BUDGET 2020

I. FOREWARD

Mercurial micro and macro factors, geopolitical uncertainty coupled with a recent slowdown, are impacting the Indian economy. The one universal expectation of various stakeholders from the Government has been a rational yet rapid resolution to their financial woes. In such a scenario, Budget 2020 was widely anticipated to provide a reasonable resolution to the fickle Indian economic outlook. The Finance Minister in her marathon budget speech focused on the trinity of aspirational India, economic development and caring society. She has attempted to touch upon various issues contributing to the ease of living and in this context, the financial sector finds a special mention. A sound financial sector and corruption free, good governance have been identified as prerequisites for attaining the goals stated in the budget speech. For the financial services sector (which include foreign and domestic funds), the thrust of the Budget is understandably and expectedly on infrastructure, foreign investments, NBFCs, and the real estate sector. To provide impetus to infrastructure development, the investment income of specified sovereign wealth funds from investments in qualifying infrastructure entities is proposed to be exempted from tax. The extension of lower withholding tax rate of 5% for interest income from external commercial borrowings/ rupee-denominated bonds and on specified bonds issued to FPIs was an expected move. The proposed measures, such as increase in limit for FPI investment in corporate bonds, floating of debt-ETF consisting primarily of Government securities, etc., will also boost the debt investment regime. The NBFC sector, which is reeling under a crippling liquidity crunch, has received appropriate policy and regulatory attention. Similarly, the nascent IFSC continues to garner support from the Government; it is proposed to set up an International Bullion exchange in GIFT IFSC to cater to global market participants. The carry forward of tax losses is proposed to be permitted in case of amalgamation of public sector banks or public sector general insurance companies. Certain onerous safe harbour rules for Indian investment managers managing offshore funds have been relaxed. In real estate sector, an extension of time limit is proposed for tax incentives for the affordable housing sector and increase in safe harbour limit for real estate transactions below stamp duty reckoner value. The much talked about abolishment of DDT is conducive for foreign investors but a mixed bag feeling for domestic shareholders, who are now taxable with restrictions on allowable deductions. Overall, the plethora of policy proposals, regulatory announcements and tax amendments impacting the entire gamut of the financial services sector demonstrate the Government's intent to build, boost and bolster this sector, which is critical to the Indian growth story.

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III. ECONOMIC OVERVIEW AND PROSPECTS

Macro-Economic Overview

Overview of the Economy

Global headwinds and challenges in the domestic financial sector moderated the growth of Indian economy in 2019-20. The real GDP growth moderated to 5.0 percent in 2019-20 as compared to 6.8 percent in 2018-19. Despite a temporary moderation in the Gross Domestic Product (GDP) growth in 2019-20, the fundamentals of Indian economy remain strong and GDP growth is expected to rebound from the first quarter of 2020-21. Fiscal situation remained close to the consolidation path and consumer price inflation was within the targeted limits set by the monetary policy committee of Reserve Bank of India (RBI). Despite continuing sluggishness in global demand the Current Account Deficit (CAD) narrowed to 1.5 percent of GDP in first half (H1) of 2019-20 from 2.1 percent in 2018-19. Global confidence in the Indian economy improved as reflected in growing inflows of net Foreign Direct Investment (FDI) and an all-time high accumulation of foreign exchange reserves of US$ 457.5 billion as in end December, 2019. India moving up by 14 positions to 63rd rank in 2019 World Bank's Ease of Doing Business 2020 Report, has among others, contributed to the increase in global confidence in Indian economy. India has emerged as an important player in the world on the back of high GDP growth and announcement/implementation of critical measures in the current year and last few years. The measures announced/implemented in 2019-20 include- hike in minimum support price of agricultural crops for 2019-20; reduction in corporate tax rate; policy initiatives for development of textiles & handicrafts and electric vehicles; outreach programme for growth, expansion and facilitation of micro, small and medium enterprises; incentives for start-ups in India; scheme to provide a one-time partial credit guarantee to public sector banks(PSBs) for purchase of pooled assets of financially sound non-banking financial companies (NBFCs); recapitalization of public sector banks, relaxation of external commercial borrowing guidelines for affordable housing; realty fund worth Rs 25,000 crore for stalled housing projects; additional tax deduction of interest for affordable housing; merger of 10 public sector banks into four entities; revised Priority Sector Lending (PSL) norms for exports; and streamlining of many labour laws at the central government level. Apart from this, various steps were taken to boost manufacturing; employment generation; financial inclusion; digital payments; improving ease of doing business via schemes such as Make in India, Skill India and Direct Benefit Transfer. Government has also announced the National Infrastructure Pipeline (NIP) of projects worth Rs 102 lakh crore, which will commence in phases from 2020-21 to 2024-25.

GDP Growth

As per the first advance estimates of annual national income, the real GDP growth is estimated at 5.0 percent in 2019-20, as compared to the provisional estimates of 6.8 percent in 2018-19. Correspondingly, the real growth of gross value added (GVA) is estimated at 4.9 percent in 2019-20 as compared to 6.6 percent in 2018-19. This moderation in GVA growth in 2019-20 (AE) as compared to 2018-19 is attributed to all sectors on the supply side save public administration, defence and other services. From the demand side private final consumption expenditure, public final consumption expenditure and net exports have driven the growth GDP in 2019-20 as compared to 2018-19. Gross fixed capital formation on the other hand has slowed the growth of GDP.

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Banking Sector

- During 2019-20, gross non-performing advances (GNPA) ratio of Scheduled Commercial Banks (SCBs) remained unchanged at 9.3 percent in September 2019 as compared to March 2019.
- Similarly, the restructured standard advances (RSA) ratio of SCBs remained unchanged at 0.4 percent during the same period.
- The stressed advances (SA) ratio of SCBs followed suit by remaining flat at 9.7 percent. GNPA ratio of public sector banks (PSBs) was also unchanged at 12.3 percent in September 2019 while stressed advances ratios increased from 12.7 percent in March to 12.9 percent in September, 2019.

Agriculture

- In 2018-19, as per fourth advance estimates, food grain production in the country was estimated at 285 million tonnes, the same as in 2017-18. However, food grain production was 19.2 million tonnes higher than the average production of previous five years.
- Rice production during 2018-19 was estimated at 116.4 million tonnes as compared to 112.8 million tonnes in 2017-18.
- Wheat production during 2018-19 was estimated at 102.2 million tonnes as compared to 99.9 million tonnes during 2017-18.
- Government hasincreased Minimum Support Prices (MSP) for all mandated kharif, rabi and other commercial crops

Industrial Production

- The index of industrial production (IIP) grew at -0.1 percent during April-November 2019 as compared to 3.8 percent in 2018-19. Mining, manufacturing and electricity sectors in IIP grew at (-)0.1 percent, 0.9 percent and 0.8 percent respectively during April-November 2019
- The full year growth in these three sectors in 2018-19 was 2.9 percent, 3.9 percent and 5.2 percent respectively. Under the use-based categories growth in April-November of 2019-20 stood for primary goods at 0.1 percent, capital goods at (-) 11.6 percent, intermediate goods at 12.2 percent and infrastructure/construction goods at (-) 2.7percent.
- The corresponding full year growth of thesecategories in 2018-19 was 3.5 percent 2.7 percent, 0.9 percent and 7.3 respectively.

Prospects:

The growth of the economy appears to have bottomed out and is expected to pick up in 2020-21. The prospects for Indian economy for the year 2020-21 need to be assessed in the light of emerging global and domestic challenges and opportunities. Major challenges for the economy arising from the external front are geo-political tensions in Middle East and rising crude oil prices due to supply disruption which may decelerate growth and increase inflation. Challenges in the domestic front are revival of investments and savings. The positive prospects for the economy are continuation of structural reforms that will revive growth and expected normalization of credit flow as investment picks up induced by a cut in the corporate tax rate and anticipated transmission of repo rate cuts earlier implemented by the Monetary Policy Committee. Global economic growth is expected to pick up in 2020 which could also support India's growth. In view of a positive outlook on economic rebound the nominal growth of the economy is expected to be 10 percent in the financial year 2020-21.

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IV. BUDGET HIGHLIGHTS

Direct Tax

- Optional New Tax Slabs for Individuals and HUFs with curtailed deductions and exemptions
- Optional New Tax Rates for Cooperative Societies with curtailed deductions and exemptions
- Abolition of Dividend Distribution tax and direct taxation of the dividends in the hands of the recipient
- TDS on distribution of dividend
- TDS on payment of interest by certain co-operative societies
- Increase in tax audit (for business) threshold from Rs 1 crores to Rs 5 crores subject to certain conditions
- Change in the dates of income tax return filing for companies and other assessees requiring tax audit
- Change in the dates of all tax audits under the Income Tax Act
- Change in criteria requiring TDS deductions by individuals and HUFs
- Change in TDS rate on technical services (other than professional services)
- TDS on pay-outs in relation to mutual funds
- Change in TDS rate on rupee denominated bonds and increase in sunset clause in Section 194LC
- TDS on pay-outs by e-commerce operators to e-commerce participants
- Increase in the scope of TCS (Tax Collected at Source) Requirements
- Taxability of Employer Contributions to NPS, Superannuation fund and Recognized PF Exceeding Rs 7.50 lakhs per year
- Increase in the band for stamp duty vs actual consideration for capital gain and other purposes from 5% to 10%
- Increase in the threshold for being classified as an eligible start-up and increase in the number of years in which the three year tax exemption can be claimed
- Reduction in the applicable threshold for determining residential status for Indian citizens or persons of Indian origin from 182 days to 120 days
- Change in the criteria for holding a person as “Not Ordinary Resident”

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Indirect Tax

- Simplified GST return shall be implemented from 1st April 2020. Refund process to be fully automated
- Acts amended for facilitating trade and improving compliance in line with GST Council
- New chapter incorporated under Customs Act for administering the preferential tariff treatment regime under Trade Agreements. Seeks to provide specific obligations on importer. If verification is pending, tariff treatment shall be suspended and will be cleared furnishing security [Section 28DA].
- New Section inserted to provide for Electronic Duty Credit Ledger in the customs system. Duty credit to be given in lieu of duty remission for exports or other benefits in electronic forms [Section 51B]
- Section 8B is substituted to empower Government to apply safeguard measures in case any article imported into India is increasing quantities that threatens or cause injury to Domestic industry
- Health Cess hall be duty of custom, is being imposed on medical devices falling under headings 9018 to 9022 @ 5% ad valorem import value. No Health Cess on medical devices exempt from Basic Custom Duty. Inputs / parts used for manufacture of medical device exempt from Health Cess. No export promotion scrips can be used for payment of health cess.
- Changes made in Customs Tariff (Identification, Assessment and Collection of Anti-dumping on Dumped Articles and for Determination of Injury) Rules, 1995 to strengthen the anti-circumvention measures.
- Provisions incorporated or investigation in case of circumvention of countervailing duties in Customs Tariff (Identification, Assessment and Collection of Countervailing Duty on Subsidized Articles and for Determining of Injury) Rules, 1995

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V. BUDGET PROPOSALS

Direct Tax

Optional New Tax Slabs for Individuals and HUFs with curtailed deductions and exemptions

- Section 115BAC proposes New Tax Slabs for Individuals and HUF.
- This section provides an option to Individuals and HUF to compute the tax liable on income earned at the rate and as per the procedure mentioned below:

Total Income	**Rate**
Upto 2,50,000	NIL
From 2,50,001 to 5,00,000	5%
From 5,00,001 to 7,50,000	10%
From 7,50,001 to 10,00,000	15%
From 10,00,001 to 12,50,000	20%
From 12,50,001 to 15,00,000	25%
Above 15,00,000	30%

- The income shall be computed as per the provisions laid below:

(A) Following deductions or exemptions must not be availed while opting for this new tax slabs:

1. HRA exemption as referred in the Section 10(13A).

2. Special allowance not in the nature of perquisite incurred to meet the performance of duties by officer. {Sec. 10(14)}

3. Daily allowance or any other allowance as mentioned in the section provided to the members of Parliament. {Sec. 10(17)}

4. Exemption of Rs. 1,500 granted to parent for clubbing income of minor. {Sec.10(32)}

5. Travel concessions received by the employee from the employer as per the conditions referred in the Section 10(5).

6. Special Rebates and Deductions for SEZ's. {Sec. 10AA}

7. Deductions from salaries (including Entertainment Allowance, standard deduction of Rs. 50,000 etc.) as per the Section 16.

8. Deduction of Interest on Borrowed Capital on Rented House property under Section 24(b).

9. Deductions with respect to depreciation on the block of assets of the entity as mentioned in the Section 32(1)(iia).

10. Additional Deduction of 15% of assets WDV to set up a unit in notified backward area u/s 32AD.

11. Deduction with respect to Tea , Coffee and Rubber units as prescribed under Section 33AB

12. Deduction as provided to Mining and Exploration companies in contract with government subject to conditions as specified in Section 33ABA.

13. Deductions as provided to Scientific Institutions on various expenditures as specified in Section 35.

14. Deductions with respect to expenditure of certain specified business as prescribe in the Section 35AD.

15. Deductions as provided for agricultural Extension Project according to the Section 35CCC.

16. Standard Deduction in relation to family pension u/s 57 (iia)

17. Any other deductions and Exemptions under Chapter VI-A except u/s 80JJAA and 80CCD (2)

(B) Also set off loss of the following shall not be allowed:

(a) Carried forward of loses and deprecation of previous years only which had been attributed due to any of the deductions mentioned in clause (A) above

(b) Loss from house property from any other head of income

The loss and depreciation of this section will not be allowed for any subsequent year. However there are some exceptions: ¬ Depreciation Allowance in respect of block of assets, whose benefit has not been fully utilized till 31st March 2020, shall be allowed to depreciate the rest of amount of such allowance on 1st April 2020. ¬ The depreciation as per the section 32 shall be allowed while opting for this option. (Except Sec. 32(1)(iia) as mentioned above)

(C) Any other perquisites or allowance provided under any other law shall not be deducted.

(D) In case of Unit situated in International Financial Services Centre, deduction u/s 80LA shall be allowed.

Note:

Regarding exercise of the option:

- If Individual/ HUF is having Business Income

  The option must be exercised on or before the due date specified under section 139(1) for any Assessment year commencing after 01st April 2021. Option once exercised shall also apply to subsequent assessment years except can be withdrawn once

- If Individual/ HUF is not having Business Income

  The option must be exercised along with the return of income to be furnished under section 139(1). Option is to be exercised for every year.

Optional New Tax Rates for Cooperative Societies with curtailed deductions and exemptions

- Section 115BAD proposed new tax on income of certain resident Co-operative Societies
- This section provides an option to resident co-operative societies to compute their income tax payable at the rate of 22% from the Financial Year 2020-21 subject to following conditions:

(A) The following exemptions/deductions shall not be allowed:

1. Special Rebates and Deductions for SEZ's [Sec.10AA]

2. Deductions with respect to depreciation on the block of assets of the entity as mentioned in the Section 32(1)(iia).
3. Additional Deduction of 15% of assets WDV to set up a unit in notified backward area. [Sec. 32AD]

4. Deduction with respect to Tea , Coffee and Rubber units as prescribed in the Section 33AB.

5. Deduction as provided to Mining and Exploration companies in contract with government subject to conditions as specified n Section 33ABA.

6. Deductions as provided to scientific Institutions on various expenditures as specified in section 35.

7. Deductions as provided for agricultural Extension Project according to the Section [Sec. 35CCC]

8. Deductions with respect to expenditure of certain specified business as prescribe in the section [Sec. 35AD]

9. Any other deductions and Exemptions under chapter VI-A except u/s 80JJAA.

(B) Set off loss of the following shall not be allowed:

1. Carried forward of loses and deprecation of previous years only which has been attributed due to any of the deductions mentioned in clause (A) above.

2. Loss from house property from any other head of income. The loss and depreciation of this section will not be allowed for any subsequent year.

3. The loss and depreciation of this section will not be allowed for any subsequent year.

However there are some exceptions: ¬ Depreciation Allowance in respect of block of assets, whose benefit has not been fully utilized till 31st March 2020, shall be allowed to depreciate the rest of amount of such allowance on 1st April 2020. ¬ The depreciation as per the section 32 shall be allowed while opting for this option. (Except Sec. 32(1)(iia) as mentioned above)

(C) Any other perquisites or allowance provided under any other law shall not be allowed as a deduction.

(D) In case of Unit situated in International Financial Services Centre, deduction u/s 80LA shall be allowed.

Dividend Distribution Tax is abolished

- Section 115-O which taxed dividends distributed domestic companies is set to be abolished from 1st April 2020.
- However, the dividend would be taxed in the income of the recipient as per their prevailing tax rates.
- Similarly, Section115BBDA which taxed dividends in the hands of recipients it it exceeded Rs. 10,00,000 would no longer apply as the entire dividend paid by a domestic company is now proposed to be taxed in the income of the recipients without any limit.

(This is effective from 1.4.2020)

TDS on Distribution of Dividend

- Section 194 is being amended to provide for a TDS deduction @ 10% by a company before making any payment of dividend by any mode if the amount of dividend exceeds Rs. 5000.

- Earlier the required to deduct TDS at the specified rate if the amount of dividend exceeds Rs. 2500.

(This is effective from 1.4.2020)

TDS on payment of interest by certain co-operative societies

- Section 194A is being amended to provide a cooperative society having turnover exceeding Rs. 50 crores during the financial year immediately preceding the financial year in which interest is paid and the amount of interest, is more than Rs. 50000/- in case of payee being a senior citizen and Rs. 40000/-, in any other case require to deduct TDS on the interest amount as per the provisions of this section.

(These is effective from 1.4.2020)

Increase in tax audit threshold

- Section 44AB of the Income Tax 1961, is proposed to be amended so as to increase the limit for tax audit for a tax payer engaged in business from Rs 1 crore to Rs 5 crores provided the Aggregate of Receipts and Aggregate of Payments in cash during the previous year does not exceed 5% of such Receipts and such Payments respectively.

(This is effective from 1.4.2020)

Change in the dates of income tax return filing for companies and other assessees requiring tax audit

- Section 139 of the Income Tax 1961, is proposed to be amended so as to change the date of income tax return filing for the following classes of tax payers from 30th Sep to 31st Oct:
  - Companies
  - Any person whose accounts are required to be audited under the income tax act
  - Any partner of a firm whose accounts are to be audited under the income tax act

(This is effective from 1.4.2020)

Change in the dates of all tax audits under the Income Tax Act

- Earlier, the date of tax audit was linked to the due date for filing of the income tax return.
- Now, it is proposed that the date of all tax audits under income tax act shall be one-month prior to the due date for filing of the income tax return.
- Accordingly, the due dates for the following tax audits shall be as under:

Audit Concept	Due date for tax audit	Due date for income tax return
Report in Form 10B u/s 12A for trusts	30th Sep	31st Oct
Report in Form 44AB (Tax Audit)	30th Sep/31st Oct*	31st Oct/30th Nov*
Report under Section 44DA(2), applicable to non residents	30th Sep	31st Oct
Slump sale reports as per Section 50B	30th Sep	31st Oct
MAT Audit report in form 29B	30th Sep/31st Oct*	31st Oct/30th Nov*
AMT report in form 29C	30th Sep/31st Oct*	31st Oct/30th Nov*
TP certification in Form 3CEB	31st Oct	30th Nov
Other reports	30th Sep/31st Oct*	31st Oct/30th Nov*

*In cases where TP certification is applicable, the due date of income tax return shall be 30th Nov and accordingly, the due date of tax audit report shall be 31st Oct

(This is effective from 1.4.2020)

Change in criteria requiring TDS deductions by individuals and HUFs

- Previously, the TDS related sections required individuals and HUFs to deduct TDS only if tax audit was applicable on them.
- Now, it is proposed to amend Section 194C, 194H, 194I, 194J, 194A and 206C, to provide that individuals and HUFs shall also be required to deduct tax if their turnover exceeds Rs 1 crore (in case of business) and Rs 50 lakhs in case of professions.

(These is effective from 1.4.2020)

Change in TDS rate on technical services (other than professional services)

- Section 194J of the Income Tax Act, 1961 is proposed to be amended to provided a TDS rate of 2% on technical services (other than professional services)
- Professional Services shall continue to attract 10%.

(This is effective from 1.4.2020)

TDS on pay-outs in relation to mutual funds

- A new Section 194K is proposed to be inserted so as to provide for a TDS at 10% shall be deducted by a person responsible for paying to a resident any income by any mode in respect of units of a Mutual Fund or units from the administrator of the specified undertaking or units from the specified company at the time of payment if the amount exceeds Rs 5,000/-.

(This is effective from 1.4.2020)

Change in TDS rate on rupee denominated bonds and increase in sunset clause in Section 194LC

- Section 194LC has been amended to provide that TDS on interest on monies borrowed by an India Company by issue of any Long term bond or rupee denominated bond shall be deducted at 4%. Such money should be borrowed between 01.04.2020 and 01.07.2023 and such bonds should be listed on a recognized stock exchange located in any international financial services center.

- Further, the period of said concessional rate of TDS of 5% is being extended to 1st July, 2023 from 1st July, 2020.

(This is effective from 1.4.2020)

TDS on pay-outs by e-commerce operators to e-commerce participants

- A new Section 194-O is proposed to be inserted to provide for a TDS of 1% on Payment of certain sums by e-commerce operator to e-commerce participant.
- The e-commerce operator is not required to deduct tds if the gross amount paid to an e-commerce participant (being individual or HUF) in a financial year does not exceed Rs 5,00,000 and the said individual or HUF furnishes PAN.

Increase in the scope of TCS (Tax Collected at Source) requirements

- Section 206C of the Income Tax Act, 1961 is proposed to be amended so as to increase the following transactions within TCS requirements:

Person from whom TCS is to be collected	**Person responsible to collect TCS**	**Time of deduction**	**Threshold**	**TCS Rate**
Buyer of overseas tour package	Seller of overseas tour package	Entry in the books or receipt of payment, whichever is earlier	NA (Even a single rupee transaction is covered)	5%
Person willing to remit money outside India through an Authorized dealer under	Authorized dealer	Entry in the books or receipt of payment, whichever is earlier	Rs. 7 Lakhs	5%

LRS Scheme of RBI				
Buyer of goods	Seller with turnover exceeding Rs 10 crores	Receipt of payment	Rs 50 lakhs	0.1%

Where-

- "overseas tour program package" means any tour package which offers visit to a country or countries or territory or territories outside India and includes expenses for travel or hotel stay or boarding or lodging or any other expenditure of similar nature or in relation thereto.

- "authorised dealer" means a person authorised by the Reserve Bank of India under sub-section (1) of section 10 of the Foreign Exchange Management Act, 1999 to deal in foreign exchange or foreign security

Taxability of Employer Contributions to NPS, Superannuation fund and Recognized PF Exceeding Rs 7.50 lakhs per year

- A combined upper limit of Rs. 7.50 lakh per employee in respect of Employer's Contribution in a year to NPS, Superannuation Fund and Recognised Provident fund has been proposed and any excess contribution is proposed to be taxable in the hands of employees.

- Consequently, it is also proposed that any annual accretion in the form of interest, dividend or any other amount of similar nature on such taxable Employer's Contribution during the previous year shall also be treated as perquisite.

Increase in the band for stamp duty vs actual consideration for capital gain and other purposes from 5% to 10%

- Previously, in cases where the stamp duty value of land or building exceeded 105% of the actual consideration involved, the stamp duty value was considered as the full value of consideration.
- It is now proposed to increase this limit to 110% of the actual consideration.
- Suitable changes have been made to Section 43CA, Section 50C and Section 56(2)(x) of the Income Tax Act, 1961

Increase in the threshold for being classified as an eligible start-up and increase in the number of years in which the three year tax exemption can be claimed

- Currently, start-ups with turnover up to Rs.25 crores are allowed deduction of 100% of its profits for three consecutive assessment years out of 7 years if the total turnover does not exceed Rs. 25 crore.
- Under Budget 2020, this limit has been increased from existing Rs. 25 crore to Rs. 100 crores for the benefit of larger start-ups.
- Further, the Budget proposed to extend the period of eligibility for claim of deduction from the existing seven to 10 years since a start-up may not have adequate profit to avail this deduction during it's initial years.
- Suitable amendments have been made to Section 80IAC of the Income Tax Act 1961

(This is effective from 1.4.2020)

Reduction in the applicable threshold for determining residential status for Indian citizens or persons of Indian origin from 182 days to 120 days

- Previously, if an Indian Citizen or a person of Indian origin, who stays outside India and comes to India on a visit, the number of days to be considered for the running year (for residential purposes) was 182.

- This limit has now been reduced to 120 days.

- Further, an individual, being a citizen of India, shall be deemed to be resident in India in a year, if he is not liable to tax in any other country or territory by reason of his domicile or residence or any other criteria of similar nature. By virtue of this change only the income, which is earned in India shall become taxable.

Change in the criteria for holding a person as "Not Ordinary Resident"

- Previously, 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 had been a non-resident in India in 9 out of 10 previous years preceding that year.

- The same now stands changed as follows "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 had been a non-resident in India in 7 out of 10 previous years preceding that year"

Tax Disputes

- A new scheme (Vivad Se Vishwas) announced for taxpayers whose matters are under litigation
- A complete waiver of interest and penalty if disputed tax is paid before 31 March 2020
- Additional amount to be paid if taxpayer chooses to discharge disputed taxes post 31 March 2020 but before scheme closing date, i.e., 30 June 2020

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Other Proposals

I. Changes to the Customs Duty Rates

Changes to provide a level playing field to the local MSMEs

S. No.	Category of goods	Specific items	Rate of Duty	
			From	To
1.	**Household goods and appliances**	Tableware and kitchenware of porcelain or china, ceramic, clay, iron, steel, copper and aluminium, glassware, padlocks, brooms, hand-sieves, combs, vacuum flasks, etc.	10%	20%
2.	**Electrical Appliances**	Fans, food grinders/mixers, shavers and hair removing appliances, water heaters, hair/hand drying apparatus, ovens, cookers, toasters, coffee/ tea makers, insect repellents, heaters, irons, etc.	10%	20%
3.	**Footwear**	a. Footwear b. Parts of footwear	25%15%	35%20%
4.	**Furniture goods**	Seats, articles of bedding including mattresses, lamps, lighting, illuminated signs, and other articles of furniture	20%	25%
5.	**Stationery items**	Filing cabinets, paper trays, binders, clips, staples, sign-plates, name plates, numbers and symbols etc. made from base metal	10%	20%
6.	**Toys**	Tricycles, scooters, scale models, dolls, etc.	20%	60%
7.	**Machinery**	a. Specified goods used in high voltage power transmission project	5%	7.5%
		b. Railway carriage fans	7.5%	10%
		c. Compressors of refrigerators and air conditioners	10%	12.5%
		d. Commercial freezers	7.5%	15%

		e. Welding and plasma cutting machine	7.5%	10%
		f. Rotary tillers/weeder	2.5%	7.5%
8.	**Other miscellaneous items**	a. Glass beadsb. Artificial flowers c. Bells, gongs, statuettes, trophies and like, statuettes, ornaments, photograph, frames, mirrors etc. of base metal.	10%	20%

Changes in Customs duty to promote MAKE IN INDIA under Phased Manufacturing Programme (PMP) for Electric Vehicles and Cellular Mobile Phones:

a.	**Changes in customs duty under Phased Manufacturing Programme for Electric Vehicles**	**Rate of Duty**	
		From	**To**
1.	Completely Built Units of Bus and Trucks (with effect from 01.04.2020)	25%	40%
2.	Semi Knocked Down (SKD) units of bus, trucks and two wheelers (with effect from 01.04.2020)	15%	25%
3.	Semi Knocked Down (SKD) units of passenger vehicles and three wheelers (with effect from 01.04.2020)	15%	30%
4.	Completely Knocked Down (CKD) units of passenger vehicles, three wheelers, two wheelers, bus and trucks (with effect from 01.04.2020)	10%	15%
b.	**Changes in customs duty under Phased Manufacturing Programme for Cellular Mobile Phones**		
1.	PCBA of Mobile phones (with effect from 01.04.2020)	10%	20%
2.	Vibrator/Ringer of Mobile phones (with effect from 01.04.2020)	Nil	10%
3.	Display Panel and Touch Assembly (with effect from 01.10.2020)	Nil	10%

Changes in Customs duty to promote MAKE IN INDIA in Electronics sector:

No.	**Specific Items**	**Rate of Duty**	
		From	**To**
1.	Motors like Single Phase AC motors, Stepper motors, Wiper Motors etc.	7.5%	10%
2.	Specified chargers and power adapters	Applicable Rate	20%
3.	Fingerprint readers for use in cellular mobile phones	Nil	15%

4.	Earphones and headphones	Applicable Rate	15%

Reduction in Customs duty on raw materials and inputs imported by Domestic Manufacturers:

S. No.	Category of Inputs/ Raw materials	Specific Items	Rate of duty	
			From	**To**
1.	**Fuels, Chemicals and Plastics**	Very low sulphur fuel oil meeting ISO 8217:2017 RMG380 Viscosity in 220-400 CST standards/Marine Fuel 0.5% (FO)	10%	Nil
		Calcined Petroleum Coke	10%	7.5%
		Calendared plastic sheets used in manufacturing of smart cards	10%	5%
		Polyester Liquid Crystal Polymers for use in manufacture of connectors	7.5%	Nil
2.	**Precious Metals**	Platinum or Palladium used in manufacture of:a) Colloidal precious metals, inorganic or organic compounds of precious metal, amalgams of precious metals b) Catalyst with precious metal or precious metal compounds as the active substance	12.5%	7.5%
		Spent Catalyst or Ash containing precious metal, subject to specified conditions	12.5%	11.85%
3.	**Machinery and Electronic Goods**	Following parts of Microphone for use in manufacture of Microphone namely,a) microphone cartridge b) microphone holder c) microphone grill d) microphone body	10%	Nil
		Micro-fuse base, sub-miniature fuse base, Micro-fuse Cover and sub-miniature fuse cover for use in manufacture of micro fuse and sub-miniature fuse.	7.5%	Nil
4.	**Sports Goods**	Willow is being included in the list of items allowed duty free import up to 3% of FOB value of sports goods exported in the preceding financial year	Applicable Rate	Nil
5.	**Newsprint**	a) Newsprint, when imported by importer registered with Registrar of Newspapers, India.b) Uncoated paper used for printing newspaper, when imported by importer registered with Registrar of Newspapers, India.	10%	5%

		c) Lightweight coated paper used for printing magazines subject to actual user condition.		

Other Changes in Customs

S. No.	Category of Goods	Specific Items	Rate of Duty	
			From	**To**
1.	**Food processing**	Walnuts, shelled	30%	100%
2.	**Chemicals and Plastics**	Colloidal precious metals, inorganic or organic compounds of precious metal, amalgams of precious metals	7.5%	10%
		Butyl Acrylate	5%	7.5%
		Other prepared binders for foundry moulds or cores; Chemical products and preparations of the chemical or allied industries	10%	17.5%
3.	**Auto and auto parts**	Catalytic converter	10%	15%
		Noble metal solutions and noble metal compounds used in manufacture of catalytic converter and its parts	5%	10%
		Platinum or Palladium used in manufacturing of catalytic converter and its parts	5%	Applicable Rate
		Parts and other specified inputs for manufacture of catalytic converters.	5%	7.5%
		Completely Built Units (CBUs) of commercial vehicles (other than electric vehicles)(with effect from 01.04.2020)	30%	40%

II. Amendment in Goods & Services Tax Act

Amendments carried out in the Finance Bill, 2020 will come into effect from the date when the same will be notified, concurrently with the corresponding amendments to the Acts passed earlier by the States & Union territories with legislature.

I. AMENDMENTS IN THE CGST ACT, 2017:

Amendment in Definitions

Definition of "Union territory" GST Law is being substituted to include Ladakh within the preview of "Union territory"

Composition Supply

Section 10 of the CGST Act is being amended, so as to exclude from the ambit of the Composition scheme certain categories of taxable persons, engaged in making- (i) supply of services not leviable to tax under the CGST Act, or (ii) inter-State outward supply of services, or (iii) outward supply of services through an e-Commerce operator.

Cancellation of Registration

The clause (c) of sub-section (1) of section 29 of CGST Act is being amended to provide for cancellation of registration which has been obtained voluntarily under sub-section (3) of section 25.

Proviso to sub-section 1 of section 30 of the CGST Act is being inserted to empower the jurisdictional tax authorities to extend the date for application of revocation of cancellation of registration in deserving cases on sufficient cause being shown, and for reasons to be recorded in writing.

Tax Invoice

Proviso to Section 31 of the CGST Act is being amended to prescribe the manner of issuance of invoices in case of supply of taxable services. These will be notified by notifications.

TDS

Section 51 of the CGST Act is being amended to remove the requirement of issuance of TDS certificate by the deductor and to omit the corresponding provision of late fees for delay in issuance of TDS certificate.

Penalty and Punishments

Section 122 of the CGST Act is being amended by inserting a new sub-section to make the beneficiary of the transactions of passing on or availing fraudulent Input Tax Credit liable for penalty similar to the penalty leviable on the person who commits such specified offences.

Section 132 of the CGST Act is being amended to make the offence of fraudulent availment of input tax credit without an invoice or bill a cognizable and non-bailable offence; and to make any person who commits, or causes the commission, or retains the benefit of transactions arising out of specified offences liable for punishment.

Transactional Credit

The various subsections of section140 of the CGST Act is being amended w.e.f. 01.07.17 in order to extend the date of filling of FORM GST TRAN-1 from 31st Dec2020 to 31st March, 2020 and FORM GST TRAN-2 from 31st Dec2020 to 30th April 2020 in respect of registered persons who could not submit the said declaration by the due date on account of technical difficulties.

VI. INCOME TAX RATES

Income Tax Rates

These rates are subject to enactment of the Finance Bill 2020. The rates are for the FY 2020-21

-For Individuals, HUF, AOP and BOI (Option-1 Old Rates)

Total Income	Tax Rates (e)
Up to Rs. 250,000 (Subject to rebate specified below)	NIL**
Rs. 250,001 to Rs. 500,000 (Subject to rebate specified below)	5%**
Rs. 500,001 to Rs. 1,000,000	20%
Rs. 1,000,001 and above	30%

***Rebate from tax of upto Rs. 12,500 or 100 per cent of the tax whichever is less available for a resident individual whose total income upto Rs. 500,000*

-For Individuals, HUF, AOP and BOI (Option-2 New Rates)

Total Income	Tax Rates (e)
Up to Rs. 2,50,000 (Subject to rebate specified below)	NIL**
Rs. 2,50,001 to Rs. 5,00,000 (Subject to rebate specified below)	5%**
Rs. 5,00,001 to Rs. 7,50,000	10%
Rs. 7,50,001 to Rs. 10,00,000	15%
Rs. 10,00,001 to Rs 12,50,000	20%
Rs. 12,50,001 to Rs 15,00,000	25%
Rs. 15,00,001 and above	30%

***Rebate from tax of upto Rs. 12,500 or 100 per cent of the tax whichever is less available for a resident individual whose total income upto Rs. 500,000*

Note: The benefits and deductions as available under the old regime shall not be available in case a tax payer opts for the new system.

Note:

- For a resident individual aged between sixty and eighty, the basic exemption limit is Rs. 300,000
- For a resident individual aged eighty or above, the basic exemption limit is Rs. 500,000
- Surcharge is as per the below:

Total Income	Rates of Surcharge
Rs. 50 Lakhs to Rs. 1 Crores	10%
Rs. 1 Crores to Rs. 2 Crores	15%
Rs. 2 Crores to Rs. 5 Crores	25%
Rs. 5 Crores and above	37%

**Marginal relief available as per applicability*

- 4 per cent Education and Health Cess is applicable on income-tax (inclusive of surcharge, if any).

-For Local Authorities

- Local Authorities are taxable at 30 per cent.
- 12 per cent surcharge is applicable if the total income exceeds Rs. 10,000,000. Marginal relief is available.
- 4 per cent Education and Health Cess is applicable on income-tax (inclusive of surcharge, if any).

For Firms (Including LLPs)

- Firms are taxable at 30 per cent.
- 12 per cent surcharge is applicable if the total income exceeds Rs.10,000,000. Marginal relief is available.
- 4 per cent Education and Health Cess applicable on income-tax (inclusive of surcharge, if any).

For Domestic Companies

- Domestic companies are taxable at 30 per cent.

- Corporate Tax shall be 25% for companies having turnover upto Rs. 400 crores during FY 2018-19.
- 7 per cent surcharge is applicable if the total income exceeds Rs.10,000,000 but does not exceed Rs.100,000,000. Marginal relief is available.
- 12 per cent surcharge is applicable if the total income exceeds Rs. 100,000,000. Marginal relief is available.
- 4 per cent Education and Health Cess is applicable on income-tax (inclusive of surcharge, if any).
- New Domestic companies engaged in manufacturing activities are eligible for 15% income tax
- Further, Domestic companies shall also have the option of using 22% income tax subject to certain conditions wherein certain benefits such as MAT Credit etc are not allowed.

For Foreign Companies

- Foreign companies are taxable at 40 per cent.
- 2 per cent surcharge is applicable if the total income exceeds Rs. 10,000,000 but does not exceed Rs. 100,000,000. Marginal relief is available
- 5 per cent surcharge is applicable if the total income exceeds Rs.100,000,000. Marginal relief is available
- 4 per cent Education and Health Cess is applicable on income-tax (inclusive of surcharge, if any).

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