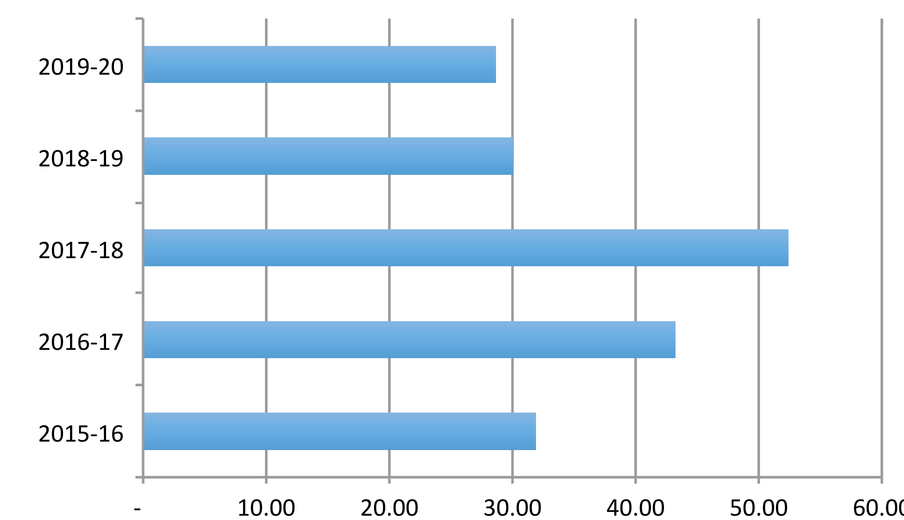
FOREIGN EXCHANGE RESERVES (US$ Billion)



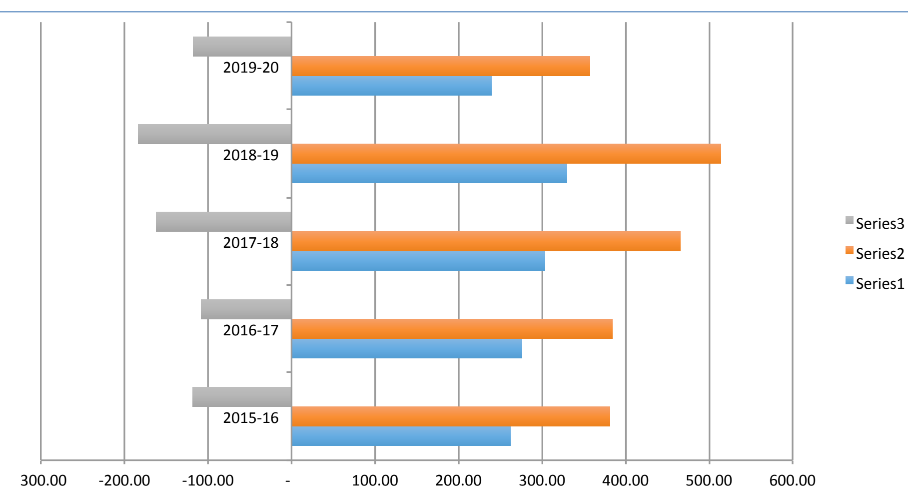
WPI INFLATION



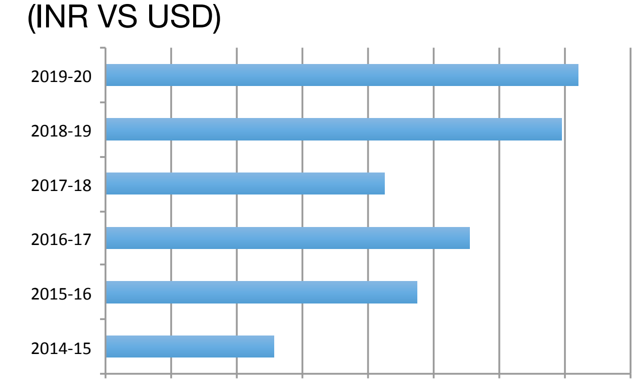
FOREIGN INVESTMENT (USD BILLION)



EXPORTS, IMPORTS & TRADE BALANCE (USD BILLION)



AVERAGE ANNUAL EXCHANGE RATE (INR VS USD)



DIRECT TAX

TAX RATES

- **Tax Rates for Individuals**
  - Current Provision

    * Personal tax rates (for all Individuals, HUF, AOP and BOI)

Income (INR)	Rate %
Upto 250,000	NIL
250,001 to 500,000	5
500,001 to 1,000,000	20
Above 1,000,000	30

* Personal tax rates (for all Individuals who are at least sixty years of age but less than eighty years of age at any time during the previous year)

Income (INR)	Rate %
Upto 3,00,000	NIL
3,00,000 to 500,000	5
500,001 to 1,000,000	20
Above 1,000,000	30

* Personal tax rates (for all Individuals who are eighty years of age at any time during the previous year)

Income (INR)	Rate %
Upto 5,00,000	NIL
500,001 to 1,000,000	20
Above 1,000,000	30

- Proposed Amendment (applicable from April 1, 2020)

  * Individuals and HUF have an option to pay tax under the old regime or new regime.

  * Personal tax rates (for all Individuals, HUF, AOP and BOI) under old regime remain unchanged

  * The personal tax rates for AY 2021-22 under the new regime to be inserted via the new proposed section 115BAC will be as follows:

  Personal tax rates (for all Individuals and HUF)

Income (INR)	Rate %
Upto 250,000	NIL
250,001 to 500,000	5
500,001 to 750,000	10
750,001 to 1,000,000	15
1,000,001 to 1,250,000	20
1,250,000 to 1,500,000	25
Above 1,500,000	30

Conditions to be satisfied in order to exercise the above option:

* Individual/ HUF having no business income has the option to chose between old and new regime in all subsequent years.

* Individual/ HUF does not claim any exemptions or deductions under specified sections.

* No set off of losses as specified shall be allowed.

* Once the option has been exercised, it shall apply to subsequent assessment years (subject to above conditions).

- Surcharge on Individuals (applicable on old and new regime)

  In the case of an Individual, HUF, AOP & BOI, surcharge shall be levied if:

Income (INR)	Rate %
Exceeding 5 Million but not exceeding 10 Million	10% of total tax
Exceeding 10 Million but not exceeding 20 Million	15% of total tax
Exceeding 20 Million but not exceeding 50 Million	25% of total tax
Exceeding 50 Million	37% of total tax

- **Corporate tax rates**
  - Current Provision

Particulars	Tax rates (%)	Surcharge (%)		
		Net income less than INR 10 Millions	Net income is between INR 10 Millions- INR 100 Millions	Net income exceeds INR 100 Millions
Domestic Companies with turnover or gross receipts during previous year 2018-19 not exceeding INR 4 Billions	25	Nil	7	12
Domestic Companies opting to pay tax without claiming specified deductions & exemptions (115BAA)	22	10	10	10
Domestic manufacturing companies incorporated on or after October 1, 2019 & commenced manufacturing on or before March 31, 2023 without claiming specified deductions & exemptions (115BAB)	15	10	10	10
Domestic manufacturing companies incorporated on or after March 1, 2016 without claiming specified deductions & exemptions (115BA)	25	Nil	7	12
Other domestic companies	30	Nil	7	12
Foreign Companies	40	Nil	2	5

- Intent of the Amendment

  * In line with the options provided to domestic companies under the Taxation Laws Amendment Act, 2019, it is proposed to provide similar option to Individual and HUF.

- o Proposed Amendment
  - * It is proposed to extend the benefit 115BAB to an entity engaged in the business of generation of electricity.
  - * No change in tax rates.

- **Concessional rate for Cooperative societies**
  - o Current Provision

Income (INR)	Rate %
Upto 10,000	10
10,001 to 20,000	20
Above 20,001	30
Above 1,000,000	30

  - * Surcharge @12% is applicable where total income exceeds INR 1 Crore.
  - o Proposed Amendment (applicable from April 1, 2020)

    Section 115BAD is proposed to be introduced for cooperative societies, wherein:
    - * Rate of 22% shall apply from AY 2021-22 onwards;
    - * The total income will be computed without any deductions;
    - * No set off of losses or unabsorbed depreciation shall be allowed;
    - * The surcharge shall be levied @10%;
    - * The provisions of section 115JC (AMT) and 115JD (AMT Credit) shall not apply.
  - o Intent of the Amendment
    - * To provide concessional rate of tax in case of resident co-operative society in similar lines to the companies.

- **Firms / Local Authorities**
  - * No change

- **Health and Education cess**
  - * In addition to above income tax and surcharge, "Health and Education Cess" shall continue to be levied @ 4% on the aggregate of income tax and surcharge.

CORPORATE AND BUSINESS TAXATION

- **Exemption in respect of certain income of wholly owned subsidiary of ADIA and sovereign wealth fund:**
  - o Current Provision

    Newly inserted
  - o Proposed Amendment
    - * The budget has proposed to insert section 10(23FE) providing tax exemptions to sovereign wealth fund and wholly owned subsidiary of ADIA.
    - * Income in the nature of dividend, interest or long-term capital gains arising from an investment made by it in India, in the form of debt or equity, in a company or enterprise carrying on the business of developing, or operating and maintaining, or developing, operating or maintaining any infrastructure facility as defined in Explanation to clause (i) of sub-section (4) of section 80-IA of the Act or such other business as may be notified by the Central Government in this behalf, to be exempt.
    - * In order to be eligible for exemption, the investment is required to be made on or before March 31, 2024 and is required to be held for at least three years.
  - o Intent of the Amendment
    - * The intent is to promote investment of sovereign wealth fund, including wholly owned subsidiary of ADIA in enterprises developing infrastructural facilities in India.

- **Exemption in respect of certain income of ISPRL:**
  - o Current Provision

    Newly inserted
  - o Proposed Amendment
    - * The budget has proposed to insert section 10(48C) providing tax exemption to ISPRL, being a wholly owned subsidiary of the Oil Industry Development Board under the Ministry of Petroleum and Natural Gas from AY 2020-21.
    - * Exemption is to be provided on Income accruing or arising because of arrangement for replenishment of crude oil stored in storage facility in pursuance to directions of the Central Government in this behalf.
    - * This exemption shall be subject to the condition that the crude oil is replenished in the storage facility within three years from the end of the financial year in which the crude oil was removed from the storage facility for the first time.
  - o Intent of the Amendment
    - * The intent is to provide the tax exemption to ISPRL on income arising from replenishment of crude oil in storage facility.

- **Extending time limit for approval of affordable housing project for availing deduction under section 80-IBA of the Act:**
  - o Current Provision
    - * The existing provisions of section 80-IBA of the Act, inter alia, provide 100% exemption to profits and gains derived from the business of developing and building affordable housing projects, (subject to certain conditions specified therein).
    - * The conditions contained in the section, inter alia, prescribe that the project should be approved by the competent authority, between June 1, 2016 to March 31, 2020.

- Proposed Amendment
  - * The amendment proposes to extend the due date of approval of project by competent authority to March 31, 2021.
- Intent of the Amendment
  - * The intent is to incentivise building affordable housing to boost the supply of such houses in India.

• Extending time limit for sanctioning of loan for affordable housing for availing deduction under section 80EEA of the Act:

- Current Provision
  - * The existing provisions of section 80-EEA of the Act, inter alia, provides for deduction in respect of interest on loan taken from any financial institution for acquisition of an affordable residential house property of amount upto INR 0.15 million, (subject to certain conditions specified therein).
  - * The conditions contained in the section, inter alia, prescribe that the loan should sanctioned by financial institution, between April 1, 2019 to March 31, 2020.
- Proposed Amendment
  - * The amendment proposes to extend the period of sanctioning of loan by financial institution to March 31, 2021.
- Intent of the Amendment
  - * The intent is to continue promoting purchase of affordable housing and incentivise first time buyers to invest in residential house property whose stamp duty does not exceed forty-five lakh rupees.

• Amendment to section 115BAB of the Act to include generation of electricity as manufacturing:

- Current Provision
  - * The provisions of section 115BAB provides that new manufacturing domestic companies set up on or after 1st October, 2019, which commence manufacturing or production by 31st March, 2023 and do not avail of any specified incentives or deductions, may opt to pay tax at a concessional rate of 15 %.

- Proposed Amendment

  The amendment proposes to include generation of electricity within the meaning manufacturing or production of an article or thing, for the purpose of section 115BAB.
- Intent of the Amendment
  - * The intent is to incentivise power generation sector by extending the benefit of the concessional rate under section 115BAB of the Act.

• Removal of DDT and move towards classical system of taxing dividend in the hands of shareholders /unit holders:

- Current Provision
  - * Section 115-O provides for tax on distributed profits of domestic Company; and
  - * Section 115-R provides for the tax on Income distributed by Specified Companies and Mutual Fund to its unitholders.
  - * Companies distributing dividends are required to pay an additional income tax at specified rates. Such dividends are exempt in the hands of recipient. Further, no credit of such taxes paid is available.
- Proposed Amendment
  - * It is proposed that dividend or other income from units will be taxable in the hands of the shareholders or unit holders at the applicable slab rates and that the domestic company or mutual funds will not be required to pay any DDT.
  - * It is also proposed that no deduction shall be allowed from dividend income, or income in respect of units of mutual fund or specified entities, other than deduction on account of interest expense (subject to specified conditions).
  - * It also proposes to amend section 194 for TDS on dividend at the rate of 10 % and threshold is proposed to be increased to INR 5,000.
  - * Section 195 is also to be amended to delete exemption provided to dividends under section 115-O.
  - * Section 194K is proposed to be inserted to provide TDS @ 10% by Mutual Fund on amount exceeding INR 5,000.
  - * 194LBA is proposed to be amended to provide for tax deduction by business trust on dividend income paid to unit holder, at the rate of 10% for resident. For non-resident, the rate of TDS would be 5% for interest and 10% for dividend.
  - * Section 115BBDA is proposed to be amended to provide a sunset clause on applicability only to dividends declared, distributed or paid by a domestic company on or before the March 31, 2020.

o Intent of the Amendment

* The intent is to put tax incidence on recipient. DDT was introduced, with the aim of easier collection of tax at one single point. However now with the advent of technology and easy tracking system the relevance of the concept has been lost.

- **Insertion of section 80M regarding dividend received by corporates:**

o Current Provision

Newly inserted.

o Proposed Amendment

* It is proposed to allow the deduction of dividend received by a domestic company from any other domestic company, not exceeding the amount of dividend distributed by the first mentioned domestic company.

o Intent of the Amendment

* The intent is to remove cascading effect of taxation of dividend distributed.

- **Reduction in rate of TDS on fees for technical services**

o Current Provision

* Section 194J requires 10% to be deducted at the time of payment of fees for professional services or fees for technical services or any other fees, remuneration, fees or royalty, subject to prescribed conditions.

o Proposed Amendment (applicable from April 1, 2020)

* The budget has proposed to reduce the rate of TDS on fees for technical services (other than fees for professional services) to 2% from the existing rate of 10%

o Intent of the Amendment

* The intent is to reduce litigation due to contradictory opinion of the assessee and the the tax officer to deduct tax at a lower rate of 2% under section 194C or a higher rate of 10% under section 194J.

- **An option for not availing deduction under section 35AD.**

o Current Provision

* Under the current regime, an assessee is eligible to claim 100 % deduction of expenditure of capital in nature incurred for specified businesses. The assessee is eligible to claim the expenditure in the year in which the expenditure is incurred. Further, no deduction is allowable under any other section in respect to the said expenditure.

* The legal interpretation can be made that a domestic company opting for concessional tax rate under section 115BAA or section 115BBA of the Act, which does not claim deduction under section 35AD, would also be denied normal depreciation due to operation of section 35AD.

o Proposed Amendment (with effect from April 1, 2020).

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

o Intent of the Amendment

* The intent is to clarify allowability of depreciation to companies availing concessional tax rate as per section 115BAA and 115BAA of the Act.

- **Allowing carry forward of losses or depreciation in certain amalgamations.**

o Current Provision

* Under the current regime, section 72AA of the Act provides for carry forward of accumulated losses and unabsorbed depreciation allowance in the case of amalgamation of banking company with any other banking institution.

o Proposed Amendment (with effect from April 1, 2020)

It is proposed to extend the benefit of this section to amalgamation of:

* one or more corresponding new bank or banks with any other corresponding new bank under a scheme brought into force by the Central Government under section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 or under section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, or both, as the case may be, or

* One or more Government Company or companies with any other Government company under a scheme sanctioned and brought into force by the Central Government under section 16 of the General Insurance Business (Nationalisation) Act, 1972.

o Intent of the Amendment

* The intent is to extend the benefit of carry forward of accumulated losses and unabsorbed depreciation allowance to amalgamated public sector banks and public sector general insurance Companies.

STARTUPS

- **Relaxation of provisions for start-ups**

o Current Provision

* Under the current regime, the provisions of Section 80-IAC of the Act provide for a deduction of an amount equal to 100% of the profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years out of seven years, at the option of the assessee, subject to the condition that the eligible start-up is incorporated on or after 1st April, 2016 but before 1st April, 2021 and the total turnover of its business does not exceed twenty-five crore rupees.

o Proposed Amendment

Following amendments have been proposed in the said section:

* Deduction under the said section 80-IAC shall be available to an eligible start-up for a period of three consecutive assessment years out of ten years beginning from the year in which it is incorporated;

* Deduction under the said section shall be available to an eligible start-up, if the total turnover of its business does not exceed one hundred crore rupees in any of the previous years beginning from the year in which it is incorporated.

o Intent of the Amendment

* The intent of the amendment is to provide incentives to start-ups and to further rationalise related tax provisions, so that the benefit of section 80-IAC can be extended to larger number start-ups.

- **Insertion of sub-section (1C) of section 192 deferring TDS or Tax payment in respect of income pertaining to ESOP of start-ups**

o Current Provision

* Under the current regime, ESOPs are taxed as perquisites under section 17(2) of the Act read with Rule 3(8)(iii) of the Rules. The taxation of ESOPs is split into two components:

* Tax on perquisite as income from salary at the time of exercise.

* Tax on income from capital gain at the time of sale.

o Proposed Amendment

It is proposed that, a person, being an eligible start-up referred to in section 80-IAC, responsible for paying any income to the assessee being perquisite of the nature specified in clause (vi) of sub-section (2) of section 17 of the Act, in any previous year relevant to the Assessment Year 2021-22 or subsequent assessment year, shall deduct or pay, as the case may be, tax on such income within fourteen days —

* 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 specified security or sweat equity share is allotted or transferred.

o Intent of the Amendment

* The intent of the amendment is to ease the burden of payment of taxes by the employees of the eligible start-ups or TDS by the start-up employer.

- **Enlarging the scope of tax deduction on interest under section 194A**

o Current Provision

* Section 194A of the Act governs interest other than interest on securities. Sub-section (1) thereof provides that any person not being individual or HUF who is responsible for paying to a resident any income by way of interest other than income by way of interest on securities, shall deduct income-tax at the rate of 10%.

* Sub-section (3) of section 194A provides for circumstances in which the provisions of sub-section (1) shall not apply.

o Proposed Amendment (applicable from April 01, 2020)

It is proposed to amend sub-section (3) and insert proviso to provide that a co-operative society referred to in clause (v) or clause (viia) of said sub-section (3) shall be liable to deduct income-tax in accordance with the provisions of sub-section (1), if:

* the total sales, gross receipts or turnover of the co-operative society exceeds fifty crore rupees during the financial year immediately preceding the financial year in which the interest referred to in sub-section (1) is credited or paid and;

* the amount of interest, or the aggregate of the amount of such interest, credited or paid, or is likely to be credited or paid, during the financial year is more than fifty thousand rupees in case of payee being a senior citizen and forty thousand rupees, in any other case.

o Intent of the Amendment

* The intent of the amendment is to extend the scope of this section to interest paid by large co-operative society.

- **Allowance of deduction under section 43B to insurance companies.**

o Current Provision

* Section 44 of the Act provides for computation of profits and gains of any business of insurance in accordance with the rules contained in the First Schedule of the Act.

* Income of such business is calculated after adding back the expenditure not admissible under the provisions of sections 30 to 43B of the Act.

* However, there was no specific provision to allow deduction under section 43B for any payment made in subsequent previous year.

o Proposed Amendment (applicable from April 1, 2020)

* It is proposed to insert a proviso to the existing provisions, to allow deduction under section 43B in computing the income of the previous year in which such sum is actually paid.

o Intent of the Amendment

* The intent of the amendment is to remove hardship and help assessee to claim deduction under section 43B in the year of payment.

- **Amendment in definition of "work" under section 194C**

o Current Provision

* Section 194C provides that any person responsible for paying any sum to a resident for carrying out any work in pursuance of a contract shall deduct an amount equal to 1% in case payment is made to individual or 2% in other cases.

* The term "work" mentioned in the said section includes manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer.

o Proposed Amendment (applicable from April 1, 2020)

* The budget proposes to widen the definition of "work" to include a contract of manufacturing or supplying a product according to the requirement or specification of a customer by using material provided by the assessee or its associate.

* Associate is proposed to be defined to mean a person who is placed similarly in relation to the customer as is the person placed in relation to the assessee under the provisions contained in clause (b) of sub-section (2) of section 40A of the Act.

o Intent of the Amendment

* The amendment is proposed to circumvent tax evasion in cases where the contract manufacturer procures the raw material supplied by the related party of the customer.

- **Provisions relating to Tax Audit (section 44AB)**

o Current Provision

* Under the current regime, every person carrying on business is required to get his accounts audited, if total sales/turnover/gross receipts exceed INR 10 million during financial year. Professionals are required to get accounts audited, if gross receipts exceed, INR 5 million during financial year.

o Proposed Amendment (applicable from April 01, 2020)

* It is proposed to increase the threshold limit for a person carrying on business from INR 10 million to INR 50 million in cases where:

* aggregate of all receipts in cash during the previous year does not exceed five per cent of such receipt; and

* aggregate of all payments in cash during the previous year does not exceed five per cent of such payment.

* To enable pre-filling of returns in case of persons having income from business or profession, it is required that the tax audit report may be furnished by the said assessees at least one month prior to the due date of filing of return

o Intent of the Amendment

* The intent of the amendment to increase threshold limit (from INR 10 to 50 million) is to reduce compliance burden on small and medium enterprises and promote cashless economy.

- **Filing of Income Tax Return (section 139)**

o Current Provision

* Under the current regime, company/person (other than company)/working partner of the firm whose books of accounts are required to be audited, are required to file the return of income by September 30, of the relevant Assessment Year.

o Proposed Amendment (applicable from April 01, 2020)

Due date for filing return of income under sub-section (1) of section 139 is proposed to be amended as below:

* October 31 of the assessment year (as against September 30);

* Removing the distinction between a working and a non-working partner of a firm.

o Intent of the Amendment

* To rationalise existing provisions.

TAXATION OF NON-RESIDENTS

- **Conditions for exemption of offshore funds from business connection**

o Current Provision

* Section 9A provides exemption from creating business connection of offshore funds through fund management activities carried out by fund managers in India.

* The section stipulated certain conditions in order get eligible for exemption, which inter-alia included:

° the aggregate participation/ investment in the fund by persons resident in India does not exceed 5% of the corpus of the fund and;

° the monthly average of the corpus of the fund shall not be less than INR 1 billion at the end of 6 months from the end of the month of establishment/ incorporation or end of previous year, whichever is later.

o Proposed Amendment (applicable from April 1, 2020)

The budget has proposed to relax the above stringent requirements to provide that:

* for calculation of the aggregate participation/ investment in the fund by Indian resident, contribution of the eligible fund manager during first 3 years up to INR 250 million shall not be accounted; and

* if the fund has been established/ incorporated in the previous year, the condition of monthly average of the corpus of INR 1 billion to be fulfilled within 12 months from the last day of the month of its establishment/ incorporation.

o Intent of the Amendment

* The government has acted upon the representations made by the fund owners highlighting the difficulties in compliance of these 2 conditions. Thus, in order to provide relief to them the amendment has been proposed.

- **Concessional rate of WHT to bonds listed in stock exchange in IFSC**

o Current Provision

* Section 194LC provides for concessional rate of WHT at the rate of 5% on interest on specified loans in foreign currency, long-term bonds and RDB paid to non-residents by specified company or business trust, subject to certain conditions.

* The cut-off date of such beneficial provisions was July 1, 2020.

o Proposed Amendment (applicable from April 1, 2020)

The budget has proposed to further extend the benefits as under:

* The cut-off date for concessional rate of WHT of 5% extended till July 1, 2023.

* To provide further concessional rate of WHT of 4% on the interest on money borrowed in foreign currency from a source outside India; long-term bonds/ RDB issued during the period April 1, 2020 till July 1, 2023 and listed on recognised stock exchange located in IFSC.

o Intent of the Amendment

* The proposed relaxation is provided in order to attract fresh investment, create jobs and stimulate the economy which is suffering from slow-down.

- **Concessional rate of WHT to municipal debt securities**
  - o Current Provision

    * Section 194LD provides for concessional rate of WHT at the rate of 5% on interest to FIIs and QFIIs on investment in government securities and RDB of and Indian company, subject to certain conditions.

    * The cut-off date of such beneficial provisions was July 1, 2020.
  - o Proposed Amendment (applicable from April 1, 2020)

    The budget has proposed to further extend the benefits as under:

    * The cut-off date for concessional rate of WHT of 5% extended till July 1, 2023.

    * To provide concessional rate of WHT of 5% on the interest to FIIs and QFIIs on municipal debt securities issued during the period April 1, 2020 till July 1, 2023.
  - o Intent of the Amendment

    * The proposed relaxation is provided in order to attract fresh investment, create jobs and stimulate the economy which is suffering from slow-down.

- **Exclusion of interest to PE of non-resident bank for limitation of interest deduction**
  - o Current Provision

    * Section 94B provides for limitation of deduction interest to AE subject to lower of 30% of EBIDTA or interest to AE.
  - o Proposed Amendment (applicable from April 1, 2020)

    * There was ambiguity whether such restriction will also apply to the interest payable to PE of non-resident bank.

    * The budget proposed a specific amendment to provide that interest limitation would not apply in respect of interest to PE of non-resident engaged in the business of banking in India.
  - o Intent of the Amendment

    * The provisions of section 94B does not provided any exclusion of interest to PE of non-resident lender, which are technically covered under the definition of AE, if the loan exceeds 50% of the total assets of the borrower. Thus, there was an urgent need to address this issue to remove difficulties being faced.

- **Exemption from filing of income tax return by non-residents**
  - o Current Provision

    * Section 115A provides for relaxation from filing income tax returns in India by non-residents, if the total income includes only certain interest and dividend and taxes on which has already been withheld in India.
  - o Proposed Amendment (applicable from April 1, 2020)

    The coverage of these provisions has now been extended. Now, it has been proposed extend the relaxation from filing of return in respect of income in the nature of specified interest, dividend, FTS and royalty specified in section 115A, provided that:

    * The only income of non-resident is certain interest, dividend, FTS and royalty specified in section 115A; and

    * Taxes have been withheld on these, not lower than the rates prescribed under section 115A.
  - o Intent of the Amendment

    * There was a long outstanding demand to provide exemption from filing of return by non-residents having only income in the nature of FTS and royalty, inline of the interest and dividend incomes. The amendment has been made to extend the relaxation to such incomes as well.

- **TCS on foreign remittances, selling of overseas tour packages and sale of goods**
  - o Current Provision

    * Section 206C requires the seller to collect taxes at applicable rates from buyer of certain goods which inter-alia include business of trading in alcohol, liquor, forest produce, scrap, etc.
  - o Proposed Amendment (applicable from April 1, 2020)

    The budget has proposed to include the following in the ambit of the provisions of TCS:

    * Overseas remittances:

      ° The AD banker now required to collect TCS, on receipt of amounts for remittance outside India under LRS in excess of INR 0.7 million, at the rate of 5%. In the absence of PAN/ Aadhar rate of TCS shall increase to 10%.

    * Overseas tour packages

      ° The seller of overseas tour package who receives any amount from buyer shall be required to collect TCS at the rate of 5%. In the absence of PAN/ Aadhar rate of TCS shall increase to 10%.

      ° Relaxation from above provisions if the buyer liable to WHT and has already WHT on such amount or the buyer is government etc;

    * TCS on sale of goods above specified limit

      ° The seller of goods whose turnover/ gross receipts/ sales from business exceeds INR 100 million during immediately preceding financial year, is required to collect TCS at the rate 0.1% on consideration on sale of goods in excess of INR 5 million during a financial year.

      ° These provisions will not be applicable if the buyer is government or seller is liable to collect TCS under other provisions of section 206C or buyer is liable to collect TDS in any other provisions of the Act.
  - o Intent of the Amendment

    * The government wanted to widen and deepen the tax net. Considering the same, TCS has been proposed on foreign remittance through LRS, selling overseas tour packages and on sale of goods over prescribed limit.

- **Modification of residency provisions**
  - o Current Provision

    * Section 6 provides for the situations in which an individual shall be resident in India in a previous year. The provision inter alia provides that the individual shall be Indian resident in a year, if he (i) is in India for aggregate period of 60 days or more in that year, and (ii) has been in India for 365 days or more in 4 years preceding years.

    * The section further provides that in case of individual of India origin visiting India during the year, the limit of 60 days shall by substituted by 182 days.

    * The section provides the conditions for becoming "not-ordinary resident" in case of individual and HUF taxpayers. The conditions are: (a) the taxpayer is non-resident in India in 9 out of 10 years preceding the current year and (b) the taxpayer was in India for 729 days or less during the 7 years preceding the current year.
  - o Proposed Amendment (applicable from April 1, 2021)

    The budget has proposed more stringent limits for constituting the individuals and HUFs as resident as follow:

    * For constituting the individuals of Indian origin as resident the limit of aggregate stay of 120 days in the year shall be considered.

    * An Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India.

  Further, in order to provide relaxations to non-residents from implication of being considered as ROR, following has been proposed:

    * For constituting the individuals and HUFs as not ordinary resident, the condition of being non-resident in 7 out of 10 previous years preceding that year shall be considered.
  - o Intent of the Amendment

    * The proposed stringent limits are targeted to curb the misuse of current tax regime by

the individuals who carry significant economic activities from India and manage their stay in India, so as to remain a non-resident in perpetuity. The amendment is also targeted in relation to the taxpayers who arrange their affairs in such a fashion that he is not liable to tax in any country or jurisdiction during a year.

* For the revised condition for RNOR, the intention is to ensure that a non-resident is not suddenly faced with the compliance requirement of a resident, merely because he spends more than specified number of days in India during a particular year.

- **Aligning purpose of entering into DTAA with MLI**
  - o Current Provision

    * Section 90 empowers central government to enter into agreements with any country/territory outside India for granting relief, avoidance of double taxation, exchange of information, and recovery of income tax.

    * India has also signed the MLI for amending its CTAs, in pursuance to BEPS action plan which has entered into force on October 01, 2019.

    * In pursuant to MLI, the CTAs have been modified to include the revised preamble text which provides specific restriction on creating opportunities for non-taxation or reduce-taxation through tax evasion or avoidance.

  - o Proposed Amendment (applicable from April 1, 2021)

    * The budget has proposed to amend section 90/90A to include similar restriction provided in preamble to CTAs, in order to avoid tax evasion or avoidance through DTAAs.

  - o Intent of the Amendment

    * The government has amended the provisions of section 90/90A to include the language of preamble modified by MLI being minimum standard. It has acted upon the most important need to align the provisions of DTAA with that of MLI. Thus, the above amendment has been proposed.

- **Amendments in income deemed to accrue/ arise in India**

- **SEP rules**
  - o Current Provision

    * Section 9 provides provisions for creation of business connection in India due to SEP. The SEP shall be formed basis the transaction in respect of any goods, services or property in India subject to prescribed amount of transactions and systematic and continues soliciting of business basis the prescribed number of users in India.

  - o Proposed Amendment (applicable from April 1, 2021)

    * It has been proposed to omit these provisions for FY 2020-21 and its proposed to introduce these provisions with certain changes which shall be applicable with effect from FY 2021-22.

  - o Intent of the Amendment

    * The issue of taxability basis the SEP is still in discussion before G20 nations under the BEPS project for which report is expected by the end of December 2020. Thus, the government has proposed to defer the applicability of these provisions till its final report.

- **Expansion of source rule of taxation**
  - o Current Provision

    * Section 9 does not provide for deemed source of income in India from advertisement that targets Indian consumers or income from sale of data collected from India or income from sale of goods and services using such data collected from India.

  - o Proposed Amendment (applicable from April 1, 2021)

    * It has been proposed to amend the provision to provide that the income from above sources shall be deemed to accrue or arise in India and shall be subject to tax in India.

  - o Intent of the Amendment

    * The issue of taxability of such income has been subject matter of debate at international forum. Many countries are of the view that such income should be taxed on source basis. In light of the same, the government has proposed to amend the provisions to tax these incomes in India on source basis.

- **Aligning exemption for FPI from indirect transfer provisions**
  - o Current Provision

    * Under indirect transfer rules, exemption from tax was provided to Category-I and Category-II FPIs under the SEBI FPI Regulations, 2014.

  - o Proposed Amendment (applicable from April 1, 2019)

    The FPI Regulations, 2014 has been repealed and replaced by FPI Regulations, 2014. The proposed amendment provides the following:

    * Grandfathering from indirect transfer for Category-I and Category-II FPIs registered under 2014 regulations.

    * Exemption from indirect tax transfer for Category-I FPIs registered under FPI Regulations, 2019.

  - o Intent of the Amendment

    * The SEBI under the new regulations has done away with the broad basing criteria for the purposes of categorization of portfolios and has reduced the categories from three to two.

    * In view of the same, necessary modification needs to be made in the existing provisions to provide grandfathering and provide similar exception in respect of investment in Category-I FPI under new regulations.

- **Broad coverage of royalty definition**
  - o Current Provision

    * The existing definition of royalty under the Act does not include consideration from the sale, distribution or exhibition of cinematographic films. Hence these are presently not taxed as royalty under the Act.

  - o Proposed Amendment (applicable from April 1, 2020)

    * It is provided to amend the definition of royalty to specifically include the consideration from the sale, distribution or exhibition of cinematographic films.

  - o Intent of the Amendment

    * Due to exclusion of consideration for the sale, distribution or exhibition of cinematographic films from the definition of royalty, such royalty is not taxable in India even if the DTAA gives India the right to tax such royalty.

    * Hence, it is proposed to amend the definition of royalty so as not to exclude from its meaning.

ASSESSMENT PROCEDURES

- **Modification of e-assessment scheme**
  - o Current Provision

    * Section 143(3A) provides mechanism of e-assessment by eliminating the interface between the Assessing Officer and the assessee.

    * This section applicable only for scrutiny assessment under section 143(3).

  - o Proposed Amendment (applicable from April 01, 2020)

    * The budget has proposed to widen the scope of section 143(3A) by including the reference of provision of Section 144 of the Act.

    * The Central Government may issue any direction up to March 31, 2022.

  - o Intent of the Amendment

    * It has been observed that in some cases, information was not provided by assessee through e-assessment, so after the amendment, the assessing officer can pass the best judgement assessment order even when no information is submitted by assessee.

- **Dispute Resolution Panel**
  - Current Provision

    * Section 144C applicable to certain eligible assessee, viz., foreign companies and any person in whose case transfer pricing adjustments have been made under sub-section (3) of section 92CA of the Act.

    * Further, section covers 'any variation in the income or loss returned' which is prejudicial to the interest of the assessee.
  - Proposed Amendment (applicable from April 01, 2020)

    * The word 'in the income or loss returned' has been omitted from the scope of section 144C.

    * The scope of said section has been expanded by including non-resident not being a company.
  - Intent of the Amendment

    * In order to provide relief, the scope of DRP has been widened to include 'any variation' which is prejudicial to the interest of assessee and 'non-residents' as eligible assessee.

- **Provision for e-appeal**
  - Current Provision

    * At present, the facility to filing of appeal electronically has already been enabled but there is no provision for e-appeal proceedings, which require physically submissions and hearings.
  - Proposed Amendment (applicable from April 01, 2020)

    * A new section 250(6A) has been inserted to launch the e-appeal scheme for disposal of appeal.

    * Central Government by notification will bring an e-appeal schemes and direction for the same will be issued on or before March 31, 2022.
  - Intent of the Amendment

Central Government want to eliminate the human interface to a maximum extent by use of technology and thereby boost confidence in the mind of assessee through greater efficiency, transparency and accountability.

- **Providing check on survey operations under section 133A of the Act**
  - Current Provision

    * Section 220(6) was inserted to prevent the possible misuse of power in survey proceedings.

    * As per section, no income tax authority below the rank of Joint Director or Joint Commissioner, shall conduct any survey without prior approval of Joint Director or the Joint Commissioner.
  - Proposed Amendment (applicable from April 01, 2020)

    * Where any information has been received from the prescribed authority, no income-tax authority below the rank of Joint Director or Joint Commissioner, shall conduct any survey without prior approval of the Joint Director or the Joint Commissioner.

    * In any other case, no income-tax authority below the rank of Commissioner or Director, shall conduct any survey under the said section without prior approval of the Commissioner or the Director, as the case may be.
  - Intent of the Amendment

    * The proposed amendment has been made to minimize further discretion of the tax authorities in conducting the surveys and provided that approval of Commissioner is required if no information has been received from the prescribed authority.

- **Clarity on stay by the ITA**
  - Current Provision

    * The existing proviso to section 254(2A), provides that the ITAT may, after considering the merits of the application made by the assessee pass an order of stay period of 180 days and maximum to 365 days.
  - Proposed Amendment (applicable from April 01, 2020)

    * It is proposed to provide that ITAT may grant stay subject to the condition that 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.
  - Intent of the Amendment

    * Considering the quantum of tax demand pending before the ITAT, the Government has adopted the partial recovery measure.

- **Provision for e-penalty**
  - Current Provision

    * At present, the online facility of penalty proceedings has already been enabled but there is no provision for online mechanism for granting/ rejecting penalty application.
  - Proposed Amendment (applicable from April 01, 2020)

    * Sub section (2A) to section 274 has been inserted for Central Government to notify the e-penalty proceedings scheme.

    * Central Government may issue notification to give effect to the scheme. Relevant directions be issued on or before March 31, 2022.
  - Intent of the Amendment

    * The intent of the amendment is to impart greater efficiency, transparency and accountability.

- **Insertion of Taxpayer's Charter in the Act**
  - Newly Inserted section 119A (applicable from April 01, 2020)

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

- **Rationalizing the process of registration of trusts, institutions, funds, university, hospital**
  - Current Provision

    * At present, tax officers require justification where registration under section 10(23C) or 12AA is sought in case where the activities have actually not started.

    * There is no time limit for expiry of the registration certificate granted under section 12AA/ 10(23C)/ 35 / 80G until the same get cancelled by Tax Authorities.
  - Proposed Amendment (applicable from June 1, 2020)

    * Proposed to provide provisional registration for a period of 3 years to those trusts which apply for registration even before starting charitable activities.

    * The said trust has to re-apply for registration before 6 months from the expiry of provisional registration or within 6 months from start of activities whichever is earlier.

    * The amendment has proposed to provide registration under section 12AA/ 10(23C)/ 35 / 80G for a block period of 5 years.

    * For existing trust, the period will be calculated from April 1, 2020.

    * The trust has to apply again for the registration before the expiry of block period.

    * Deduction under section 80GGA to be restricted to INR 2000.

o Intent of the Amendment

* The intent of the amendment is to provide a non-adversarial regime and avoid roving enquires in the affairs of exempt entities.

- **Filing of statement of donation by Donee to cross-check claim of donation by donor**

o Current Provision

* At present, there is no mechanism to cross-check bogus claim for 80G deduction.

o Proposed Amendment (applicable from June 1, 2020)

* A new section 35(1A) and a new clause (viii) in section 80G(v) is proposed to be inserted to provide that entities receiving donations are required to furnish a statement and issue a certificate to the donor.

o Intent of the Amendment

* The intent of the amendment is to ensure standardization of the existing provisions in line with TCS/TDS provisions.

MISCELLANEOUS PROVISIONS

- **Withdrawal of certain exemptions to UPSC chairman and members and Election Commissioners**

o Current Provision

* UPSC Chairman and members and Chief Election commissioner and Election Commissioners are allowed following exemptions on any allowance or perquisite under Section 10(45) of the Act:

° Value of rent free official residence

° Value of conveyance facilities including transport allowance

° Sumptuary allowance

° The value of leave travel concession

* Various other exemptions are allowed under Section 8 of the Election Commission (Conditions of Service of Election Commissioners and Transaction of business) Act, 1991 to Chief Election Commissioner and other election Commissioners.

o Proposed Amendment

* It is proposed to withdraw exemptions on any allowance or perquisite paid to UPSC Chairman and members and Chief Election commissioner and election Commissioners as mentioned under section 10(45) of the Act and Section 8 of the Election Commission (Conditions of Service of Election Commissioners and Transaction of business) Act, 1991 respectively.

o Intent of the Amendment

* `The intent is to rationalise the existing tax provisions.

- **Increase in safe harbour limit under Section 43CA, Section 50C and Section 56(2)(x) from current 5% to 10%**

o Current Provision

Section 43CA

* The variance in the value adopted or assessed or assessable by SVA and the consideration received by assessee on transfer of land or building or both (not being a capital asset) is acceptable upto 5%.

Section 50C

* The variance in the value adopted or assessed or assessable by SVA and the consideration received by assessee on transfer of land or building or both (being a capital asset) is acceptable upto 5%

Section 56(2)(x)

* The variance in the value adopted or assessed or assessable by SVA and the consideration received by assessee on purchase of immovable is acceptable upto 5%.

o Proposed Amendment

Section 43CA

* The variance in the value adopted or assessed or assessable SVA and the consideration received by assessee on transfer of land or building or both (not being a capital asset) is now acceptable upto 10% as against the erstwhile provision of only 5%.

Section 50C

* The variance in the value adopted or assessed or assessable SVA and the consideration received by assessee on transfer of land or building or both (being a capital asset) is now acceptable upto 10% as against the erstwhile provision of only 5%.

Section 56(2)(x)

* The variance in the value adopted or assessed or assessable by SVA and the consideration declared by assessee on purchase of immovable property is now acceptable upto 10% as against the erstwhile provision of only 5%.

o Intent of the Amendment

* To provide more leverage to the taxpayers and to reduce the litigation.

- **Modification in the definition of Business Trust**

o Current Provision

* The units of a registered trust were required to be listed on RSE

o Proposed Amendment

* It is proposed to do away with the requirement of the units to be listed on RSE.

o Intent of the Amendment

* To align the definition of 'business Trusts' under the Act with the notification of SEBI under Securities and Exchange Board of India (Infrastructure Investment Trusts)(Amendment) (Regulations), 2019.

- **Applicability of TDS provisions of E-commerce operators**

o Current Provision

Newly inserted

o Proposed Amendment

Section 194-O is proposed to be introduced with the following key points:

* E-commerce operator is required to deduct TDS @1% (5% in case of non-PAN/ Adhaar cases) at the time of credit or payment (whichever is earlier) of amount of sale or service or both to the account of e-commerce participant (person resident in India selling goods or providing services or both).

* Any payment made directly by purchaser to the participant shall be deemed to have been paid by the operator and hence, TDS is required to be deducted.

* Exemption from this section is available to an e-commerce participant, being an Individual/ HUF, whose gross amount of sales or services or both, through e-commerce operator does not exceed INR 0.5 Million subject to furnishing of PAN or Aadhaar number to the operator.

* A transaction which has been subjected to TDS under this section or is covered under the exemption under this section shall not be liable to TDS deduction under any other provision of Chapter XVII-B of the Act.

- **Introduction of combined upper limit in case of RPF, NPS and Approved Superannuation Fund**

o Current Provision

* Contribution by employer to the account of employee in RPF exceeding 12% is taxable.

* Further, deduction under NPS is allowed for 14% of salary contributed by Central Government and 10% of salary contributed by any other employer.

* Contribution by employer to approve superannuation fund is exempt upto INR 0.15 Million.

- Proposed Amendment (applicable from April 1, 2020)

  * A combined upper limit of INR 0.75 Million in respect of employer's contribution to the above three funds is proposed to be introduced and any excess contribution beyond it shall be taxable.

  * Further, any annual accretion in the above three funds by way of interest, dividend or any other similar amount shall also be included in the total income.

- Intent of the Amendment

  * To discourage the undue benefit used by the employees earning high salary income as they were able to design the salary package in a manner where large part of his salary was contributed to all these 3 funds.

- **Rationalisation of Provisions relating to Form 26AS**

  - Current Provision

    * This section requires the Income Tax Authority as prescribed under 200(3), to prepare and deliver a statement in Form 26AS which contains the information about tax collected or deducted at source.

  - Proposed Amendment (applicable from June 1, 2020)

    * It is proposed to incorporate certain other information (information in respect of a person such as sale/purchase of immovable property, share transactions etc.) alongwith the existing information about tax deducted, in 'Annual Financial Statement' as per Section 285BB in the Act. The Statement shall be furnished within such time, as may be prescribed.

    * With the advent of section 285BB, the existing section 203AA stands deleted.

  - Intent of the Amendment

    * With the additional information already existing with Income Tax, the aforesaid statement can facilitate compliance both for the department and can help the taxpayer in filing of the return of income and calculating his correct tax liability.

- **Rationalisation of Section 49 and Section 2(42A) in respect of segregated portfolios**

  - Newly Inserted (Applicable from April 1, 2020)

    * Section 49(2AG) has been introduced which prescribes the method of calculation of the cost of acquisition of unit or units in the segregated portfolio. The cost of acquisition of unit or units in segregated portfolio bears to cost of acquisition of unit or units held by the assesee in the total portfolio in the same ratio as NAV of asset transferred to segregated portfolio bears to NAV of the total portfolio before the segregation of portfolio.

    * It is also provided that through provision of sub section (2AH), the cost of acquisition of the original units held by the unit holder in the main portfolio shall be deemed to have been reduced by the cost of acquisition of units in segregated portfolio as calculated in sub section (2AG).

  - Proposed Amendment (applicable from April 1, 2020)

    * Apropos to the foregoing newly inserted section an amendment is proposed to Section 2(42A) which provides that the period for which the original unit or units in the main portfolio were held by the assessee will be included in holding period of units of segregated portfolio.

  - Intent of the Amendment

    * Section 49(2AG) and 49(2AH) has been inserted and the corresponding amendment to Section 2(42A) to give effect to SEBI circular through which Mutual Fund Schemes are permitted to create segregation portfolio of debt and money market instruments.

- **Amendment to the verification of Return and appearance of Authorized Representative**

  - Current Provision

    * Section 140 provides that the return of the company is to be verified by the MD. In case MD is not available the same should be verified by any director of the Company.

    * It also provides that the return of LLP is to be verified by designated partner. In case he is not available then any partner.

    * Section 288 provides the persons entitled to appear before the ITA as an "Authorised Representative".

  - Proposed Amendment

    * It is proposed that any person prescribed by the board or appointed by the Partners as the case may be, able to verify the return of Income of the Company or LLP.

    * It is proposed to explicitly include the Insolvency Professional (Appointed under IBC) in the list of the Authorised Representative to remove certain practical difficulties.

    * It is proposed that any person may be prescribed by the board appear as the Authorised Representative.

  - Intent of the Amendment

    * The main intention is to do ease the procedures for compliance of filing of return and remove certain practical difficulties.

- **Rationalisation of provision of Section 55 to compute cost of acquisition**

  - Current Provision

    * The existing provision provides that for computing capital gains, deduction of cost of acquisition of the asset and cost of improvement (if any) be allowed. However, for computing capital gains in respect of an asset acquired before April 1, 2001, there's an option to take either the FMV of the asset as on April 1, 2001 or the actual cost of the asset as 'cost of acquisition'.

  - Proposed Amendment (applicable from April 1, 2021)

    * It is proposed to insert a new proviso to explanation of section 55(2)(ac) to restrict the FMV of a capital asset being land or building or both as on April 1, 2001 and to not to exceed the stamp duty value on the same date.

  - Intent of the Amendment

    * The said amendment has been proposed with the intent to clarify the position on the determination of 'FMV' in case of a capital asset being land or building or both.

- **District Judge is eligible to be appointed as member of adjudicating authority under PBPT**

  - Current Provision

    * The existing section 9 of the Prohibition of PBPT Act, 1988 provides that, a member of the IRS who has held the post of CIT or equivalent post in that Service; or a member of the ILS who has held the post of Joint Secretary or equivalent post in that Service is qualified for appointment as a Member of the Adjudicating Authority.

  - Proposed Amendment (applicable from April 1, 2020)

    * It is proposed to include 'District Judge' to the list of persons qualified/ eligible to be appointed as a Member of the Adjudicating Authority.

  - Intent of the Amendment

    * The said amendment has been proposed to appoint an equally qualified person to become a member of the Adjudicating Authority alongside other members of revenue department.

- **Penalty for fake invoice:**

  - Current Provision

    Newly inserted.

  - Proposed Amendment

    * It is proposed to levy penalty on person making false entry or an omission of any entry which is relevant for computation of total income of such person, to evade tax liability, of amount equal to the aggregate amount of such false invoice or omitted entry.

    * The amendment shall be applicable from AY 2020-21

  - Intent of the Amendment

    * The intent is to levy penalty under the Act on fraudulent arrangements in various cases where invoices are found to be forged or does not exist or issued by racketeers who do not actually carry on any business or profession.

TRANSFER PRICING

- **Advance pricing agreement and Safe Harbour rules to cover determination of attribution of profit to PE /business connection**

- Current Provisions

SHR under section 92CB of the Act were introduced for simplifying TP compliance process by providing tax certainty to assessee under which a taxpayer may opt for safe harbour in respect of certain identified international transactions.

Further, APA under section 92CC provides tax certainty in determining/manner to determine ALP for international transactions for not only future five years but for earlier four years (Rollback) as well.

- o Proposed Amendment

In order to provide certainty to the non-resident assessee, it is now proposed to extend the scope of SHR and APA to include within its ambit determination of profits attributable to PE by amending section 92CB and section 92CC of the Act

This amendment will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years.

- o Intent of the Amendment

The issue of attribution of profit to PE has resulted in incessant litigation, as tax officials often resort to ad-hoc attribution of profits to PE without any reasonable basis. The purpose of this amendment is to provide more certainty and clarity to assessee in relation to attribution of profits to PE.

- **Change in due date of filing accountant's report u/s 92E of the act**

- o Current Provisions

Currently section 92E of the Act states that every person who has entered into an international transaction or specified domestic transaction during a previous year shall obtain accountant's report and furnish such report on or before the specified date. Further, section 92F(iv) of the Act defines specified date to have the same meaning as assigned to "due date" in Explanation 2 below sub-section (1) of section 139 i.e. 30th November of relevant Assessment Year.

- o Proposed Amendment

The proposed amendment provides that with effect from April 1st, 2020, "specified date" shall means the date one month prior to the due date for furnishing the return of income under sub-section (1) of section 139 for the relevant assessment year. Accordingly, the due date to file Accountant's report u/s 92E of the Act shall be one month prior to the due date for furnishing the return of income for the A.Y. (i.e. preponed by one month and will be 31st October of relevant AY instead of November 30th). This shall also imply that TP report are required to be prepared and maintained by 31st October of the relevant AY

- o Intent of the Amendment

To enable pre-filling of returns in case of persons having income from business or profession, it is recommended that the tax audit report may be furnished by the said assessees at least one month prior to the due date of filing of return of income. Accordingly, this requires amendments in all the sections of the Act which mandates filing of audit report along with the return of income or by the due date of filing of return of income. Consequently, the due date of filing of Transfer Pricing certificate and preparation of Transfer pricing report shall be 31st October of the relevant AY

- **Interest Limitation Provisions Not Applicable to PE of Non-Resident Bank**

- o Current Provisions

Section 94B of the Act provides that any

interest paid/ payable in excess of INR 10 million by the assessee i.e. an Indian company or permanent establishment of a foreign company in India, being the borrower to its Non-resident AE in respect of debt availed, shall not be allowed as deduction in computing the Income under PGBP, where such interest exceeds 30% of EBITDA or actual interest paid, whichever is less.

- o Proposed Amendment

The proposed amendment u/s 94B of the Act provides that provisions of interest limitation would not apply to interest paid in respect of a debt issued by a lender which is a PE of a non-resident, being a person engaged in the business of banking in India.

This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

- o Intent of the Amendment

The intent of this amendment is to provide relaxation to the assessee in deductibility of an expense, without any limitation, for the interest paid/payable on loan extended by an Indian PE (Branch) of a non-resident bank.

INDIRECT TAX

CUSTOMS

LEGISLATIVE CHANGES IN THE CUSTOMS ACT, 1962

- Provision in relation to prohibitions on the importation and exportation of goods has been amended to include any other goods (in addition to gold and silver) for prevention of injury to the economy of the Country.
- Explanation inserted to clarify that any notice issued under provision of recovery of duty prior to March 28, 2018 i.e, date of enactment of the Finance Act 2018, would be governed by the law as it existed before the said enactment, notwithstanding order of any Appellate Tribunal, Court or any other law to the contrary.
- New provision regarding administering the preferential tariff treatment regime under Trade Agreements has been inserted to specifically provide for certain obligations on importer and prescribe for time bound verification from exporting country in case of doubt.
- Pending verification preferential tariff treatment shall be suspended and goods shall be cleared only on furnishing security equal to differential duty.
- In certain cases, the preferential tax treatment may be denied without further verification.
- Any goods imported on a claim of preferential rate of duty which contravenes the provision of law would be confiscated
- New provision has been inserted to provide for creation of an Electronic Duty Credit Ledger in the customs system. This will enable duty credit in lieu of duty remission to be given in respect of exports or other such benefit in electronic form for its usage, transfer etc.
- Provision relating to recovery of duties expanded to include electronic credit of duties.
- Central Government has been empowered for making rules specifying time, form, manner, restrictions and conditions for administering the preferential tariff treatment regime under Trade Agreements.
- Board has been empowered for making regulations specifying the manner of maintaining electronic duty credit ledger, making payment from such ledger, transfer of duty credit from ledger of one person to the ledger of another and the conditions, restrictions and time limit relating thereto

MISCELLANEOUS LEGISLATIVE CHANGES

- Health Cess is being imposed on the import of medical devices/ instruments at the rate of 5% ad valorem on the import value of such goods
    - o Health Cess would be a duty of Customs.
    - o Health Cess would not be imposed on medical devices which are exempt from BCD.
    - o Inputs/parts used in the manufacture of medical devices will also be exempt from Health Cess.
    - o Export Promotion scrips shall not be used for payment of said Cess.

CHANGES IN THE CUSTOMS TARIFF

- General rate of BCD remains at 10 percent.
- Provision inserted to strengthen the anti-circumvention measures by making them more comprehensive and wider in scope to deal with the case of circumvention
- Provision inserted to enable investigation into case of circumvention of countervailing duty for enabling imposition of such duty.
- Central Government empowered to apply safeguard measures, in case any article is imported into India in such increased quantities and under such conditions so as to cause or threatening to cause serious injury to domestic industry

EXEMPTION FROM BCD / SWS

- Poly Ester Liquid Crystal Polymers falling under tariff item 3907 99 90 for use in manufacture of Connectors, is being exempted from BCD subject to actual user condition.
- Parts of Microphones falling under tariff line 8518 10 00 is being exempted subject to actual user condition.
- Completely Built Units (CBU) of all commercial vehicles (including electric commercial vehicles) falling under headings 8702 and 8704 is being exempted from levy of Social Welfare Surcharge with effect from April 1, 2020

WITHDRAWAL OF EXEMPTION

- Japanese Encephalitis (JE) vaccine imported by the Andhra Pradesh Government through UNICEF' falling under Chapter 30, these goods will attract BCD at 5%
- Fingerprint readers/ scanner for use in manufacture of cellular mobile phones falling under tariff item 8517 70 90
- Common Wealth Games, 2010
- Exemption to import by Power Grid Corporation of India for setting up of Rihand-Sasaram-Bihar sheriff HV DC Link Back to Back Station Project
- Water supply projects for industrial and agricultural use exempted under Project Imports
- Exemption of SWS on specified goods falling under Chapter 84,85,90 some of key items are as follows :-
    - o Units of automatic data processing machines falling under sub-heading 8517 62
    - o Information Technology software, falling under heading 8523
    - o Units of automatic data processing machines falling under sub-heading 8517 62
    - o Printed circuit assemblies of word processing machines and units thereof
    - o Parts (other than populated PCBs) for digital still image video cameras
    - o Printed circuit assemblies falling under tariff item 9017 90 00 for drafting machines or drawing machines of heading 9017

AMENDMENTS IN THE FIRST SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975

AMENDMENTS AFFECTING RATES OF BCD

	Tariff item	Commodity	Rate of Duty	
			From	To
		Electronic Goods		
1	3920 10 99	Calendared Plastics Sheet for use in the manufacture of Smart Cards (subject to actual user condition)	10%	5%
2	8501 (except tariff items 8501 64 70 and 8501, 64 80)	Electric Motors and Generators (excluding Generating Sets)	7.50%	10%
3	8509 (except tariff item 8509 90 00)	Electro-mechanical domestic appliances with self-contained electric motor	10%	20%
4	9405	Lamps and lighting fittings	20%	25%
5	8414 51 50	Wall fans	7.50%	20%
		Mobile Phones		
6	8504 40	charger or power adapter	Nil/20%/15%	20%

7	8517 70 10	Printed Circuit Board Assembly (PCBA) of cellular mobile phones	10%	20%[1]
8	8517 70 90	Vibrator Motor/ Ringer (w.e.f. April 1, 2020), Display Assembly, Touch Panel/Cover Glass Assembly (w.e.f. (October 1, 2020)	Nil	10%
		Automobile		
9	8702, 8704	CBUs of commercial electric vehicles	25%	40%
10	8703	Semi Knocked Down (SKD) forms of electric passenger vehicles, Three-wheeler	15%	30%
11	8702, 8704, 8711, 8704	Semi Knocked Down (SKD) forms of electric vehicles- Bus Trucks and Two wheelers	15%	25%
12	8702, 8703, 8704, 8711	Completely Knocked Down (CKD) forms of electric vehicles - Passenger vehicles, Bus and Trucks, Three wheelers, Two wheelers.		
13	8702, 8704	CBUs of commercial vehicles [other than electric vehicles]	30%	40%
		Oil and Gas		
14	2713 12 10	Calcined Petroleum Coke	10%	7.50%
		Precious Metals and Stones		
15	3815 12	Platinum and Palladium used in manufacture of all goods falling under sub-heading 3815 12 , rate reduced subject to actual user condition	12,.5%	7.50%
		Iron and Steel, Other Base Metals		
16	7806	lead bars, rods, profiles and wire	5%	10%
		Food Processing		
17	405	Butter, Ghee and Butter Oil	30%	40%
18	0802 32 00	shelled Walnuts	30%	100%
19	1517, 1518	Margarine, animal or vegetable fats and oils	80%	100%
20	1520 00 00	Crude Glycerol, Glycerol Waters and Glycerol !Yes	20%	30%
21	1806 90	food preparations for infant use	17.50%	30%
22	1901 10	Preparations for infant use, put up for retail sale	30%	50%
		Footwear and Parts of Footwear		
23	6401 to 6405	Footwear	25%	35%
24	6406	Parts of footwear	15%	20%
		Other Miscellaneous		
25	4801	Newsprint subject to condition that importers at the time of import is an establishment registered with the Registrar of Newspapers, India (RNI)	10%	5%
26	4802	Uncoated paper used in printing of newspaper subject to condition that importers at the time of import is an establishment registered with the Registrar of Newspapers, India (RNI)	10%	5%
27	8419 89 I0	Pressure Vessel	7.50%	10%
28	8541 40 11	Solar Cells, not assembled	Nil	20%
29	8541 40 12	Solar Cells assembled in modules or made up intopanels	Nil	20%

EXCISE DUTY

- **OTHER PROPOSALS INVOLVING CHANGES IN BCD**

AMENDMENTS AFFECTING RATES OF BCD

S.No.	Tariff item	Commodity	Rate of Duty	
			From	To
1	2402 20 10	Other than filter cigarettes, of length not exceeding 65 millimeters	INR 90 per thousand	INR 200 per thousand
2	2402 20 20	Other than filter cigarettes, of length exceeding 65 millimeters but not exceeding 70 millimeters	INR145 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 millimeters or its actual length, whichever is more) not exceeding 65 millimeters	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 millimeters or its actual length, whichever is more) exceeding 65 millimeters but not exceeding 70 millimeters	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 millimeters or its actual length, whichever is more) exceeding 70 millimeters but not exceeding 75 millimeters	INR 145 per thousand	INR 545 per thousand
6	2402 20 90	Other (Cigarettes containing tobacco)	INR 235 per thousand	INR 735 per thousand
7	2402 90 10	Cigarettes of tobacco substitutes	INR 150 per thousand	INR 600 per thousand

National Calamity Contingent Duty means duty levied under Finance Act, 2001

GOODS AND SERVICES TAX

LEGISLATIVE CHANGES IN GOODS AND SERVICES TAX

- Definition of ‘Union Territory’ has been amended to include Ladakh;

- Certain specified suppliers of goods (namely suppliers of goods not leviable to tax, suppliers making inter-state supply or suppliers supplying goods through e-commerce platforms) were not eligible to opt for the composition scheme. The said provision have been extended to include suppliers of ‘services’ as well in the said cases;

- Earlier the time limit for availing ITC in respect of a debit note was dependent on the invoice pertaining to that debit note. Now the provisions have been amended as per which the time limit for availing ITC in respect of a debit note would depend on the period to which the debit note pertains.

- Provision relating to cancellation (or suspension) of registration have been extended to apply to registered persons who voluntarily obtained GST registration.

- Provision relating to the time limit for filing application for revocation of cancellation of registration (time limit of 30 days) has been amended to enable the Additional Commissioner or the Joint Commissioner to extend such time limit by an additional 30 days. The Commissioner has been granted powers to further extend such period by 30 days.

- Provision relating to tax invoice in case of supply of services has been amended to enable the Government to specify the categories of services or supplies in respect of which a tax invoice shall be issued, within such time and in such manner as may be prescribed.

- Provisions relating to furnishing of certificate of tax deduction at source have been amended wherein the Government would prescribe the form and manner in which certificate of tax deduction at source is required to be issued. Further, provision relating to late fee in case there is delay in furnishing of such certificate has been omitted.

- Provision related to Constitution of Appellate Tribunal and Benches thereof has been amended to empower the Government for specifying a Bench of Appellate Tribunal for the State of Jammu and Kashmir.

- Penalty provisions in case of specified offences have been extended to a person who retains the benefit of such transaction and at whose instance such transaction is conducted. The penalty sought to be imposed in such cases is an amount equivalent to the tax evaded or input tax credit availed of or passed on.

- Provision related to punishment for certain offences has been extended to include whoever causes to commit and retain benefits arising out of such an offence. Further, the provisions related to punishment for wrong availment of ITC have been extended to include cases where ITC is availed without any bill or invoice.

- Retrospective amendments in transitional arrangements for ITC have been introduced to mandate the law for restricting the time limit for availing ITC.

- Earlier in terms of Schedule II (Activities or transactions to be treated as supply of goods or supply of services) certain specified transactions related to Transfer of business assets were treated as supply “whether or not for a consideration”. Vide the amendment, the said restriction has been removed.

- The refund of accumulated credit of compensation cess on tobacco products arising out of inverted duty structure in Compensation Cess was disallowed vide Notification dated September 30, 2019. The said notification has been given retrospective effect from July 01, 2017, thereby implying that no refund would be admissible on tobacco products on account of inverted duty structure.

PARTICULARS	DATE FROM WHICH CHANGES WILL BE EFFECTIVE
Legislative changes	Date of enactment of the Finance Bill, 2020
New rates of Excise Duty	Midnight of February 1, 2020
New rates of Customs Duty	Midnight of February 1, 2020/ February 2, 2020

FOREIGN DIRECT INVESTMENT & REGULATORY PROPOSALS

KEY REGULATORY AMENDMENTS PROPOSED UNDER THE UNION BUDGET 2020-2021

- **EASE OF STARTING BUSINESS – SETTING UP OF INVESTMENT CLEARANCE CELL**

  With a focus on improving ease of starting business in India, the FM proposes to create an Investment Clearance Cell such as would provide "end to end" facilitation and support through a Single Window Portal comprising both Central & State Level Clearances

- **INCENTIVES/PROMOTIONS FOR MANUFACTURING**

  The government has proposed various steps to promote "Make in India Scheme" and creation of export hubs to boost exports. Some of the steps taken towards in-house manufacturing and limit imports are:

  o SPECIAL ANNOUCEMENT – INCENTIVIZED PACKAGE SCHEMES FOR "ELECTRONICS MANUFACTURING" & "MEDICAL DEVICES MANUFACTURING"

  In continuation to the Modi government's "Make in India" scheme, FM in the Union budget 2020-2021 has proposed a scheme for encouraging Manufacturing of Electronics, especially mobile phones, electronic equipment, semi-conductor packaging. Subsequently, a similar policy with suitable modifications will be further adapted for manufacturing of medical devices also.

  o DEVELOPMENT OF 5 SMART CITIES

  In collaboration with relevant State Governments, the FM has proposed setting up of five new Smart Cities which would be selected based on the following 3 principles:

  1. Upcoming Economic Corridors

  2. Revitalisation of Manufacturing Activities

  3. Technology and Demands of Aspirational Classes

  The aforesaid development would be undertaken by the Government on a PPP mode.

  o MANDATORY TECHNICAL STANDARDS & PROCEDURES

  To standardize the quality of manufactured goods, the government has been working on "Zero Defect-Zero Effect" from past 5 years now, FM in the Union Budget 2020-2021, reiterated that all ministries shall be issuing mandatory technical standards and their effective enforcement procedures during this year in order to standardize quality norms for Made in India products.

  o NATIONAL TEXTILE MISSION

  Creation of National textile Mission with a 4-year implementation period from 2020-21 upto 2023-24 with an objective to curb Imports of Technical Textiles in significant quantities.

  o EXPORT INCENTIVES FOR SMALL EXPORTERS

  In order to achieve higher export credit disbursement, the FM has announced a new scheme called "NIRVIK" (Niryat Rin Vikas Yojana) to provide an enhanced insurance cover while reducing the insurance premium costs for small exporters. The scheme also envisages simplified procedures for claim settlements.

  o NATIONAL LOGISTICS POLICY

  To build an efficient supply chain network and promote seamless movement of goods across the country, the Ministry of Commerce has devised a National Logistics Policy that will provide end-to-end logistics solutions to the Industry. The policy was sent to the Cabinet for its approval in September 2019. As mentioned in the Budget, the policy shall include the role of Union Government, State Government and Key Regulators and is proposed to be released soon. The policy shall create a single window e-logistics market and generate employment, skills etc.

- **FINANCIAL SECTOR REFORMS**
  - o INVESTMENT IN GOVERNMENT SECURITIES BY NON-RESIDENT INVESTORS

In line with the announcements made by the Reserve Bank of India in the first monetary policy of financial year 2019-20 regarding opening up of Indian Government Securities (G-Sec) market for Non-Residents, the FM has likewise proposed in the budget to allow certain specified categories of Government Securities for Non – Resident Investors in addition to domestic investors.

o REVISION IN FPI LIMIT FOR CORPORATE BONDS

In April 2018, RBI had fixed the overall limit for FPI investment in corporate bonds at 9% of outstanding stock of corporate bonds. The FM proposes to revise the aforesaid limit from existing 9% to 15% in the Budget.

o FLOATING G-SEC BASED EXCHANGE TRADED FUND

Given the recent success of the Debt based Exchange Traded Fund (ETF), the FM has proposed to float a new Debt-ETF consisting mainly of government securities. The purpose of such Debt ETF is to offer government securities as an attractive long-term investment option to pension funds and retail investors.

o REVISED LIMITS FOR DEBT RECOVERY UNDER SARFAESI ACT 2002

In order to curtail, ever-increasing NPA ratio in the NBFC sector, it was becoming necessary to bring more NBFCs under the ambit of SARFAESI Act so as to allow NBFCs to enforce their right of recovery by auctioning pledged/ mortgaged assets. Under

the extant provisions, NBFCs having an asset size of atleast INR 500 crores or loan size of atleast INR 1 Crore and above are eligible to invoke the SARFAESI Act for recovery of dues. The FM proposes to reduce these limits as follows: Asset size from INR 500 Crore to INR 100 Crore and loan size from existing INR 1 Crore to INR 50 lakh.

o NBFCs TO EXTEND INVOICE FINANCING TO MSMEs THROUGH TReDS

In order to enhance MSMEs economic and financial sustainability, the FM proposes to make amendments in Factor Regulation Act 2011, such as would enable Non-Banking Financial Companies(NBFCs) to extend invoice financing to the Micro, Small and Medium Enterprises (MSMEs) through Trade Receivables Discounting System (TReDS).

A similar amendment was proposed in the Finance Bill in 2019, however, the same could not be introduced then.

o APP-BASED INVOICE FINANCING FOR BOOSTING LIQUIDITY IN MSMEs

To further improve liquidity for MSMEs, the FM has proposed launching of an app-based invoice financing loans product such as would prevent delayed payments and help achieve positive cash flow.

o SETTING UP OF INTERNATIONAL BULLION EXCHANGE BY GIFT IFSC

GIFT IFSC already provides facilities for setting up of precious metals testing laboratories and refining facilities. The FM has now proposed setting up of an International Bullion Exchange(s) by GIFT IFSC (with due permission of SEBI) in order to provide option of trading in Bullion by global market participants.

o DEPOSIT INSURANCE COVER HIKED TO Rs 5 LAKHS PER DEPOSITOR

- **NEW EDUCATION POLICY ON THE ANVIL**

The FM has reiterated the Government's stand to introducing a "New Education Policy" based on suggestions received from stakeholders. The FM has also proposed to take steps to enable the education sector receive External Commercial Borrowings and FDI

- **GOVERNANCE**
  - o DECRIMINALISATION OF CIVIL OFFENCES

On the lines of changes proposed by the Company Law Committee to re-categorize certain offences under Companies Act 2013 into civil wrong doings, the budget proposes to examine other statutes and make efforts to make similar changes i.e. de-criminalization of acts which are civil in nature.

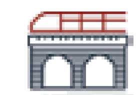
o NATIONAL POLICY ON OFFICIAL STATISTICS

In order to facilitate the real time monitoring of our increasingly complex economy, budget proposes to introduce a National Policy on Official Statistics to work towards modernization of data collection, integration of information portal and timely dissemination of information using latest technology including Artificial Intelligence.

GLOSSARY

5G	Fifth Generation
AAR	Authority for Advance Ruling
AC/DC	Assistant Commissioner/ Deputy Commissioner
AD	Authorized dealer
ADIA	Abu Dhabi Investment Authority
AE	Associated Enterprise
AHF	Affordable Housing Fund
AHIDF	Animal Husbandry Infrastructure Development Fund
AIF	Alternative Investment Fund
AMT	Alternate minimum tax
AOP	Association of person
APA	Advance Pricing Agreement
APMCs	Agricultural Produce Market Committee
ARE	Alternate Reporting Entity
AUM	Assets Under Management
AVGC	Animation, Visual Effects, Gaming & Comics
BCD	Basic Customs Duty
BE	Budgeted Estimates
BEPS	Base erosion and profit shifting
BM Act	Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015
BOI	Body of Individuals
BOP	Balance of Payments
BSE	Bombay Stock Exchange
CAD	Current Account Deficit
Capex	Capital Expenditure
CbCR	Country-by-Country report
CCTV	Closed-Circuit Television
CD-ROM	Compact Disc, Read Only Memory
CEA	Central Excise Act 1944
CFPI	Consumer Food Price Index
CG	Central Government
CGST	Central Goods and Services Tax Act, 2017
CIT	Commissioner of Income-tax
CKD	Completely Knocked Down
CPI	Consumer Price Index
CPI-C	Consumer Price Index – Combined
CPSE	Central Public Sector Enterprise
CTA	Covered Tax Agreement
CTT	Commodity Transaction Tax
Customs Act	Customs Act, 1962
CVD	Countervailing Duty
DDT	Dividend distribution tax
DRP	Dispute Resolution Panel
DTAA	Double Taxation Avoidance Agreement
EBITDA	Earnings before interest, tax, depreciation and amortization
ECB	External Commercial Borrowings
EEZ	Exclusive Economic Zone
e-Nam	Electronic National Agriculture Market
EPF	Employees' Provident Fund
EPFO	Employees' Provident Fund Organisation
FAIDF	Fisheries and Aquaculture Infrastructure Development Fund
FDI	Foreign Direct Investment
FII	Foreign Institutional Investor
FMV	Fair Market Value
FPI	Foreign portfolio investment
FPOs	Farmer Producer Organizations
FTS	Fees for technical services
GDP	Gross Domestic Product
GOBAR-DHAN	Galvanizing Organic Bio-Agro Resources Dhan
GrAMs	Gramin Agricultural Markets
GST	Goods & Service Tax
GSTN	Goods and Services Tax Network
GVA	Gross Value Added
HUF	Hindu Undivided Family
IBC	Insolvency & Bankruptcy Code, 2016
ICDS	Income Computation & Disclosure Standards
ID	Identity document
IFSC	International Financial Services Centre
IGST	Integrated Goods and Services Tax Act,
IIFCL	India Infrastructure Finance Corporation Limited
IIM	Indian Institute of Management
IISc	Indian Institute of Science
IIT	Indian Institute of Technology
ILS	Indian Legal Service
IND-AS	Indian Accounting Standards
INR	Indian National Rupee
InvITs	Infrastructure Investment Funds
IRS	Indian Revenue Service
ISPRL	Indian Strategic Petroleum Reserves Limited
ITA	Income tax authority
ITAT	Income Tax Appellate Tribunal
ITC	Input Tax Credit
Kms	Kilometers
LLP	Limited Liability Partnership
LRS	Liberalised Remittance Scheme
LTCG	Long Term Capital Gains
LTIF	Long Term Irrigation Fund
MAT	Minimum Alternate Tax
MD	Managing Director
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
MLI	Multilateral Instrument
MSMEs	Medium, Small and Micro Enterprises
MSP	Minimum Support Price
MUDRA	Micro Units Development and Refinance Agency Bank
NABARD	National Bank for Agriculture and Rural Development
NAV	Net asset value
NBFC	Non-Banking Finance Companies
NCLT	National Company Law Tribunal
NCT	National Capital Territory
NELP	National Exploration & Licensing Policy
NHAI	National Highways Authority of India
NIT	National Institutes of Technology
NITI Aayog	National Institution for Transforming India Aayog
NPA	Non-Performing Assets
NPS	National Pension Scheme
NSE	National Stock Exchange
NTRO	National Technical Research Organisation
PAN	Permanent Account Number
PBPT	Prohibition of Benami Property Transactions Act
PE	Permanent Establishment
PMFBY	Pradhan Mantri Fasal Bima Yojna
PMRF	Prime Minister's Research Fellows
QFII	Qualified Foreign Institutional Investor
RBI	Reserve Bank of India
RDB	Rupee Denominated Bonds
RE	Revised Estimates
RISE	Revitalising Infrastructure and Systems in Education
RNOR	Resident but not ordinarily resident
RPF	Recognized provident fund
RSE	Recognized Stock Exchange
SAD	Special Additional Duties of Customs
SCs	Scheduled Castes
SEBI	Securities and Exchange Board of India
SEP	Significant Economic Presence
SFT	Statement of Financial Transactions
SG	State Government
SGST	State Goods and Services Tax Act, 2017
SHGs	Self Help Groups
SPAs	Schools of Planning and Architecture
STCG	Short Term Capital Gains
STs	Scheduled Tribe
STT	Securities Transaction Tax
SUUTI	The Specified Undertaking of the Unit Trust of India
SVA	Stamp Valuation Authority
SWS	Social Welfare Surcharge
TAN	Tax Deduction Account Number
TCS	Tax Collection at source
TDS	Tax Deducted at Source
The Act	Income Tax Act, 1961
TOT	Toll, Operate and Transfer
TReDS	Trade Electronic Receivable Discounting System
UAE	United Arab Emirates
UK	United Kingdom
UPSC	Union Public Services Commission
USA	United States of America
USD	US Dollars
UTGST	Union Territory Goods and Services Tax Act, 2017
VPOs	Village Producers Organizations
WHT	Withholding Tax
WPI	Wholesale Price Index

OUR LOCATIONS



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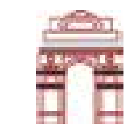

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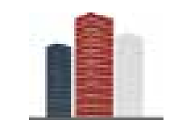

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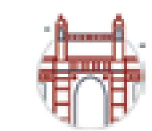

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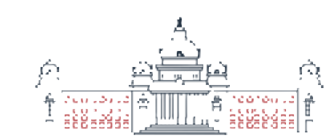

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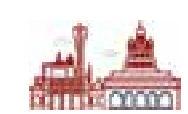

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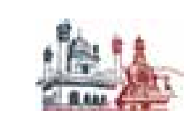

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