

BUDGET 2020

Direct Tax Insight



NPV & ASSOCIATES

Chartered Accountants

MUMBAI | AHMEDABAD | AMRAVATI

ISO 9001 : 2015 certified

BUDGET THEME

Aspirational India

Caring Society

Economic
Development





AMENDMENTS TO INCOME TAX ACT, 1961

PERSONAL INCOME TAX RATES

- No Change in Personal Income Tax Rates
- Optional Rates under Section 115BAC proposed (discussed in next slide)

Income (Rs.)	Tax Rate
Upto Rs. 2.5 Lacs*	NIL
From Rs.2.5 lacs to Rs.5 lacs	5%
From Rs.5 lacs to Rs.10 lacs	20%
Above Rs.10 lacs	30%

- * - Rs.3 lacs for Senior Citizens (60 years & above)
- Rs.5 lacs for Super Senior Citizens (80 years & above)

NEW SLAB RATES FOR INDIVIDUALS, HUF, AOP AND BOI (SECTION 115BAC)

Slab Rates:

Upto Rs.2.5 lacs -	NIL
Rs.2.5 lacs to Rs.5 lacs -	5%
Rs.5 lacs to Rs.7.5 lacs -	10%
Rs.7.5 lacs to Rs.10 lacs -	15%
Rs.10 lacs to Rs.12.5lacs -	20%
Rs.12.5 lacs to Rs.15lacs -	25%
Above Rs. 15 Lacs -	30%

- **Conditions to be satisfied:**
- Once opted for this Section, will apply to all Subsequent Years but year in which conditions are not fulfilled, this option stands withdrawn
- Return of Income to be filed within time-limit specified u/s 139(1)
- Giving up of Certain Exemptions (listed in next slide)
- No Set-off of Carry Forward Depreciation Loss (attributable to above Exemptions)
- No Set-off of House Property Loss
- Depreciation u/s 32 available (except 32(1)(iia))
- Option can be withdrawn only once when Business Income is generated and shall be available again when Business ceases
- AMT Provisions u/s 115JC and 115JD shall not apply
- Deduction u/s 80CCD (2) and 80 JJA will be allowed

Applicable from AY 2021-22

LIST OF EXEMPTIONS NOT AVAILABLE U/S 115BAC

- Leave Travel Allowance u/s 10 (5)
- HRA u/s 10(13A)
- Allowances u/s 10(14) except:
 - Transport Allowance
 - Conveyance Allowance
 - Allowance to meet cost of Travel on Tour
 - Daily Allowance
- Allowance to MP/MLA u/s 10(17)
- Minor Income Allowance u/s 10(32)
- Exemption for SEZ Unit u/s 10AA
- Standard Deduction, Entertainment Allowance and PT u/s 16
- House Property Interest u/s 24 for SOP and 23(2) for Vacant Property
- Additional Depreciation u/s 32(1)(iia)
- Deductions u/s 32AD, 33AB and 33ABA
- Deductions u/s 35(2AA), 35(1)-(ii),(iia),(iii), 35AD and 35CCC
- Family Pension Deduction u/s 57(iia)
- Chapter VIA Deductions:
 - Section 80C,80CCC, 80CCD(except 80CCD(2))
 - Section 80D, 80DD and 80DDB
 - Section 80E, 80EE, 80EEA and 80EEB
 - Section 80G, 80GG, 80GGA and 80GGC
 - Section 80IA, 80IAB, 80IAC, 80IB and 80IBA

Applicable from AY 2021-22

INCOME UPTO RS.5 LACS

PARTICULARS	Dedn. of 80C, 80D and Hsg. Loan		Dedn. of 80C and 80D		No Deduction	
	OLD	NEW	OLD	NEW	OLD	NEW
Income	5,00,000	5,00,000	5,00,000	5,00,000	5,00,000	5,00,000
Less: 80C	-1,50,000	0	-1,50,000	0	0	0
80D	-25,000	0	-25,000	0	0	0
Hsg. Loan	-2,00,000	0	0	0	0	0
Net Total Income	1,25,000	5,00,000	3,25,000	5,00,000	5,00,000	5,00,000
Tax upto Rs.2.5 lacs	0	0	0	0	0	0
Tax from Rs.2.5 to 5 lacs	0	0	0	0	0	0
Total Tax	0	0	0	0	0	0

Applicable from AY 2021-22

INCOME UPTO RS.10 LACS

PARTICULARS	Dedn. of 80C, 80D and Hsg. Loan		Dedn. of 80C and 80D		No Deduction	
	OLD	NEW	OLD	NEW	OLD	NEW
Income	10,00,000	10,00,000	10,00,000	10,00,000	10,00,000	10,00,000
Less: 80C	-1,50,000	0	-1,50,000	0	0	0
80D	-25,000	0	-25,000	0	0	0
Hsg. Loan	-2,00,000	0	0	0	0	0
Net Total Income	6,25,000	10,00,000	8,25,000	10,00,000	10,00,000	10,00,000
Tax upto Rs.2.5 lacs	0	0	0	0	0	0
Tax from Rs.2.5 to 5 lacs	12,500	12,500	12,500	12,500	12,500	12,500
Tax from Rs.5 to 7.5 lacs	25,000	25,000	50,000	25,000	50,000	25,000
Tax from Rs.7.5 to 10 lacs	0	37,500	15,000	37,500	50,000	37,500
Total Tax	37,500	75,000	77,500	75,000	1,12,500	75,000

Applicable from AY 2021-22

INCOME UPTO RS.15 LACS

PARTICULARS	Dedn. of 80C, 80D and Hsg. Loan		Dedn. of 80C and 80D		No Deduction	
	OLD	NEW	OLD	NEW	OLD	NEW
Income	15,00,000	15,00,000	15,00,000	15,00,000	15,00,000	15,00,000
Less: 80C	-1,50,000	0	-1,50,000	0	0	0
80D	-25,000	0	-25,000	0	0	0
Hsg. Loan	-2,00,000	0	0	0	0	0
Net Total Income	11,25,000	15,00,000	13,25,000	15,00,000	15,00,000	15,00,000
Tax upto Rs.2.5 lacs	0	0	0	0	0	0
Tax from Rs.2.5 to 5 lacs	12,500	12,500	12,500	12,500	12,500	12,500
Tax from Rs.5 to 7.5 lacs	50,000	25,000	50,000	25,000	50,000	25,000
Tax from Rs.7.5 to 10 lacs	50,000	37,500	50,000	37,500	50,000	37,500
Tax from Rs.10 to 12.5 lacs	37,500	50,000	75,000	50,000	75,000	50,000
Tax from Rs.12.5 to 15 lacs	0	62,500	22,500	62,500	75,000	62,500
Total Tax	1,50,000	1,87,500	2,10,000	1,87,500	2,62,500	1,87,500

Applicable from AY 2021-22

CORPORATE TAX RATES

Type	Total Income	Proposed Rates
Domestic	Less than Rs.1 crore	30% * / 22% ** / 15% ***
Domestic	More than Rs.1 crore but less than Rs.10 crores	30% * plus surcharge of 7%
Domestic	More than Rs.10 crores	30% * plus surcharge of 12%
Foreign	Less than Rs.1 crore	40%
Foreign	More than Rs.1 crore but less than Rs.10 crores	40% plus 2%
Foreign	Less than Rs.10 crores	40% plus 5%

* - Reduced Rate of 25% shall be applicable where Total Turnover in last P.Y. does not exceed Rs.400 crores

** - Reduced tax rate of 22% plus 10% surcharge applicable for companies opting for Section 115BAA

*** - Reduced tax rate of 15% plus 10% surcharge applicable for manufacturing and power generating companies opting for Section 115BAB

CO-OPERATIVE SOCIETIES TAX RATES

Total Income	Proposed Rates
Upto Rs.10,000	10%
More than Rs.10,000 upto Rs.20,000	1,000 plus 20% of Total Income in excess of Rs.10,000
More than Rs.20,000	3,000 plus 30% of Total Income in excess of Rs.20,000

Surcharge @ 12% of Income Tax if Net Income exceeds Rs.1 crore is applicable. Additionally, cess 4% shall be levied.

Concessional Tax Rates of 22% is applicable if opted for Section 115BAD. Conditions for Section 115BAD:

- without claiming Deduction u/s 10AA, 32(1)(iia), 32AD, 33AB, 33ABA, 35(1)(iia), 35(1)(iii), 35(2AA), 35CC, Chapter VIA
- Without set-off of loss carry forward or depreciation
- Other conditions
- Applicable from 01/04/2021

RESIDENTIAL STATUS SECTION 6

- **It is proposed to amend Section 6 of Income Tax Act so as to provide that –**
 - i. the exception provided in clause (b) of Explanation 1 of subsection (1) to section 6 for visiting India in that year be decreased to 120 days from existing 182 days (i.e. a Citizen of India or PIO who came on visit to India now has to spend less than 120 days).
 - i. an individual or an HUF shall be said to be “not ordinarily resident” in India in a previous year, if the individual or the manager of the HUF has been a non-resident in India in 7 out of 10 previous years preceding that year. (Earlier it was 9 out of 10).
 - ii. an Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India.

Dealing in Immovable Property

– Section 43CA, 50C and 56

It is proposed to increase the Safe Harbour Limit of 5% provided in these Sections to 10%

- Section 43CA – Applicable on Sale of Immovable Property held as Stock-in- Trade
- Section 50C – Applicable on Sale of Immovable Property held otherwise than Stock-in-Trade

Section 56 – Applicable on Purchase of Immovable Property

- All the above Sections provide for Addition of Difference in Stamp Duty Value and Agreement Value, if it exceeds 5% (in case of Section 56, 5% or Rs.50,000 whichever is higher)

INCREASE IN TAX AUDIT LIMIT SECTION 44AB

Existing

- Currently, a person is required to get his Accounts Audited where the Total Sales, Turnover or Gross Receipts from a Business exceeds Rs.1 crore.

Proposed

- It is proposed to increase the limit of Rs.1 crore to Rs.5 crores on of the following
- Cash Receipts do not exceed 5% of such Receipts
- Aggregate Cash Payments do not exceed 5% of such Payments

COST OF ACQUISITION

SECTION 55

Existing

- In case an Asset is acquired before 01/04/2001, then the Assessee is allowed an Option to take Cost of Acquisition as either of:
 - Fair Market Value as on 01/04/2001
 - Actual Cost of Acquisition

Proposed

- It is proposed to insert a Proviso to provide that in case of Capital Asset, being Land or Building, the FMV as on 01/04/2001 shall not exceed the Stamp Duty Value as on 01/04/2001 as assessed or assessable by Central or State Government Authority.

HOUSING LOAN INTEREST DEDUCTION SECTION 80EEA

Existing

- Additional Deduction on Interest on Housing Loan of Rs.1.5 lacs is available subject to certain condition
 - One such Condition is that the Loan is sanctioned between 01/04/2019 to 31/03/2020.

Proposed

- It is proposed to extend the Approval period from 31/03/2020 to 31/03/2021.

INCENTIVES FOR START-UPS

SECTION 80IAC

Existing

- Currently, 100% Deduction is available for Eligible Business by Eligible Start-up as under:
 - 3 consecutive A.Y. out of 7 years
 - Total Turnover does not exceed Rs.25 crores
 - Incorporated on or after 01/04/2016 but before 01/04/2021

Proposed

- Proposed to allow 100% Deduction is available for Eligible Business by Eligible Start-up as under:
 - 3 consecutive A.Y. out of 10 years
 - Total Turnover does not exceed Rs.100 crores

Applicable from AY 2021-22

TAXATION OF ESOPS BY START-UPS

SECTION 80IAC, SECTION 17 & SECTION 192

Existing

- Currently, TDS on ESOPs is Deductible at 2 Stages:
 - At the time of Exercise as Perquisite
 - At the time of Sale as Capital Gain

Proposed

- It is proposed to insert Section 192(1C) to Deduct TDS on ESOPs granted by Start-Ups referred to in Section 80IAC within 14 days of the earliest of:
 - 48 months from the end of Asst. Year
 - Sale of ESOPs by Employee
 - Cessation of Employment

AFFORDABLE HOUSING PROJECT SECTION 80IBA

Existing

- Where the Gross Total Income of the Assessee includes Profits from building Affordable Housing Projects, 100% Deduction shall be available subject to certain conditions.
 - One such Condition is that the Project is approved between 01/06/2016 to 31/03/2020.

Proposed

- It is proposed to extent the Approval period from 31/03/2020 to 31/03/2021.

EXPENSE AGAINST DIVIDEND INCOME

SEC 80 M

Proposed

- Domestic company having dividend income from other domestic company will get deduction as per below
Lower of
 - Dividend received from other domestic company or
 - Dividend distributed

Applicable from AY 2021-22

REMOVING DIVIDEND DISTRIBUTION TAX – DDT MOVING TO CLASSICAL SYSTEM

Existing

- Currently, Companies/Mutual Funds are paying Tax on Dividend Distributed by it
- Recipients are exempt from Tax on Dividend Income upto Rs.10 lacs u/s 10(34) and 10(35) from Companies and MFs

Proposed

- It is proposed to move to Classical System of Taxation, whereby:
 - Recipients shall pay Tax on Dividend received as per Slab Rates
 - Deduction u/s 57 w.r.t. Expenses on Dividend Income shall be restricted to 20% of Dividend Income.
 - TDS shall be deducted u/s 194/194K by Companies / MFs declaring Dividend @ 10% upto threshold limit of Rs.5,000/-.

SURVEY OPERATIONS SECTION 133A(6)

Existing

- Currently, 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 Joint Commissioner.

Proposed

- It is proposed to amend Sub-Section 6 to provide that:
 - In case where Information is received from 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 Joint Commissioner.
 - In any other case, no Income Tax Authority below the rank of Director or Commissioner, shall conduct any Survey without prior approval of the Director or Commissioner.

DUE DATE OF RETURN FILING SECTION 139(1)

Existing

- Currently, a person liable to Audit u/s 44AB, 12A, 44ADA, 80IA, 80IB, 92F, etc, is required to file Return of Income by 30th September of the Assessment Year.
- Also, in case of Working Partner of a Firm liable to Audit, the Due Date of filing Return is September and Sleeping Partner, the Due Date is 31st July of the Assessment Year.

Proposed

- It is proposed to change the Due Date for furnishing Return to 31st October of the Assessment Year for all Audit cases as stated.
- It is proposed to remove the Distinction between a Working and Non-Working Partner and provide same Due Date of 31st October of the Assessment Year.

TDS ON INTEREST PAID BY CO-OPERATIVE SOCIETY SECTION 194A

Existing

- Currently, Interest paid by Co-operative Society to its Members or to other Co-operative Societies is not liable to TDS.
- Also, Interest paid by primary agricultural credit society or a primary credit society or a co-operative land mortgage bank or a co-operative land development bank is not liable to TDS

Proposed

- It is proposed to insert a New Proviso to deduct TDS if:
 - The Total Sales or Gross Receipts of the Co-operative Society exceeds Rs.50 crores, and
 - Interest Payment to Payee exceeds Rs.40,000/- (Rs.50,000/- in case of Senior Citizen)

TDS ON FEES FOR TECHNICAL SERVICES SECTION 194J

Existing

- TDS on Fees Technical Services is deducted @ 10%.

Proposed

- In order to avoid litigation, it is proposed to reduce the rate of TDS from 10% to 2%.

TDS ON E-COMMERCE TRANSACTIONS

NEW SECTION 194O

It is proposed to introduce TDS on E-commerce sales @ 1%

- TDS to be deducted by E-commerce Operator
- On Sale of Goods or Provision of Services
- At the time of Credit or Payment to E-commerce Participant, whichever is earlier
- @ 1% (if PAN – Aadhaar available)
 - NIL - In case of Individual or HUF, where Gross Sales does not exceed Rs.5 lacs
 - @ 5% (if PAN – Aadhaar not available)

Applicable from 01/04/2020

CHANGES PROPOSED IN SEC 194A, 194C 194H, 194I, 194J

Existing

- Deduction was linked to Tax Audit limit.

Proposed

- As limit for tax audit is changed in certain case , now limit has been specified for applicability – Turnover exceeding Rs.1 Cr in case of Business or Rs. 50 Lakh in case of Profession.

TCS ON SALE OF GOODS

SECTION 206C

It is proposed to introduce TCS on Sale of Goods above Rs.50 lacs @ 0.1%.

- TCS to be collected by Seller of Goods
- On Consideration received from Buyer
- In Excess of Rs.50 lacs
- Applicable to only those Sellers whose Gross Sales or Turnover exceed Rs.10 crores
- @ 0.1% (if PAN – Aadhaar available)
- @ 1% (if PAN – Aadhaar not available)
- Not Applicable, if other TCS or TDS provisions apply

Applicable from 01/04/2020

TCS ON OVERSEAS TOURS AND FOREIGN REMITTANCE – SEC 206 C

Liable to Collect TCS	Normal Rate	Non Aadhar/Pan Rate
An authorised dealer receiving an amount or an aggregate of amount of Rs.7 lacs or more in a financial year for remittance out of India under the LRS of RBI if he receives sum in excess of said amount from a buyer being a person remitting such amount out of India	5%	10%
A seller of an overseas tour program package who receives any amount from any buyer, being a person who purchases such package	5%	10%

Applicable from 01/04/2020

EMPLOYER'S CONTRIBUTION TO RPF, SUPERANNUATION FUNDS AND NPS

Existing

- Currently, the following is Exempt:
 - Employer's Contribution upto 12% to Recognized Provident Fund
 - Employer's Contribution upto Rs.1.5 lacs to Superannuation Fund
 - Employer's Contribution upto 10% to National Scheme (14% for Central Govt.)
- Any Contribution higher than the above limit is taxable.

Proposed

- It is proposed to have a Combined Upper Limit of Rs.7.5 lacs for all the 3 Funds.

WIDENING OF FACELESS REVOLUTION

E-filing of IT Returns

E-filing of IT Audit

E-filing of CIT (Appeals)

E- Assessment of Scrutiny Proceedings

Assessment of Scrutiny Proceedings

Proposal of E-Submission of CIT(Appeals) – Section 250(6A)

Proposal for E-Penalty – Section 274(2A)

PENALTY FOR FAKE INVOICE (HAWALA PURCHASE)

It is proposed to introduce levy of Penalty for Fake Invoice equal to the Amount of False or Omitted Entries

- Levy of Penalty if it is found that in the Books maintained by Assessee, there is:
 - False Entry
 - Omitted Entry relevant for Computation
 - The False Entries is proposed to include use or Intention to use:
 - Forged or Falsified Documents
 - Invoice in respect of supply or receipt of Goods or Services issued by a person without Actual supply or receipt of such Goods or Services
 - Invoice in respect of supply or receipt of Goods or Services to or from a person who do not exist

Applicable from AY 2021-22

STAY OF DEMAND BY ITAT

SECTION 254(2A)

It is proposed to allow ITAT to Stay Demand on Payment of 20% or more

- It is proposed to provide that ITAT may grant stay under the first proviso subject to the condition that the assessee deposits not less than 20% 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.
- The total stay granted by ITAT cannot exceed 365 days.

REGISTRATION OF TRUSTS, FUNDS, HOSPITALS, ETC. EXEMPTIONS GRANTED

Existing

- Currently, the Trusts are registered via Manual Process
- Also, the Exemptions are granted perpetually

Proposed

- It is proposed to provide a Digital Platform for Registration.
- It is also proposed to limit the Approval, Exemption, etc. for say a period of 5 years to ensure check on the continuance of conditions.

CROSS-CHECK OF DONATION MADE AND DEDUCTION CLAIMED

It is proposed to introduce a furnishing of Statement by receiving Entity and furnish the same to Donor

- This is will lead to Cross-Check of Donation made and Deduction claimed
- This is on similar lines of matching of TDS claimed and Form 26AS
- In the event of failure to furnish the Statement, Penalty and Fee shall be levied under Section 271K of not less than Rs.10,000/- to Rs.1,00,000/-

“VIVAD SE VISHWAS” SCHEME

- A new Scheme – “No Dispute but Trust Scheme” will be introduced to settle Pending Litigations with any Appellate Level
- Assessee will be required to pay Disputed Tax only and will get complete waiver of Interest and Penalty
- Time Limit for Payment of Disputed Tax is 31/03/2020
- If paid after 31/03/2020 but on or before 30/06/2020, some Additional Amount may be levied for Disputed Tax Payments

THANK YOU!!!



MUMBAI | AHMEDABAD | AMRAVATI

www.npvca.in

This document is meant for the recipient for use as intended and not for circulation. The information contained herein is from the public domain, company published data or sources believed to be reliable. The information published is analyzed by the respective analyst publishing the report. The data contained herein doesn't represent any view that is intended to influence any decision making by the person reading the content of this report. We do not guarantee the accuracy, adequacy or completeness of any Data in the Report and is not responsible for any errors or omissions or for the results obtained from the use of such Data.