



**Aditya Cholera & Associates**

*Chartered Accountants*

# UNION BUDGET 2020

## AN OVERVIEW

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## I DIRECT TAXES <sup>1</sup>

### A TAX RATES

#### PERSONAL TAX

- Income Tax Slab Rates applicable to **Individual, HUF, AOP and BOI**

Total Income	Existing	Proposed (Option)
0 - 2,50,000	Nil	Nil
2,50,001 – 5,00,000	5% *	5% *
5,00,001 – 7,50,000	20%	10%
7,50,001 – 10,00,000		15%
10,00,001 – 12,50,000	30%	20%
12,50,001 – 15,00,000		25%
More than 15,00,000		30%

\* No tax on individual having taxable income upto INR 500,000 as a result of rebate of INR 12,500 u/s 87A.

- Individual or the HUF **with Business Income**
  - Option once exercised for a previous year shall be valid for that previous year and all subsequent years.
  - The option can be withdrawn only once for a previous year other than the year in which it was exercised and thereafter, the individual or HUF shall never be eligible to exercise option under this section.
- Individual or the HUF **without Business Income**
  - Option to be exercised for every previous year

<sup>1</sup> Proposed amendments are effective from A.Y. 2021-22 unless otherwise specified



- ♦ **Exemptions/ deductions to be given up** by the Individual or HUF:
  - o Standard deduction and profession tax paid from salary
  - o Leave travel concession
  - o House rent allowance
  - o Allowances granted in the course of performance of duties
  - o Allowances of Parliamentarians
  - o Exemption on account of clubbing of income of minor child
  - o Interest on home loan for self-occupied property
  - o Set-off of loss from let-out house property against any other head of income
  - o Additional depreciation on plant & machinery
  - o Deductions of payment for scientific research/ programs for conservation of natural resources
  - o Investment linked and profit linked deductions other than contribution to pension scheme under section 80CCD(2) and new workmen deduction under section 80JJAA
  - o Deduction in respect of income from family pension
  - o Set-off of brought forward losses pertaining to specified allowance or unabsorbed depreciation on account of additional depreciation on plant and machinery



## CORPORATE TAX

- ◆ Basic tax rates for domestic companies remain unchanged
- ◆ MAT for companies under old regime continues at 15%
- ◆ It is proposed to include domestic companies engaged in generation of electricity for concessional tax rate of 15%
- ◆ Basic tax rate for foreign companies remains unchanged at 40%
- ◆ Effective Tax Rate for Domestic Companies

Total Income	Not opting for concessional tax		Opting for concessional tax	
	Turnover not more than INR 400 crores	Turnover more than INR 400 crores	Others	New manufacturing
Upto INR 1 crore	26.00%	31.20%	25.17%	17.16%
INR 1 crore to INR 10 crores	27.82%	33.38%	25.17%	17.16%
Above INR 10 crores	29.12%	34.94%	25.17%	17.16%

## FIRMS

- ◆ Basic tax rate remains unchanged at 30%

## CO-OPERATIVE SOCIETY

- ◆ No change in tax slab for co-operative societies which **opts for exemptions/ deductions**:

Total Income	Tax Rate
Upto INR 10,000	10%
INR 10,001 to INR 20,000	20%
Above INR 20,000	30%

- ◆ Tax rate for co-operative societies opting for new tax regime, is proposed to be **22%**. AMT shall not be applicable. However, **Exemptions/ deductions not to be availed** are as under:
  - Exemption for SEZ incomes, additional depreciation, weighted deduction for scientific research expense and other specified/ profit linked deduction or deductions under Chapter VI-A;
  - Set-off of loss, where such loss relates to any of the exemption/ deduction referred above;
  - Set-off of unabsorbed additional depreciation; and
  - AMT credit

## SURCHARGE ON INCOME-TAX

- ◆ Surcharge for **domestic and foreign companies** remains unchanged as follows:

Particulars	Domestic Company Old regime	Domestic Company New regime	Foreign Company
Income upto INR 1 crore	-	10%	-
Income exceeding INR 1 crore but not exceeding INR 10 crore	7%	10%	2%
Income exceeding INR 10 crore	12%	10%	5%



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- ◆ Surcharge for **Individuals, HUF, AOP and BOI** remains unchanged as follows:

Particulars	Surcharge
Income exceeding INR 50 Lakhs but not exceeding INR 1 crore	10%
Income exceeding INR 1 crore but not exceeding INR 2 crores	15%
Income exceeding INR 2 crores but not exceeding INR 5 crores	25%*
Income exceeding INR 5 crores	37%*

\* Higher surcharge shall not be applicable on capital gains arising on transfer of listed shares/ equity oriented mutual funds

- ◆ Surcharge for **Firms** remains unchanged at 12% on the total income exceeding INR 1 crore
- ◆ Surcharge for **Co-operative Societies**

Particulars	Old regime	New regime
Income upto INR 1 crore	-	10%
Income exceeding INR 1 crore	7%	10%

## HEALTH & EDUCATION CESS

- ◆ The Health & Education Cess remains unchanged at **4%**



## B REAL ESTATE SECTOR

### COST OF ACQUISITION OF LAND AND BUILDING

- ◆ Presently, cost of acquisition in respect of land or building or both, acquired on or before 1st April, 2001 shall be either actual cost of acquisition or FMV as on 1st April, 2001, whichever is higher
- ◆ **It is proposed that the FMV shall not exceed the stamp duty value on 1st April 2001**

### DEDUCTION OF INTEREST ON LOAN AVAILED FOR AFFORDABLE HOUSING

- ◆ Presently, for an individual to avail deduction of interest on housing loan u/s 80EEA of INR 1,50,000 taken from a financial institution, the loan should have been sanctioned on or before 31st March, 2020
- ◆ It is proposed to extend the said time limit to 31st March, 2021

### INCREASE IN SAFE HARBOUR LIMIT

- ◆ Presently, if stamp duty value exceeds 5% of the consideration, such difference is to be included while computing business income or capital gains in the hands of seller and deemed income in the hands of the recipient
- ◆ It is proposed to extend the safe harbor limit **from 5% to 10%**

## C TAX AUDIT

### TAX AUDIT APPLICABILITY

- ◆ Presently, tax audit is required if business turnover exceeds INR 1 crore
- ◆ In order to promote cashless economy, it is now proposed to increase the turnover limit to INR 5 crores if cash receipts do not exceed 5% of all receipts and cash payments do not exceed 5% of all payments
- ◆ This amendment is applicable from AY 2020-21



## DUE DATE FOR TAX AUDIT REPORT AND RETURN OF INCOME

- ◆ Presently, the due date for obtaining **tax audit report** is same as the due date for filing ROI. i.e. **30th September** (where transfer pricing is not applicable)
- ◆ It is now proposed, to extend the due date for **filing return of income** to **31st October**. However, tax audit report and various other reports under the ITA have to be obtained by 30th September
- ◆ This amendment is applicable from AY 2020-21

## D VIVAD SE VISHWAS SCHEME, 2020

- ◆ It is now proposed to bring a scheme, namely 'Vivad Se Vishwas scheme, in direct tax for reducing the pending litigations
- ◆ All taxpayers whose appeals are pending at any level can take benefit of this scheme by only paying the amount of the disputed taxes before 31st March, 2020 and will get immunity from interest, penalty and prosecution. Person availing the scheme after 31st March, 2020 will have to pay some additional amount. The scheme will remain open till 30th June, 2020
- ◆ This scheme shall be announced in due course

## E REMOVAL OF DIVIDEND DISTRIBUTION TAX AND INCOME DISTRIBUTION TAX

- ◆ Presently, DDT is payable by the company on dividend distributed/ paid to the shareholders
- ◆ Resident shareholders (other than domestic companies and specified trusts/ institutions) receiving dividend exceeding INR 10 Lakhs in a year, are subject to tax at 10 %
- ◆ Income distributed by mutual fund on units are exempt in the hand of the unit holder





- ♦ It is now proposed that:
  - Dividend/ income is chargeable in the hands of the shareholders/ unitholders;
  - Shareholders/ unitholder shall be allowed deduction of interest expense subject to maximum of 20% of such income. No other expenses shall be allowed; and
  - Dividend/ income would be taxable at normal rates
- ♦ Such dividend/ income would not be taxed in the hands of pass through entities
- ♦ Company receiving dividend shall be permitted to set-off to the extent of dividend declared till one month prior to the due date of return of income
- ♦ Consequential amendments are also made whereby TDS would be liable on such income at prescribed rates.

## **F START-UPS**

### **RELAXATION FOR CLAIMING DEDUCTION**

- ♦ Presently, profits of eligible start-ups are 100% exempt for 3 consecutive years out of 7 years provided the total turnover of its business does not exceed INR 25 crores in any year
- ♦ It is now proposed to increase the turnover limit to INR 100 cores and time limit of 7 years to 10 years

## TAX ON ESOP GRANTED BY START-UPS

Existing	Proposed
Tax on perquisite is required to be paid at the time of exercising of option.	<p>Tax on such income should be paid within 14 days -</p> <ol style="list-style-type: none"> <li>after the expiry of 48 months from the end of the relevant assessment year; <b>or</b></li> <li>from the date of the sale of such specified security or sweat equity share by the assessee; <b>or</b></li> <li>from the date of which the assessee ceases to be the employee of the person;</li> </ol> <p>Whichever is the Earliest</p>

- ♦ Tax shall be payable at the rates applicable for the year in which option was exercised

## G IMPROVING EFFECTIVENESS OF TAX ADMINISTRATION

### MODIFICATION OF E-ASSESSMENT SCHEME and E-APPEAL

- ♦ Presently, e-assessment scheme does not cover **best judgment assessment**, which is now proposed to be made applicable
- ♦ It is proposed to launch an **e-appeal scheme** on the similar lines as e-assessment scheme
- ♦ This amendment shall take effect from 1st April, 2020

### STAY OF DEMAND BY INCOME TAX APPELLATE TRIBUNAL

- ♦ Presently, the ITAT can pass stay order for period of 180 days, which can be extended for a further period not exceeding 185 days if it is satisfied that the delay in disposing of appeal is not attributable to the assessee
- ♦ It is now proposed that such stay upto 180 days would be granted subject to payment of 20% of demand or security of an equal amount is furnished



## PENALTY FOR FAKE INVOICES

- ♦ It is proposed to levy penalty for:
  - recording false entry in the books of accounts; and
  - omission of an entry relevant for computation of total income to evade tax liability
- ♦ The penalty shall be equivalent to the aggregate amounts of such entries in the hands of the person recording/ omitting to record such entries
- ♦ Penalty shall be also levied on the person who causes the aforesaid person to record such false entries or to omit such entries and In addition to other penalties under ITA

## H RESIDENTIAL STATUS

### INDIAN CITIZEN OR PERSON OF INDIAN ORIGIN

- ♦ Presently, an assessee is considered as resident in India if:
  - his period of stay in India during the year is 182 days or more
  - Having been in India in preceding 4 years for 365 days is in India for a period of 60 days.
- ♦ In respect of Indian citizen or POI who has **come to India on visit**, the period of 60 days is replaced by 182 days in order to be resident.
- ♦ It is now proposed that such Indian citizen or POI, who come on visit to India, period of 182 days shall be replaced **by 120 days**

### RESIDENT BUT NOT ORDINARILY RESIDENT

- ♦ Presently, an individual or HUF is considered as “not ordinarily resident” if such individual or manager of the HUF:
  - is a non-resident in India in 9 out of the 10 preceeding years; or
  - Period of stay in India during the 7 preceeding years is 729 days or less

- ♦ It is proposed to substitute the above conditions with the **sole criteria** of being a **non-resident** in **7 out of 10** preceeding years, to be considered as “not ordinarily resident”

## DEEMED RESIDENT IN INDIA

- ♦ Presently, an individual being a citizen of India could arrange his affairs in a manner that he is not liable to tax in any country or jurisdiction during a previous year
- ♦ It is now proposed that an individual, being a citizen of India, who is not liable to tax in any country shall be deemed to be resident of India in such previous year, irrespective of his period of stay in India
- ♦ The effect of the amendment in definition of resident but not ordinarily resident may result in relief for few years to a person who otherwise becomes resident by virtue of deeming provision

## I RATIONALISATION OF PROVISION RELATING TO FORM 26AS

- ♦ Form 26 AS will now also provide information such as purchase/ sale of shares/ immovable properties to enable the assessee to use such details for filing ROI and calculate correct tax liability
- ♦ These amendments will take effect from 1st June, 2020

## J TAX DEDUCTION AT SOURCE

### TDS ON FEES FOR TECHNICAL SERVICES

- ♦ Presently, TDS on fees for professional services or technical services is deducted at 10%
- ♦ It is proposed to reduce the rate of TDS on **fees for technical services** to **2%**. In other cases, rate would remain same at 10%



## TDS ON SALARY

- ◆ For deduction of tax at source on salary, income tax rates of old regime are to be taken into consideration

## TDS ON INTEREST INCOME

- ◆ Presently TDS is not required to be deducted on interest income credited or paid by a co-operative society to its member or to any other co-operative society, on interest on deposits with primary agricultural credit society or primary credit society or co-operative land mortgage bank or co-operative land development bank or co-operative bank engaged in carrying on business of banking
- ◆ It is now proposed to provide that co-operative society shall deduct tax at source if its:
  - total sales/ gross receipts/ turnover during the financial year immediately preceding the financial year in which interest is credited or paid exceeds INR 50 crores; **and**
  - aggregate amount of interest credited or paid as well as likely to be credited or paid during the year exceeds INR 50,000 in case of payee being senior citizen and INR 40,000 in other cases

## K TRUST

### FURNISHING STATEMENT OF DONATIONS RECEIVED

- ◆ Presently, the trusts or institutions are not required to furnish any details of donations received
- ◆ It is proposed that, trust or institutions receiving donations shall have to furnish statement in respect of donation received and issue certificates thereof to donor
- ◆ Deduction shall be allowed to the donor only if the statement is furnished by the donee and Form 26AS includes such donations
- ◆ It is proposed to levy penalty of not less than INR 10,000 but not exceeding INR 1,00,000 in case of failure to furnish the said statement. Further fees of INR 200 per day will be charged during which such failure continues

## II GOODS AND SERVICES TAX <sup>2</sup>

### A RESTRICTION FOR COMPOSITION DEALER IN GOODS

- ◆ Presently dealer in goods who opts for composition scheme can provide services (whether within or outside the state) not exceeding 10% of turnover in State or INR 5 lakhs, whichever is higher
- ◆ It is now proposed that dealer in goods will not be entitled to composition scheme, if he undertakes the following supplies:
  - Services not leviable to GST
  - Inter-state supply of services
  - Supply of services through electronic commerce operator

### B RELAXATION OF TIME LIMIT FOR ITC CLAIM IN RESPECT OF DEBIT NOTE

- ◆ Presently the time limit for taking ITC on debit note is linked to the date of invoice pertaining to such debit note
- ◆ It is now proposed that time limit for claiming ITC in respect of debit note will be earlier of:
  - Due date of furnishing return for September month following the end of financial year to which such debit note pertains
  - Date of filling the relevant annual return

### C CANCELLATION OF VOLUNTARY REGISTRATION

- ◆ Presently GST legislation does not allow person registered voluntarily to apply for cancellation of registration
- ◆ It is now proposed to allow such person to apply for cancellation of registration

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<sup>2</sup> Proposed amendments will be effective from date to be notified unless otherwise specified



## D OTHER PROPOSITIONS

- ◆ Simplified return system (currently in pilot run) is proposed to be introduced from 1<sup>st</sup> April, 2020 with following features:
  - SMS-based filing of NIL returns
  - Pre-filled returns
  - Improved input tax credit flow
- ◆ Aadhaar based verification of taxpayers for weeding out dummy and non-existent units
- ◆ Implementation of e-invoicing system in phased manner, starting optionally from February, 2020
- ◆ Dynamic QR-code for consumer invoices and capturing of GST parameters while making payment through the QR-code
- ◆ Cash rewards to incentivize customers to seek invoice

Usage of deep data analytics and AI tools for cracking down on GST input tax credit, refund and other frauds