ANALYSIS OF TAX PROPOSALS

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FOREWORD:

The provisions of Finance Bill, 2020 relating to direct taxes seek to amend the Income-tax Act, 1961 (hereafter referred to as 'the Act'), to continue to provide momentum to the buoyancy in direct taxes through tax-incentives, reducing tax rates for co-operative society, individual and Hindu undivided family (HUF), deepening and widening of the tax base, removing difficulties faced by taxpayers, curbing tax abuse and enhancing the effectiveness, transparency and accountability of the tax administration.

Under the Indirect Taxes front, not many changes are proposed considering the fact that Goods and Services Tax have been enforced two years back and many amendments have been carried out through circulars and notifications. In this budget only the amendments in customs has been brought out.

We have made our best effort to summarise the key changes in simpler manner under this budget highlights. Trust the same would be found useful in understanding the taxation proposals.

Regards,

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Executive Summary:

DIRECT TAXES:

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<tr><td></td><td>Rate of income tax for individuals and HUF</td><td>In addition to the existing tax slab rates of individuals and HUF, an option of new tax rate subject to conditions of not availing few exemptions and deductions is as follows:
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<tr><th>Total income</th><th>Tax rate</th></tr>
<tr><td>Upto 2,50,000</td><td>Nil</td></tr>
<tr><td>From 2,50,001 to 5,00,000</td><td>5%</td></tr>
<tr><td>From 5,00,001 to 7,50,000</td><td>10%</td></tr>
<tr><td>From 7,50,001 to 10,00,000</td><td>15%</td></tr>
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<tr><td>From 12,50,001 to 15,00,000</td><td>25%</td></tr>
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<tr><td>115BAD</td><td>Incentives to resident co-operative societies.</td><td>Optional concessional rate for cooperative societies at 22%</td><td>A2</td></tr>
<tr><td>115BAA and 115BAB</td><td>Modification of concessional tax schemes for domestic companies under section 115BAA and 115BAB</td><td>No Chapter VIA deduction is allowed except 80JJAA and 80M for those Companies who would opt 22% or 15% tax rate.</td><td>A3</td></tr>
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80IAC	Rationalization of provisions of start-ups.	100% deduction is available for any 3 consecutive assessment years out of 10 years in place of existing 7 years.	A4
80IBA	Extending time limit for approval of affordable housing project for availing deduction under section 80-IBA of the Act.	The period of approval of the project by the competent authority is proposed to be extended to 31st March, 2021 from 31st March, 2020.	A5
80EEA	Extending time limit for sanctioning of loan for affordable housing for availing deduction under section 80EEA of the Act	The period of sanctioning of loan, for affordable housing for availing deduction under section 80EEA, by the financial institution is proposed to be extended to 31st March, 2021 from 31st March 2020.	A6
115BAB	Amendment of section 115BAB of the Act to include generation of electricity as manufacturing	The rate of corporate tax of 15% has been extended to electricity generating Companies by amending the definition of manufacture to include generation of electricity.	A7
194LC	Amendment of section 194LC of the Act to extend the period of concessional rate of withholding tax and also to provide for the concessional rate to bonds listed in	a. Period of applicability for concessional rate of TDS is extended from 1st July 2020 to 1st July 2023. b. Rate of TDS shall be 4% on the interest payable to a non-resident, in respect of monies borrowed in foreign currency from a source outside India, by way of issue of any long term bond or RDB on or after 1st April, 2020 but before 1st	A8

	stock exchanges in IFSC.	July, 2023 and which is listed only on a recognised stock exchange located in any IFSC.	
194LD	Amendment of section 194LD of the Act to extend the period of concessional rate of withholding tax and also to extend this concessional rate to municipal debt securities.	a. Period of applicability for concessional rate of TDS is extended from 1st July 2020 to 1st July 2023. b. Rate of TDS of five per cent shall be on the interest payable, on or after 1st April, 2020 but before 1st July, 2023, to a FII or QFI in respect of the investment made in municipal debt security.	A9
94B	Excluding interest paid or payable to Permanent Establishment of a non-resident Bank for the purpose of disallowance of interest under section 94B.	Restriction on deductible interest expense on loan / financial assistance taken from the associated enterprises is not applicable 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.	A10
43CA, 50C, 56	Increase in safe harbour limit of 5 per cent. under section 43CA, 50C and 56 of the Act to 10 per cent..	Safe harbour is increased to 10% from the existing 5% while comparing the stamp duty value and the actual value of consideration for its taxability.	A11
35AD	Providing an option to the assessee for not availing deduction	Deduction in respect of expenditure on specified business is made as optional.	A12

	under section 35AD.		
115A	Exempting non-resident from filing of Income-tax return in certain conditions	Relaxation for non -residents from filing of return of income if a. their income consists only income from dividend or interest income or royalty or fees for technical services **and** b. the TDS on such income has been deducted under the provisions of Chapter XVII-B of the Act at the rates which are not lower than the prescribed rates under sub-section (1) of section 115A	A13
17(2) read with Rule 3(8) (iii) read with 192(1C)	Deferring TDS or tax payment in respect of income pertaining to Employee Stock Option Plan (ESOP) of start-ups.	ESOP perquisite upon exercise by the employees of the eligible start up would be taxed within **14 days of earlier of the following at the rate in force of the financial year in which the said specified security is allotted or transferred:** a. after 48 months from the end of relevant AY b. from the date of sale of such stock c. from the date the assessee ceases to be the employee of the said Company.	A14
92CC	Amendment for providing attribution of profit to Permanent Establishment in Safe Harbour Rules under section 92CB	In order to provide certainty, the attribution of income in case of a non-resident person to the PE is proposed to be brought within the scope of Safe harbour rules (92CB) and Advanced Pricing Arrangements(92CC)	A15

	and in Advance Pricing Agreement under section 92CC		
194J	Reducing the rate of TDS on fees for technical services (other than professional services).	It is proposed to reduce rate for TDS in section 194J in case of fees for technical services (other than professional services) to two per cent from existing ten per cent.	A16
194A	Enlarging the scope for tax deduction on interest income under section 194A of the Act.	Certain cooperative societies are liable to deduct TDS if a. total sales, gross receipts, turnover of the cooperative society exceeds 50 crores in the immediately preceding FY and b. 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 50,000/- in case of payee being a senior citizen and 40,000, in any other case.	A17
194-O	Widening the scope of TDS on E-commerce transactions through insertion of a new section.	In order to widen and deepen the tax net by bringing participants of e-commerce within tax net, it is proposed to insert a new section 194-O in the Act so as to provide for a new levy of TDS at the rate of 1%.	A18
206C	Widening the scope of section 206C to include TCS on foreign remittance through	a. An authorised dealer receiving an amount or an aggregate of amounts of 7 lakhs or more in a financial year for remittance out of India under the LRS of RBI, shall be liable to collect TCS, if	A19

	Liberalised Remittance Scheme (LRS) and on selling of overseas tour package as well as TCS on sale of goods over a limit	he receives sum in excess of said amount from a buyer being a person remitting such amount out of India, at the rate of 5%. In non- PAN/Aadhaar cases the rate shall be 10%. b. A seller of an overseas tour program package who receives any amount from any buyer, being a person who purchases such package, shall be liable to collect TCS at the rate of 5%. In non-PAN/ Aadhaar cases the rate shall be 10%	
	Rationalization of tax treatment of employer's contribution to recognized provident funds, superannuation funds and national pension scheme.	Combined maximum limit of exemption for employer's contribution towards PF, Superannuation and NPS is proposed to be set at 7.5 lakhs and any employer's contribution in excess of this limit would be taxable.	A20
	Amendment in Dispute Resolution Panel (DRP).	It is proposed that the provisions of section 144C of the Act may be suitably amended to:- (A) include cases, where the AO proposes to make any variation which is prejudicial to the interest of the assessee, within the ambit of section 144C; (B) expand the scope of the said section by defining eligible assessee as a non-resident not being a company, or a foreign company.	A21

	Provision for e-appeal	It is proposed to launch an e-appeal scheme on the lines of e-assessment scheme.	A22
	Stay by the Income Tax Appellate Tribunal (ITAT).	It is proposed to provide that ITAT may grant stay under Sec 254(2A) 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 furnishes security of equal amount in respect thereof and Also proposes to substitute Sec 254(2A) second proviso to provide that no extension of stay shall be granted by ITAT, where such appeal is not so disposed of within the said period of stay as specified in the order of stay. This may end up with requirement to pay 100% tax once the stay period is over.	A23
	Provision for e-penalty	Proposes to launch e-penalty scheme on the lines of E-assessment Scheme-2019 by inserting new Section 274(2A) so as to provide that the Central Government may notify an e-scheme for the purposes of imposing penalty so as to impart greater efficiency, transparency and accountability	A24
	Insertion of Taxpayer's Charter in the Act.	Taxpayer's Charter for issue of orders, instructions, directions or guidelines	A25
	Modification of residency provisions.	The changes in residential status conditions are the following: ➢ 182 days replaced with 120 days for determining residency of an Indian citizen or Person of Indian Origin	A26

		(PIO) who being outside India comes on a visit to India ➢ Conditions for Not Ordinarily Resident status modified ➢ An Indian citizen deemed to be a resident if he or she is not liable for tax in any other country due to specified Criteria	
194C	Amending definition of "work" in section 194C of the Act.	It is proposed to amend the definition of "work" under section 194C to provide that in a contract manufacturing, the raw material provided by the assessee or its associate shall fall within the purview of the 'work' under section 194C.	A27
271AAD	Penalty for fake invoice	New section for penalty for false entry, etc. in books of account to the extent of equal to the aggregate amount of false entries or omitted entry.	A28
115-O	Removing dividend distribution tax (DDT) and moving to classical system of taxing dividend in the hands of shareholders/unit holders.	It is proposed to abolish DDT at the rate of 15% and restore back to classical system of dividend taxation in the hands of shareholders.	A29
55	Rationalization of provisions of section 55 of the Act to compute cost of acquisition.	While computing the cost of acquisition in case of a capital asset, being land or building or both, the fair market value of such an asset on 1st April, 2001 shall not exceed the stamp duty value of such asset as on 1st	A30

		April, 2001 where such stamp duty value is available.	
	Rationalisation of provisions relating to trust, institution and funds.		A31
44AB	Rationalisation of provisions relating to tax audit in certain cases	➢ For micro, small and medium enterprise (MSMEs), the turnover threshold limit for tax audit will be increased from INR 1 crore to INR 5 crores, provided the cash transactions are less than 5% ➢ It is also proposed to provide for the return filing due-date of Oct, 31st as against present Sept 30th for companies / other persons who are required to get their accounts audited.	A32
285BB	Rationalisation of provision relating to Form 26AS	Form 26AS is extended beyond TDS/TCS credit to include annual financial information.	A33
2(42A) and 49	Rationalisation of the provisions of section 49 and clause (42A) of section 2 of the Act in respect of segregated portfolios.	Rationalization of the manner of computation of cost and holding period of segregated portfolios are as follows: ➢ For computing the period of segregated units, period for which original units were held to be included ➢ Cost of acquisition of segregated units to be computed on a proportionate basis	A34
140	Amendment in the provisions of Act relating to verification of the return of income	It is proposed to amend Sec 140(c)/ (cd) so as to enable any other person, as maybe prescribed by the Board to verify the return of income in the cases of a company and a limited liability partnership.	A35

	and appearance of authorized representative.		
	Widening the scope of Commodity Transaction Tax (CTT).	Proposes changes in Chapter VII of the Finance Act, 2013 to align the provisions of CTT with the changes in commodity derivative market. In order to encourage the commodity transactions, settled by physical or actual delivery of goods, it is proposed to charge CTT on the new commodity derivative products at revised rates	A36
	Customs duty		B1
	GST		B2

I. RATES OF TAXES – FINANCIAL YEAR 2020-21

A. For Individuals [other than mentioned below], Hindu Undivided Family, Association of Persons, Body of Individuals, Artificial Judicial Person

Total income	Tax rate
Less than or equal to Rs. 2,50,000	Nil
From Rs. 2,50,001 to Rs. 5,00,000	5%
From Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

B. For Resident Individuals who is of the age of 60 years or more but less than 80 years at any time during the previous year

Total income	Tax rate
Less than or equal to Rs. 3,00,000	Nil
From Rs. 3,00,001 to Rs. 5,00,000	5%
From Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

C. For Resident Individuals who is of the age of 80 years or more at any time during the previous year:

Total income	Tax rate
Less than or equal to Rs. 5,00,000	Nil
From Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

The New personal Income tax regime proposes the following option of tax structure without claiming the following deductions/exemptions: (explained in detail in subsequent paragraphs)

Total income (INR)	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%

Additional Points for A, B and C above:

The amount of income-tax computed as per the above mentioned provisions shall be increased by surcharge. The rates of surcharge is as under:

Sr.No	Particulars	Rate of surcharge
1.	If the total income (including the income under the provisions of section 111A and 112A of the Act) of the person exceeds Rs. 50 lakhs but does not exceed Rs. 1 crore	10% of income tax
2.	If the total income of the person exceeds Rs. 1 crores but does not exceed 2 crores (including the income under the provisions of section 111A and 112A of the Act)	15% of income tax
3.	If the total income (excluding the income under the provisions of section 111A and 112A of the Act) of the person exceeds Rs. 2 crores but does not exceed 5 crores	25% of income tax
4.	If the total income (excluding the income under	37% of

	the provisions of section 111A and 112A of the Act) of the person exceeds Rs. 5 crores	income tax

Provided that in case where the total income includes any income chargeable under section 111A and section 112A of the Act, the rate of surcharge on the amount of Income-tax computed in respect of that part of income shall not exceed 15%

Health and Education Cess – 4% of income-tax including surcharge

D. For Co-operative Societies:

Total Income	**Tax Rate**
Less than or equal to Rs. 10,000	10%
From Rs. 10,001 to Rs. 20,000	20%
Above Rs. 20,000	30%

Additional Points:

- The amount of income-tax computed as per the above mentioned provisions shall be increased by surcharge. In case the total income of the co-operative society exceeds Rs. 1 crore – 12% of such income-tax.
- Health and Education Cess – 4% of income-tax including surcharge.

Finance bill proposes new section 115BAD for cooperative societies to pay concessional tax rate of 22% subject to conditions specified which is discussed in the subsequent paragraphs.

E. For Firm or Local Authority:

Total Income	**Tax Rate**
On the whole of the total income	30%

Additional Points:

The amount of income-tax computed as per the above mentioned provisions shall be increased by surcharge. In case the total income of the

firm or local authority exceeds Rs. 1 crore – 12% of such income-tax.

Health and Education Cess – 4% of income-tax including surcharge..

F. For Companies:

Particulars	Basis	Tax Rate
Domestic Company	Where its total turnover or the gross receipt in the financial year 2018-19 does not exceed Rs. 400 crores	25%
Domestic Company	Companies other than those referred Above	30%
Domestic Company	Companies opting Section 115BAA subject to fulfillment of certain conditions.	22%
Domestic Company	Companies opting Section 115BAB subject to fulfillment of certain conditions	15%
Foreign Company	Total Income	40%
Minimum Alternate Tax	Book Profits (not applicable if the Company opts 22% or 15% tax rate)	15%

Additional Points:

The rates of surcharge are as under:

Particulars	Domestic Company	Foreign Company
Total Income less than Rs. 1 crore	0%	0%
Total Income more than Rs. 1 crore but less than Rs. 10 crore	7%	2%
Total Income more than Rs. 10 crore	12%	5%
Companies opting taxation u/s 115BAA and 115BAB (irrespective of the total income)	10%	NA

Health and Education Cess – 4% of income-tax including surcharge.

Rates of Income Tax for AY 2020-21: Individuals & HUF [Proposes New Optional Personal Income Tax Regime vide newly inserted Section 115BAC

From the FY 2020-21, individual and HUF tax payers have an option to opt for taxation under the newly inserted section 115BAC of the Act and the resident co-operative society has an option to opt for taxation under the newly inserted section 115BAD of the Act which is discussed as below:

Instead of the above rates which are applicable to the Individuals, another option is made available to individual and HUF by introducing Section 115BAC in the Act which is as follows:

On satisfaction of certain conditions, an individual or HUF shall, from assessment year 2021-22 onwards, have the option to pay tax in respect of the total income at following rates:

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

- The condition for concessional rate shall be that the total income of the individual or HUF is computed,—

a. Without any exemption or deduction under the provisions of:

i. 10(5) - Leave travel concession
ii. 10(13A) - House rent allowance
iii. Allowances prescribed under 10(14)

iv. 10(17) - Allowances to MPs/MLAs

v. 10(32)- Allowance for income of minor

vi. 10AA - Exemption for SEZ

vii. Section 16 – standard deduction of 50,000 and professional tax

viii. Section 24(b) (for 23(2) property – Self occupied property)

ix. 32(1)(iia) – Additional depreciation

x. 32AD

xi. 33AB

xii. 33ABA

xiii. 35(2AA), 35(1) (ii)(iia)(iii) Various deduction for donation for or expenditure on scientific research

xiv. 35AD

xv. 35CCC

xvi. 57(iia)

xvii. Chapter VI-A except 80CCD(2) or 80JJAA

b. without set off of any loss:

i. carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred to in (a) above; or

ii. under the head house property with any other head of income;

c. by claiming the depreciation, if any, under section 32, except clause (iia) of sub-section (1) thereof, determined in such manner as may be prescribed; and

d. without any exemption or deduction for allowances or perquisite, by whatever name called, provided under any other law for the time being in force.

e. the loss and depreciation referred to in (ii)(b) above shall be deemed to have been given full effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent year so however, that where there is a depreciation allowance in respect of a block of asset which has not been given full effect to prior to the assessment year beginning on 1st April, 2021, corresponding adjustment shall be made to the written down value of such block of assets as on 1st April, 2020 in the prescribed manner, if the option is exercised for a previous year relevant to the assessment year beginning on 1st April, 2021;

f. the concessional rate shall not apply unless option is exercised by the individual or HUF in the form and manner as may be prescribed,-

   i. where such individual or HUF has no business income, along with the return of income to be furnished under sub-section (1) of section 139 of the Act; and
   ii. in any other case, on or before the due date specified under sub-section (1) of section 139 of the Act for furnishing the return of income for any previous year relevant to the assessment year commencing on or after 1st April, 2021 and such option once exercised shall apply to subsequent assessment years;
   iii. if the individual or HUF has a Unit in the International Financial Services Centre [clause (zc) of section 2 of the Special Economic Zones Act, 2005], as referred to in sub-section (1A) of section 80LA, the deduction under section 80LA shall be available to such Unit subject to fulfilment of the conditions contained in that section; and
   iv. the option can be withdrawn only once where it was exercised by the individual or HUF having business income 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, except where such individual or HUF ceases to have any business income in which case, option under para (vi)(a) above shall be available.

g. After allowing few specified allowances under section 10(14) as below:

   i. Transport Allowance granted to a divyang employee to meet expenditure for the purpose of commuting between place of residence and place of duty
   ii. Conveyance Allowance granted to meet the expenditure on conveyance in performance of duties of an office;
   iii. Any Allowance granted to meet the cost of travel on tour or on transfer;
   iv. Daily Allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty.

h. It is also proposed to amend rule 3 of the Rules subsequently, so as to remove exemption in respect of free food and beverage through vouchers provided to the employee, being the person exercising option under the proposed section, by the employer.

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.

Comparing the provisions of old and new regime of individual taxation with an example;

Mr. A, a salaried employee has following sources of incomes and investments:

Salary – 21 lakhs, housing loan interest with respect to self occupied property 3.5 lakhs, HRA exemption – 2 lakhs, leave travel concession – 30,000, 80C deduction – 1.5 lakhs, medical insurance – 25,000 and NPS contribution 50,000/-

Tax computation would be as follows:

Particulars	**Existing regime**	**New regime**
Gross salary	21,00,000	21,00,000
Less: HRA exemption	2,00,000	Nil
Less: Leave travel concession	30,000	Nil
Less: Standard deduction	50,000	Nil
Less: professional tax	2,400	Nil
Income from salary	**18,17,600**	**21,00,000**
Less: self occupied housing loan interest	**2,00,000**	**Nil**
Gross total income	**16,17,600**	**21,00,000**
Less: Chapter VIA		
80C	1,50,000	Nil
80D	25,000	Nil
NPS contribution 80CCD(2)	50,000	50,000
Total income	**13,92,600**	**20,50,000**
Tax on above as per the slab rates mentioned above before surcharge and cess	**2,30,280**	**3,52,500**

INCENTIVES TO RESIDENT CO-OPERATIVE SOCIETIES.

It is proposed to insert a new section (115BAD) in the Act to provide that,-

(i) notwithstanding anything contained in the Act but subject to the provisions of Chapter XII and satisfaction of certain conditions, a co-operative society resident in India shall have the option to pay tax **at 22 percent**. for assessment year 2021-22 onwards in respect of its total income so however that if it fails to satisfy the conditions in any previous year, the option shall become invalid and other provisions of the Act shall apply;

(ii) the condition for concessional rate shall be that the total income of the co-operative society is computed,—

  a) without any deduction under the provisions of section 10AA or clause (iia) of sub-section (1) of section 32 or section 32AD or section 33AB or section 33ABA or sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) of section 35 or section 35AD or section 35CCC or under any provisions of Chapter VI-A;

  b) without set off of any loss carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred to in (a) above; and

  c) by claiming the depreciation, if any, under section 32, except clause (iia) of sub-section (1) thereof, determined in such manner as may be prescribed;

(iii) the loss and depreciation referred to in (ii)(b) above shall be deemed to have been given full effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent year. However, where there is a depreciation allowance in respect of a block of asset which has not been given full effect to prior to the assessment year beginning on 1st April, 2021, corresponding adjustment shall be made to the written down value of such block of assets as on 1st April, 2020 in the prescribed manner, if the option is exercised for a previous year relevant to the assessment year beginning on 1st April, 2021;

(iv) the concessional rate shall not apply unless option is exercised by the co-operative society in the prescribed manner on or before the due date specified under sub-section (1) of section 139 of the Act for furnishing the returns of income for any previous year relevant

to the assessment year commencing on or after 1st April, 2021 and such option once exercised shall apply to subsequent assessment years;

(v) if the person has a Unit in the International Financial Services Centre (IFSC), as referred to in sub-section (1A) of section 80LA, the deduction under section 80LA shall be available to such Unit subject to fulfilment of the conditions contained in that section; and

(vi) the option so exercised cannot be withdrawn;

(vii) The surcharge applicable to such co-operative society shall be levied at 10 per cent..

It is further proposed to amend section 115JC of the Act so as to provide that the provisions relating to Alternate Minimum Tax (AMT) shall not apply to such co-operative society.

It is also proposed to amend section 115JD of the Act so as to provide that the provisions relating to carry forward and set off of AMT credit, if any, shall not apply to such co-operative society.

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.

MODIFICATION OF CONCESSIONAL TAX SCHEMES FOR DOMESTIC COMPANIES UNDER SECTION 115BAA AND 115BAB

Taxation Law Amendment Act, 2019 (TLAA) inserted section 115BAA and section 115BAB in the Act to provide domestic companies an option to be taxed at concessional tax rates provided they do not avail specified deductions and incentives. Some of the deductions prohibited are deductions under any provisions of Chapter VI-A under the heading "C. Deduction in respect of certain incomes" other than the provisions of section 80JJAA.

It is now proposed to amend the provisions of section 115BAA and section 115BAB to not allow deduction under any provisions of Chapter VI-A other than section 80JJAA or section 80M, in case of domestic companies opting for taxation under these sections.

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

RATIONALIZATION OF PROVISIONS OF START-UPS.

The existing provisions of section 80-IAC of the Act provide for a deduction of an amount equal to one hundred per cent 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.

In order to further rationalise the provisions relating to start-ups, it is proposed to amend section 80-IAC of the Act so as to provide that-

(i) the 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;
(ii) the 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.

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.

Extending time limit for approval of affordable housing project for availing deduction under section 80-IBA of the Act.

The existing provisions of section 80-IBA of the Act, *inter alia*, provide that where the gross total income of an assessee includes any profits and gains derived from the business of developing and building affordable housing projects, there shall, subject to certain conditions specified therein, be allowed a deduction of an amount equal to one hundred per cent of the profits and gains derived from such business. The conditions contained in the section, inter alia, prescribe that the project is approved by the competent authority during the period from 1st June, 2016 to 31st March, 2020.

In order to incentivise building affordable housing to boost the supply of such houses, the period of approval of the project by the competent authority is proposed to be extended to 31st March, 2021.

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.

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

The existing provisions of section 80EEA of the Act provide for a deduction in respect of interest on loan taken from any financial institution for acquisition of an affordable residential house property. The deduction allowed is up to one lakh fifty thousand rupees and is subject to certain conditions. One of the conditions is that loan has been sanctioned by the financial institution during the period from 1st April, 2019 to 31st March, 2020.

The said deduction is aimed to incentivise first time buyers to invest in residential house property whose stamp duty does not exceed forty-five lakh rupees. In order to continue promoting purchase of affordable housing, the period of sanctioning of loan by the financial institution is proposed to be extended to 31st March, 2021.

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.

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

The newly inserted 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 per cent.

Representations have been received from various stakeholders requesting to provide that the benefit of the concessional rate under section 115BAB of the Act may also be extended to business of generation of electricity, which otherwise may not amount to manufacturing or production of an article or thing. Accordingly, it is proposed to explain that, for the purposes of this section, manufacturing or production of an article or thing shall include generation of electricity.

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.

Amendment of section 194LC of the Act to extend the period of concessional rate of withholding tax and also to provide for the concessional rate to bonds listed in stock exchanges in IFSC.

Section 194LC of the Act, provided for a concessional rate of Tax Deductible at Source (TDS) at five per cent by a specified company or a business trust, on interest paid to non-residents on the following forms of borrowings (approved by the Central Government) made in foreign currency from sources outside India:

(i) Monies borrowed under a loan agreement at any time on or after 1st July, 2012 and before 1st July, 2020;
(ii) Borrowings by way of issue of any long-term infrastructure bond at any time on or after 1st July, 2012 and before 1st July, 2014;
(iii) Borrowings by way of issue of long-term bond including long-term infrastructure bonds at any time on or after 1st of October 2014 and before 1st July, 2020;

The concessional rate of TDS of five per cent is also applicable in respect of monies borrowed by a specified company or a business trust from a source outside India by way of issue of rupee denominated bond (RDB) before 1st July, 2020, to the extent such interest does not exceed the amount of interest calculated at the rate approved by the Central Government in this behalf.

In order to attract fresh investment, create jobs and stimulate the economy, it is proposed to; -

(i) extend the period of said concessional rate of TDS of five per cent to 1st July, 2023 from 1st July, 2020;
(ii) provide that the rate of TDS shall be four per cent on the interest payable to a non-resident, in respect of monies borrowed in foreign currency from a source outside India, by way of issue of any long term bond or Rupee Denominated Bond (RDB) on or after 1st April, 2020 but before 1st July, 2023 and which is listed only on a recognised stock exchange located in any IFSC.

This amendment will take effect from 1st April, 2020.

Amendment of section 194LD of the Act to extend the period of concessional rate of withholding tax and also to extend this concessional rate to municipal debt securities.

Section 194LD of the Act provides for lower TDS of five per cent in case of interest payments to Foreign Institutional Investors (FII) and Qualified Foreign Investors (QFIs) on their investment in Government securities and RDB of an Indian company subject to the condition that the rate of interest does not exceed the rate notified by the Central Government in this regard. The section further provides that the interest should be payable at any time on or after 1st June, 2013 but before 1st July, 2020.

In order to attract fresh investment, create jobs and stimulate the economy, it has been proposed to amend section 194LD to,-

(i) extend the period of rate of TDS of five per cent under the said section to 1st July, 2023 from the existing 1st July, 2020;
(ii) provide that the concessional rate of TDS of five per cent under the said section shall also apply on the interest payable, on or after 1st April, 2020 but before 1st July, 2023, to a FII or QFI in respect of the investment made in municipal debt security.

This amendment will take effect from 1st April, 2020.

Excluding interest paid or payable to Permanent Establishment of a non-resident Bank for the purpose of disallowance of interest under section 94B.

Section 94B of the Act, *inter alia*, provides that deductible interest or similar expenses exceeding one crore rupees of an Indian company, or a permanent establishment (PE) of a foreign company, paid to the associated enterprises (AE) shall be restricted to 30 per cent. of its earnings before interest, taxes, depreciation and amortisation (EBITDA) or interest paid or payable to AE, whichever is less. Further, a loan is deemed to be from an AE, if an AE provides implicit or explicit guarantee in respect of that loan. AE for the purposes of this section has the meaning assigned to it in section 92A of the Act. This section was inserted in the Act through the Finance Act, 2017 in order to implement the measures recommended in final report on Action Plan 4 of the Base Erosion and Profit Shifting (BEPS) project under the aegis of G-20-Organisation of Economic Co-operation and Development (OECD) countries to address the issue of base erosion and profit shifting by way of excess interest deductions.

It is proposed to amend section 94B of the Act so as to provide 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.

Increase in safe harbour limit of 5 per cent. under section 43CA, 50C and 56 of the Act to 10 per cent..

Section 43CA of the Act, inter alia, provides that where the consideration declared to be received or accruing as a result of the transfer of land or building or both, is less than the value adopted or assessed or assessable by any authority of a State Government (i.e. "stamp valuation authority") for the purpose of payment of stamp duty in respect of such transfer, the value so adopted or assessed or assessable shall for the purpose of computing profits and gains from transfer of such assets, be deemed to be the full value of consideration. The said section also provides that where the value adopted or assessed or assessable by the authority for the purpose of payment of stamp duty does not exceed one hundred and five per cent of the consideration received or accruing as a result of the transfer, the consideration so received or accruing as a result of the transfer shall, for the purposes of computing profits and gains from transfer of such asset, be deemed to be the full value of the consideration.

Section 50C of the Act provides that where the consideration declared to be received or accruing as a result of the transfer of land or building or both, is less than the value adopted or assessed or assessable by stamp valuation authority for the purpose of payment of stamp duty in respect of such transfer, the value so adopted or assessed or assessable shall be deemed to be the full value of the consideration and capital gains shall be computed on the basis of such consideration under section 48 of the Act. The said section also provides that where the value adopted or assessed or assessable by the stamp valuation authority does not exceed one hundred and five per cent of the consideration received or accruing as a result of the transfer, the consideration so received or accruing as a result of the transfer shall, for the purposes of section 48, be deemed to be the full value of the consideration.

Clause (x) of sub-section (2) of section 56 of the Act, *inter alia*, provides that where any person receives, in any previous year, from any person or persons on or after 1st April, 2017, any immovable property, for a consideration which is less than the stamp duty value of the property by an amount exceeding fifty thousand rupees, the stamp duty value of such property as exceeds such consideration shall be charged to tax under the head "income from other sources". It also provide that where the assessee receives any immovable property for a consideration and the stamp duty value of such property exceeds five per cent of the consideration or fifty thousand rupees, whichever is higher, the stamp duty value of such property as exceeds such consideration shall be charged to tax under the head "Income from other sources".

Thus, the present provisions of section 43CA, 50C and 56 of the Act provide for safe harbour of 5%.

It is proposed to increase the limit to 10%.

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.

Providing an option to the assessee for not availing deduction under section 35AD.

Section 35AD of the Act, relating to deduction in respect of expenditure on specified business, provides for 100 per cent. deduction on capital expenditure (other than expenditure on land, goodwill and financial assets) incurred by the assessee on certain specified businesses. Under sub-section (1) of section 35AD, the said deduction of 100 per cent. of the capital expenditure is allowable during the previous year in which such expenditure has been incurred. Further, sub-section (4) provides that no deduction is allowable under any other section in respect to the expenditure referred to in sub-section (1). At present, an assessee does not have any option of not availing the incentive under said section.
Due to this, a legal interpretation can be made that a domestic company opting for concessional tax rate under section 115BAA or section 115BAB of the Act, which does not claim deduction under section 35AD, would also be denied normal depreciation under section 32 due to operation of sub-section (4) of section 35AD. This has not been the intention of the statute.

It is proposed to amend sub-section (1) of section 35AD to make the deduction thereunder optional. It is further proposed to amend sub-section (4) of 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.

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.

Exempting non-resident from filing of Income-tax return in certain conditions.

Section 115A of the Act provides for the determination of tax for a non-resident whose total income consists of:

a) certain dividend or interest income;
b) royalty or fees for technical services (FTS) received from the Government or Indian concern in pursuance of an agreement made after 31st March 1976, and which is not effectively connected with a PE, if any, of the non-resident in India.

Sub-section (5) of said section provides that a non-resident is not required to furnish its return of income under sub-section (1) of section 139 of the Act, if its total income, consists only of certain dividend or interest income and the TDS on such income has been deducted according to the provisions of Chapter XVII-B of the Act.
While, the current provisions of section 115A of the Act provide relief to non-residents from filing of return of income where the non-resident is not liable to pay tax other than the TDS which has been deducted on the dividend or interest income, the same relief has not been extended to non-residents whose total income consists only of the income by way of royalty or FTS of the nature as mentioned in point (b) above.

It is proposed to amend section 115A of the Act in order to provide that a non-resident, shall not be required to file return of income under sub-section (1) of section 139 of the Act if, -

(i) his or its total income consists of only dividend or interest income as referred to in clause (a) of sub-section (1) of said section, or royalty or FTS income of the nature specified in clause (b) of sub-section (1) of section 115A; and

(ii) the TDS on such income has been deducted under the provisions of Chapter XVII-B of the Act at the rates which are not lower than the prescribed rates under sub-section (1) of section 115A.

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.

Deferring TDS or tax payment in respect of income pertaining to Employee Stock Option Plan (ESOP) of start- ups.

Currently 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:

(i) Tax on perquisite as income from salary at the time of exercise.
(ii) Tax on income from capital gain at the time of sale.

The tax on perquisite is required to be paid at the time of exercising of option which may lead to cash flow problem as this benefit of ESOP is in kind. In order to ease the burden of payment of taxes by the employees of the eligible start-ups or TDS by the start-up employer, it is proposed to amend section 192 of the Act, and insert sub-section (1C) therein to clarify that for the purpose of deducting or paying tax under sub-sections (1) or (1A) thereof, as the case may be, 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, deduct or pay, as the case may be, tax on such income within fourteen days —

(i) after the expiry of forty eight months from the end of the relevant assessment year; or
(ii) from the date of the sale of such specified security or sweat equity share by the assessee; or
(iii) 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. Similar amendments have been carried out in section 191 (for assessee to pay the tax direct in case of no TDS) and in section 156 (for notice of demand) and in section 140A (for calculating self-assessment).

These amendments will take effect from 1st April, 2020.

Amendment for providing attribution of profit to Permanent Establishment in Safe Harbour Rules under section 92CB and in Advance Pricing Agreement under section 92CC

Safe Harbour Rules (SHR – Section 92CB) provides tax certainty for relatively smaller cases for future years on general terms, while Advance Pricing Agreement (APA – Section 92CC) provides tax certainty on case to case basis not only for future years but also Rollback years. Both SHR and the APA have been successful in reducing litigation in determination of the ALP.

It has been represented that the attribution of profits to the PE of a non-resident under clause (i) of sub-section (1) of section 9 of the Act in accordance with rule 10 of the Rules also results in avoidable disputes in a number of cases. In order to provide certainty, the attribution of income in case of a non-resident person to the PE is also required to be clearly covered under the provisions of the SHR and the APA.

In view of the above, it is proposed to amend section 92CB and section 92CC of the Act to cover determination of attribution to PE within the scope of SHR and APA.

With respect to section 92CB, the amendment will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years.

With respect to section 92CC, the amendment will take effect from 1st April, 2020 and therefore will apply to an APA entered into on or after 1st April, 2020.

Reducing the rate of TDS on fees for technical services (other than professional services).

It is noticed that there are large number of litigations on the issue of short deduction of tax treating assessee in default where the assessee deducts tax under section 194C, while the tax officers claim that tax should have been deducted under section 194J of the Act.

Therefore to reduce litigation, it is proposed to reduce rate for TDS in section 194J in case of fees for technical services (other than professional services) to two per cent from existing ten per cent. The TDS rate in other cases under section 194J would remain same at ten per cent.

This amendment will take effect from 1st April, 2020.

Enlarging the scope for tax deduction on interest income under section 194A of the Act.

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 rates in force.

In order to extend the scope of this section to interest paid by large co-operative society, 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-

a) 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
b) 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.

This amendment will take effect from 1st April, 2020.

Widening the scope of TDS on E-commerce transactions through insertion of a new section.

In order to widen and deepen the tax net by bringing participants of e-commerce within tax net, it is proposed to insert a new section 194-O in the Act so as to provide for a new levy of TDS at the rate of one per cent. with the following key points:

- The TDS is to be paid by e-commerce operator for sale of goods or provision of service facilitated by it through its digital or electronic facility or platform;
- E-commerce operator is required to deduct tax at the time of credit of amount of sale or service or both to the account of e-commerce participant or at the time of payment thereof to such participant by any mode, whichever is earlier.
- The tax at one per cent is required to be deducted on the gross amount of such sales or service or both.
- Any payment made by a purchaser of goods or recipient of services directly to an e-commerce participant shall be deemed to be amount credited or paid by the e-commerce operator to the e-commerce participant and shall be included in the gross amount of such sales or services for the purpose of deduction of income-tax.
- The sum credited or paid to an e-commerce participant (being an individual or HUF) by the e-commerce operator shall not be subjected to provision of this section, if the gross amount of sales or services or both of such individual or HUF, through e-commerce operator, during the previous year does not exceed five lakh rupees and such e-commerce participant has furnished his Permanent Account Number (PAN) or Aadhaar number to the e-commerce operator.
- A transaction in respect of which tax has been deducted by the e-commerce operator under this section or which is not liable to deduction under the exemption discussed in the previous bullet, there shall not be further liability on that transaction for TDS under any other provision of Chapter XVII-B of the Act. This is to provide clarity so that same transaction is not subjected to TDS more than once. However, it has been clarified that this exemption will not apply to any amount received or receivable by an e-commerce operator for hosting advertisements or providing any other services which are not in connection with the sale of goods or services referred to in sub-section (1) of the proposed section.
- "e-commerce operator" is defined to mean any person who owns, operates or manages digital or electronic facility or platform for electronic commerce and is a person responsible for paying to e-commerce participant.
- "e-commerce participant" is defined to mean a person resident in India selling goods or providing services or both, including digital products, through digital or electronic facility or platform for electronic commerce.
- "electronic commerce" is defined to mean the supply of goods or services or both, including digital products, over digital or electronic network.

- "services" is defined to include fees for technical services and fees for professional services, as defined in section 194J.
- Consequential amendments are being proposed in section 197 (for lower TDS), in section 204 (to define person responsible for paying any sum) and in section 206AA (to provide for tax deduction at 5 per cent. In non-PAN/ Aadhaar cases).

This amendment will take effect from 1st April, 2020.

Widening the scope of section 206C to include TCS on foreign remittance through Liberalised Remittance Scheme (LRS) and on selling of overseas tour package as well as TCS on sale of goods over a limit.

Section 206C of the Act provides for the collection of tax at source (TCS) on business of trading in alcohol, liquor, forest produce, scrap etc. Sub-section (1) of the said section, *inter-alia*, provides that every person, being a seller shall, at the time of debiting of the amount payable by the buyer to the account of the buyer or at the time of receipt of such amount from the said buyer in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, collect from the buyer of certain
goods a sum equal to specified percentage, of such amount as income-tax.

In order to widen and deepen the tax net, it is proposed to amend section 206C to levy TCS on overseas remittance and for sale of overseas tour package, as under:

- An authorised dealer receiving an amount or an aggregate of amounts of seven lakh rupees or more in a financial year for remittance out of India under the LRS of RBI, shall be liable to collect TCS, if he receives sum in excess of said amount from a buyer being a person remitting such amount out of India, at the rate of five per cent. In non- PAN/Aadhaar cases the rate shall be ten per cent.
- A seller of an overseas tour program package who receives any amount from any buyer, being a person who purchases such package, shall be liable to collect TCS at the rate of five per cent. In non-PAN/ Aadhaar cases the rate shall be ten per cent.
- The above TCS provision shall not apply if the buyer is,-
  a) liable to deduct tax at source under any other provision of the Act and he has deducted such amount.

b) the Central Government, a State Government , an embassy, a High Commission, legation, commission, consulate, the trade representation of a foreign State, a local authority as defined in Explanation to clause (20) of section 10 or any other person notified by the Central Government in the Official Gazette for this purpose subject to such conditions as specified in that notification.

- "authorised dealer" is proposed to be defined to mean a person authorised by the Reserve Bank of India under sub-section (1) of section 10 of Foreign Exchange Management Act, 1999 to deal in foreign exchange or foreign security.
- "Overseas tour program package" is proposed to be defined to mean 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 expense of similar nature or in relation thereto.

Further, in order to widen and deepen the tax net, it is proposed to amend section 206C to levy TCS on sale of goods above specified limit, as under:

- A seller of goods is liable to collect TCS at the rate of 0.1 per cent. on consideration received from a buyer in a previous year in excess of fifty lakh rupees. In non-PAN/ Aadhaar cases the rate shall be one per cent.
- Only those seller whose total sales, gross receipts or turnover from the business carried on by it exceed ten crore rupees during the financial year immediately preceding the financial year, shall be liable to collect such TCS.
- Central Government may notify person, subject to conditions contained in such notification, who shall not be liable to collect such TCS.
- No TCS is to be collected from the Central Government, a State Government and an embassy, a High Commission, legation, commission, consulate, the trade representation of a foreign State, a local authority as defined in Explanation to clause (20) of section 10 or any other person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to conditions as prescribed in such notification.
- No such TCS is to be collected, if the seller is liable to collect TCS under other provision of section 206C or the buyer is liable to deduct TDS under any provision of the Act and has deducted such amount.

These amendments will take effect from 1st April, 2020.

Rationalization of tax treatment of employer's contribution to recognized provident funds, superannuation funds and national pension scheme.

Under the existing provisions of the Act, the contribution by the employer to the account of an employee in a recognized provident fund exceeding twelve per cent. of salary is taxable. Further, the amount of any contribution to an approved superannuation fund by the employer exceeding one lakh fifty thousand rupees is treated as perquisite in the hands of the employee. Similarly, the assessee is allowed a deduction under National Pension Scheme (NPS) for the fourteen per cent. of the salary contributed by the Central Government and ten per cent. of the salary contributed by any other employer. However, there is no combined upper limit for the purpose of deduction on the amount of contribution made by the employer. This is giving undue benefit to employees earning high salary income. While an employee with low salary income is not able to let employer contribute a large part of his salary to all these three funds, employees with high salary income are able to design their salary package in a manner where a large part of their salary is paid by the employer in these three funds. Thus, this portion of salary does not suffer taxation at any point of time, since Exempt-Exempt-Exempt (EEE) regime is followed for these three funds. Thus, not having a combined upper cap is iniquitous and hence, not desirable.

Therefore, it is proposed to provide a combined upper limit of seven lakh and fifty thousand rupee in respect of employer's contribution in a year to NPS, superannuation fund and recognised provident fund and any excess contribution is proposed to be taxable. Consequently, it is also proposed that any annual accretion by way of interest, dividend or any other amount of similar nature during the previous year to the balance at the credit of the fund or scheme may be treated as perquisite to the extent it relates to the employer's contribution which is included in total income.

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.

Amendment in Dispute Resolution Panel (DRP).

Section 144C of the Act provides that in case of certain eligible assessees, 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, the Assessing Officer (AO) is required to forward a draft assessment order to the eligible assessee, if he proposes to make any variation in the income or loss returned which is prejudicial to the interest of such assessee. Such eligible assessee with respect to such variation may file his objection to the DRP, a collegium of three Principal Commissioners or Commissioners of Income-tax.

DRP has nine months to pass directions which are binding on the AO.

It is proposed that the provisions of section 144C of the Act may be suitably amended to:-

A. include cases, where the AO proposes to make any variation which is prejudicial to the interest of the assessee, within the ambit of section 144C;
B. expand the scope of the said section by defining eligible assessee as a non-resident not being a company, or a foreign company.

This amendment will take effect from 1st April, 2020. Thus, if the AO proposes to make any variation after this date, in case of eligible assessee, which is prejudicial to the interest of the assessee, the above provision shall be applicable.

Provision for e-appeal.

It is proposed to insert sub-section (6A) in section 250 of the Act to provide for the following: —

- Empowering Central Government to notify an e-appeal scheme for disposal of appeal so as to impart greater efficiency, transparency and accountability.
- Eliminating the interface between the Commissioner (Appeals) and the appellant in the course of appellate proceedings to the extent technologically feasible.
- Optimizing utilization of the resources through economies of scale and functional specialisation.

- Introducing an appellate system with dynamic jurisdiction in which appeal shall be disposed of by one or more Commissioner (Appeals).

It is also proposed to empower the Central Government, for the purpose of giving effect to the scheme made under the proposed sub-section, by notification in the Official Gazette, to direct that any of the provisions of this Act relating to jurisdiction and procedure of disposal of appeal shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification. Such directions are to be issued on or before 31st March 2022. It is proposed that every
notification issued shall be required to be laid before each House of Parliament.

This amendment will take effect from 1st April, 2020.

Stay by the Income Tax Appellate Tribunal (ITAT).

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.

It is also proposed to substitute second proviso to provide that no extension of stay shall be granted by ITAT, where such appeal is not so disposed of within the said period of stay as specified in the order of stay. However, on an application made by the assessee, a further stay can be granted, if the delay in not disposing of the appeal is not attributable to the assessee and the assessee has deposited 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. The total stay granted by ITAT cannot exceed 365 days. This will have a far reaching implication as all high demand cases get settled at ITAT levels and if the same is not disposed within 365 days, the appellant may end up with full payment of tax, interest etc. alternatively, the appellant may have to approach the HC.

This amendment will take effect from 1st April, 2020.

Provision for e-penalty.

It is proposed to insert a new sub-section (2A) in the said section of 274 so as to provide that the Central Government may notify an e-scheme for the purposes of imposing penalty so as to impart greater efficiency, transparency and accountability by,—

a) eliminating the interface between the Assessing Officer and the assessee in the course of proceedings to the extent technologically feasible;
b) optimising utilisation of the resources through economies of scale and functional specialisation;
c) introducing a mechanism for imposing of penalty with dynamic jurisdiction in which penalty shall be imposed by one or more income-tax authorities.

It is also proposed to empower the Central Government, for the purpose of giving effect to the scheme made under the proposed sub-section, for issuing notification in the Official Gazette, to direct that any of the provisions of this Act relating to jurisdiction and procedure of imposing penalty shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification. Such directions are to be issued on or before 31st March, 2022. It is proposed that every notification issued shall be required to be laid before each House of Parliament.

This amendment will take effect from 1st April, 2020.

Insertion of Taxpayer's Charter in the Act.

It is proposed to insert a new section 119A in the Act 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.

This amendment will take effect from 1st April, 2020.

Modification of residency provisions.

Sub-section (1) of section 6 of the Act provide for situations in which an individual shall be resident in India in a previous year. Clause (c) thereof provides that the individual shall be Indian resident in a year, if he,-

(i) has been in India for an overall period of 365 days or more within four years preceding that year, and
(ii) is in India for an overall period of 60 days or more in that year.

Clause (b) of Explanation 1 of said sub-section provides that an Indian citizen or a person of Indian origin shall be Indian resident if he is in India for 182 days instead of 60 days in that year. This provision provides relaxation to an Indian citizen or a person of Indian origin allowing them to visit India for longer duration without becoming resident of India.

Instances have come to notice where period of 182 days specified in respect of an Indian citizen or person of Indian origin visiting India during the year, is being misused. Individuals, who are actually carrying out substantial economic activities from India, manage their period of stay in India, so as to remain a non-resident in perpetuity and not be required to declare their global income in India.

Sub-section (6) of the said section provides for situations in which a person shall be "not ordinarily resident" in a previous year. Clause (a) thereof provides that if the person is an individual who has been non-resident in nine out of the ten previous years preceding that year, or has during the seven previous years preceding that year been in India for an overall period of 729 days or less. Clause (b) thereof contains similar provision for the HUF.

The issue of stateless persons has been bothering the tax world for quite some time. It is entirely possible for an individual to arrange his affairs in such a fashion that he is not liable to tax in any country or jurisdiction during a year. This arrangement is typically employed by high net worth individuals (HNWI) to avoid paying taxes to any country/ jurisdiction on income they earn. Tax laws should not encourage a situation where a person is not liable to tax in any country. The current rules governing tax residence make it possible for HNWIs and other individuals, who may be

Indian citizen to not to be liable for tax anywhere in the world. Such a circumstance is certainly not desirable; particularly in the light of current development in the global tax environment where avenues for double non-taxation are being systematically closed.

In the light of above, it is proposed that-

(i) the exception provided in clause (b) of Explanation 1 of sub-section (1) to section 6 for visiting India in that year be decreased to 120 days from existing 182 days.
(ii) 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 seven out of ten previous years preceding that year. This new condition to replace the existing conditions in clauses (a) and (b) of sub-section (6) of section 6.
(iii) an Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident 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.

Amending definition of "work" in section 194C of the Act.

Section 194C of the Act provides for the deduction of tax on payments made to contractors. The section provides that any person responsible for paying any sum to a resident for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract shall at the time of such credit or at the time of payment whichever is earlier deduct an amount equal to one per cent in case payment is made to an individual or an HUF and two per cent in other cases. Clause (iv) of the Explanation of the said section defines "work". Sub-clause (e) of this definition includes manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer within the definition. However, it excludes manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from a person, other than such customer.

Therefore, to bring clarity in the section and plug the leakage, it is proposed to amend the definition of "work" under section 194C to provide that in a contract manufacturing, the raw material provided by the assessee or its associate shall fall within the purview of the 'work' under section

194C. 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.

This amendment will take effect from 1st April, 2020.

Penalty for fake invoice.

In the recent past after the launch of Goods & Services Tax (GST), several cases of fraudulent input tax credit (ITC) claim have been caught by the GST authorities. In these cases, fake invoices are obtained by suppliers registered under GST to fraudulently claim ITC and reduce their GST liability. These invoices are found to be issued by racketeers who do not actually carry on any business or profession. They only issue invoices without actually supplying any goods or services. The GST shown to have been charged on such invoices is neither paid nor is intended to be paid. Such fraudulent arrangements deserve to be dealt with harsher provisions under the Act.

Therefore, it is proposed to introduce a new provision in the Act to provide for a levy of penalty on a person, if it is found during any proceeding under the Act that in the books of accounts maintained by him there is a (i) false entry or (ii) any entry relevant for computation of total income of such person has been omitted to evade tax liability. The penalty payable by such person shall be equal to the aggregate amount of false entries or omitted entry. It is also propose to provide that any other person, who causes in any manner a person to make or cause to make a false entry or omits or causes to omit any entry, shall also pay by way of penalty a sum which is equal to the aggregate amounts of such false entries or omitted entry. The false entries is proposed to include use or intention to use –

a) forged or falsified documents such as a false invoice or, in general, a false piece of documentary evidence; or
b) invoice in respect of supply or receipt of goods or services or both issued by the person or any other person without actual supply or receipt of such goods or services or both; or
c) invoice in respect of supply or receipt of goods or services or both to or from a person who do not exist.

This amendment will take effect from 1st April, 2020.

Removing dividend distribution tax (DDT) and moving to classical system of taxing dividend in the hands of shareholders/unit holders.

Section 115-O provides that, in addition to the income-tax chargeable in respect of the total income of a domestic company, any amount declared, distributed or paid by way of dividends shall be charged to additional income-tax at the rate of 15 per cent. The tax so paid by the company (called DDT) is treated as the final payment of tax in respect of the amount declared, distributed or paid by way of dividend. Such dividend referred to in section 115-O is exempt in the hands of shareholders under clause (34) of section 10. In case of business trust, specific exemption is provided under sub-section (7) of section 115-O, subject to certain conditions. Similarly, exemption is provided for distributed profits of a unit of an International Financial Service Centre, on fulfilment of certain conditions, under sub-section (8) of section 115-O.

Similarly under section 115R, specified companies and Mutual Funds are liable to pay additional income-tax at the specified rate on any amount of income distributed by them to its unit holders. Such income is then exempt in the hands of unit holders under clause (35) of section 10.

It is proposed to carry out amendments so that dividend or income from units are taxable in the hands of shareholders or unit holders at the applicable rate and the domestic company or specified company or mutual funds are not required to pay any DDT. It is also proposed to provide that the deduction for expense under section 57 of the Act shall be maximum 20 per cent of the dividend or income from units.

Amend section 194 to include dividend for tax deduction. At the same time the rates of ten per cent. is proposed to be prescribed and threshold is proposed to be increased from Rs 2,500/- to Rs 5,000/- for dividend paid other than cash. Further, at present the mode of payment is given as "an account payee cheque or warrant". It is proposed to change this to any mode. Similarly amend section 194LBA, 194K, 195, 196A, 196C, 196D to give affect to withholding taxes on dividends from various such investments.

Rationalization of provisions of section 55 of the Act to compute cost of acquisition.

The existing provisions of section 55 of the Act provide that for computation of capital gains, an assessee shall be allowed deduction for cost of acquisition of the asset and also cost of

improvement, if any. However, for computing capital gains in respect of an asset acquired before 1st April, 2001, the assessee has been allowed an option of either to take the fair market value of the asset as on 1st April, 2001 or the actual cost of the asset as cost of acquisition.

It is proposed to rationalise the provision and to insert a proviso below sub-clause (ii) of clause (b) of Explanation under clause (ac) of sub-section (2) of the said section to provide that in case of a capital asset, being land or building or both, the fair market value of such an asset on 1st April, 2001 shall not exceed the stamp duty value of such asset as on 1st April, 2001 where such stamp duty value is available. It is also proposed to insert an Explanation so as to provide that for the purposes of sub-clause (i) and (ii), "stamp duty value" shall mean the value adopted or assessed or assessable by any authority of the Central Government or a State Government for the purpose of payment of stamp duty in respect of an immovable property.

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

Rationalisation of provisions relating to trust, institution and funds.

It is proposed to amend relevant provisions of the Act to provide that,-

(i) similar to exemptions under clauses (1) and (23C), exemption under clause (46) of section 10 shall be allowed to an entity even if it is registered under section 12AA subject to the condition that the registration shall become inoperative. If the entity wishes to make it operative in the future, it will have to file an application and then it would not be entitled for deduction under clause (46) from the date on which the registration becomes operative.

(ii) the registration under section 12AA would also become inoperative in case of an entity exempt under clause (23C) of section 10 as well, to have uniformity. The condition about making it operative again would also be similar to what is proposed for clause (46) of section 10.

(iii) an entity approved, registered or notified under clause (23C) of section 10, section 12AA or section 35 of the Act, as the case may be, shall be required to apply for approval or registration or intimate regarding it being approved, as the case may be, and on doing so, the approval, registration or notification in respect of the entity shall be valid for a period not exceeding five previous years at one time calculated from 1st April, 2020.

(iv) an entity already approved under section 80G shall also be required to apply for approval and on doing so, the approval, registration or notification in respect of the entity shall be valid for a period not exceeding five years at one time.

(v) application for approval under section 80G shall be made to Principal Commissioner or Commissioner.

(vi) an entity making fresh application for approval under clause (23C) of section 10, for registration under section 12AA, for approval under section 80G shall be provisionally approved or registered for three years on the basis of application without detailed enquiry even in the cases where activities of the entity are yet to begin and then it has to apply again for approval or registration which, if granted, shall be valid from the date of such provisional registration. The application of registration subsequent to provisional registration should be at least six months prior to expiry of provisional registration or within six months of start of activities, whichever is earlier.

(vii) the application pending for approval, registration, as the case may be, shall be treated as application in accordance with the new provisions, wherever they are being provided for.

(viii) deduction under section 80G/ 80GGA to a donor shall be allowed only if a statement is furnished by the donee who shall be required to furnish a statement in respect of donations received and in the event of failure to do so, fee and penalty shall be levied.

(ix) similar to section 80G of the Act, deduction of cash donation under section 80GGA shall be restricted to Rs 2,000/- only.

These amendments will take effect from 1st June, 2020.

Rationalisation of provisions relating to tax audit in certain cases.

In order to reduce compliance burden on small and medium enterprises, it is proposed to increase the threshold limit for a person carrying on business from one crore rupees to five crore rupees in cases where,-

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

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

Further, 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 of income. 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. Thus, provisions of section 10, section 10A, section 12A, section 32AB, section 33AB, section 33ABA, section 35D, section 35E, section 44AB, section 44DA, section 50B, section 80-IA, section 80-IB, section 80JJAA, section 92F, section 115JB, section 115JC and section 115VW of the Act are proposed to be amended accordingly.

Further, the due date for filing return of income under sub-section (1) of section 139 is proposed to be amended by:-

A. providing 31st October of the assessment year (as against 30th September) as the due date for an assessee referred to in clause (a) of Explanation 2 of sub-section (1) of Section 139 of the Act;
B. removing the distinction between a working and a non-working partner of a firm with respect to the due date as mentioned in sub-clause (iii) of clause (a) of Explanation 2 of sub-section (1) of Section 139 of the Act.

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

The amendment relating to extending threshold for getting books of accounts audited will have consequential effect on TDS/TCS provisions contained in sections 194A, 194C, 194H, 194I, 194J and 206C as these provisions fasten liability of TDS/TCS on certain categories of person, if the gross receipt or turnover from the business or profession carried on by them exceed the monetary limit specified in clause (a) or clause (b) of section 44AB.

Therefore, it is proposed to amend these sections so that reference to the monetary limit specified in clause (a) or clause (b) of section 44AB of the Act is substituted with rupees one crore in case of the business or rupees fifty lakh in case of the profession, as the case may be.

These amendments will take effect from 1st April, 2020.

Rationalisation of provision relating to Form 26AS

Section 203AA of the Act, *inter-alia*, requires the prescribed income-tax authority or the person authorised by such authority referred to in sub-section (3) of section 200, to prepare and deliver a statement in Form 26AS to every person from whose income, the tax has been deducted or in respect of whose income the tax has been paid specifying the amount of tax deducted or paid.

As the mandate of Form 26AS would be required to be extended beyond the information about tax deducted, it is proposed to introduce a new section 285BB in the Act regarding annual financial statement. This section proposes to mandate the prescribed income-tax authority or the person authorised by such authority to upload in the registered account of the assessee a statement in such form and manner and setting forth such information, which is in the possession of an income-tax authority, and within such time, as may be prescribed.

Consequently, section 203AA is proposed to be deleted.

These amendments will take effect from 1st June, 2020.

Rationalisation of the provisions of section 49 and clause (42A) of section 2 of the Act in respect of segregated portfolios.

Section 49 of the Act provides for cost of acquisition for the capital asset which became the property of the assessee under certain situations. Further, clause (42A) of section 2 of the Act provides the definition of the term "short-term capital asset". It also provides for determination of period of holding of the capital asset held by the assessee.

SEBI has, vide circular SEBI/HO/IMD/DF2/CIR/P/2018/160 dated December 28, 2018, permitted creation of segregated portfolio of debt and money market instruments by Mutual Fund schemes. As per the SEBI circular, all the existing unit holders in the affected scheme as on the day of the credit event shall be allotted equal number of units in the segregated portfolio as held in the main portfolio. On segregation, the unit holders come to hold same number of units in two schemes the main scheme and segregated scheme.

In view of the above, it is proposed to amend sub-section (42A) of section 2 of the Act to provide that in the case of a capital asset, being a unit or units in a segregated portfolio, referred to in sub-

section (2AG) of section 49, there shall be included the period for which the original unit or units in the main portfolio were held by the assessee.

Further, a new sub-section (2AG) is proposed to be inserted in section 49 of the Act to provide that the cost of acquisition of a unit or units in the segregated portfolio shall be the amount which bears to the cost of acquisition of a unit or units held by the assessee in the total portfolio, the same proportion as the net asset value of the asset transferred to the segregated portfolio bears to the net asset value of the total portfolio immediately before the segregation of portfolios.

It is also proposed to insert another sub-section (2AH) in the said section to provide that the cost of the acquisition of the original units held by the unit holder in the main portfolio shall be deemed to have been reduced by the amount as so arrived at under the proposed sub-section (2AG).

The Explanation below these two new sub-sections, as proposed to be inserted, provide that for the purposes of sub-sections (2AG) and (2AH), the expressions "main portfolio", "segregated portfolio" and "total portfolio" shall have the meaning respectively assigned to them in the said circular dated 28th December, 2018 issued by SEBI.

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

Amendment in the provisions of Act relating to verification of the return of income and appearance of authorized representative.

Section 140 of the Act provides that in case of company the return is required to be verified by the managing director (MD) thereof. Where the MD is not able to verify for any unavoidable reason or where there is no MD, any director of the company can verify the return. It is also provided that in case of a company in whose case application for insolvency resolution process has been admitted by the Adjudicating Authority (AA) under the Insolvency and Bankruptcy Code, 2016 (IBC), the return has to be verified by the insolvency professional appointed by such AA. Similarly, in case of a limited liability partnership (LLP), the return has to be verified by the designated partner of the LLP or by any partner, in case there is no such designated partner.

Therefore, it is proposed to amend clause (c) and (cd) of section 140 of the Act so as to enable any other person, as may be prescribed by the Board to verify the return of income in the cases of a company and a limited liability partnership.

Further, section 288 of the Act provides for the persons entitled to appear before any Income-tax Authority or the Appellate Tribunal, on behalf of an assessee, as its "authorised representative", in connection with any proceedings under that Act. While the IBC empowers the Insolvency Professional or the Administrator to exercise the powers of the Board of Directors or corporate debtor, it has been reported that lack of explicit reference in section 288 of the Act for an Insolvency Professional to act as an authorised representative of the corporate debtor has been raising certain practical difficulties.

Therefore, it is proposed to amend sub-section (2) of section 288 to enable any other person, as may be prescribed by the Board, to appear as an authorised representative.

These amendments will take effect from 1st April, 2020.

Widening the scope of commodity transaction tax (CTT)

Proposes changes in Chapter VII of the Finance Act, 2013 to align the provisions of CTT with the changes in commodity derivative market. In order to encourage the commodity transactions, settled by physical or actual delivery of goods, it is proposed to charge CTT on the new commodity derivative products at following rates: –

a) Sale of a commodity derivative based on prices or indices of prices of commodity derivatives at the rate of 0.01%payable by the seller, which is the same rate at which CTT is currently charged on a transaction of sale of a commodity derivative;
b) Sale of an option in goods, where option is exercised resulting in actual delivery of goods at the rate of 0.0001% payable by purchaser
c) Sale of an option in goods, where option is exercised resulting in a settlement otherwise than by the actual delivery of goods at the rate of 0.125% payable by purchaser, which is also the rate at which securities transaction tax is levied on a transaction of sale of an option in securities, where the option is exercised.

This amendment will take effect from 1st April, 2020.

I. Customs:

1. Duty rate changes:

Chapter/ heading/ subheading/ Tariff item	Duty Head	Commodity	Existing Rate	Revised Rate
Any Chapter	Basic Customs Duty	Vibrator Motor / Ringer for use in manufacture of cellular mobile phones (w.e.f. 01.04.2020)	Rate Based on Chapter heading	10%
Any Chapter	Basic Customs Duty	Inputs or parts for use in manufacture of Vibrator Motor / Ringer for use in manufacture of cellular mobile phones (w.e.f. 01.04.2020)	Rate Based on Chapter heading	NIL
Any Chapter	Basic Customs Duty	Inputs or sub-parts for use in manufacture of parts or inputs used in Vibrator Motor / Ringer for use in manufacture of cellular mobile phones (w.e.f. 01.04.2020)	Rate Based on Chapter heading	NIL
Any Chapter	Basic Customs Duty	Display assembly used in manufacture of Cellular Mobile Phones (w.e.f. 01.04.2020)	Nil	Normal Rate applicable to Chapter
Any Chapter	Basic Customs Duty	Display assembly used in manufacture of Cellular Mobile Phones (w.e.f. 01.10.2020)	Normal rate applicable to Chapter	10%
Any Chapter	Basic Customs Duty	Inputs or parts used in manufacture of Display Assembly used in cellular phones (w.e.f. 01.10.2020)	Normal rate applicable to Chapter	NIL
Any Chapter	Basic Customs Duty	Inputs or sub-parts used in manufacture of Inputs or parts used in manufacture of Display Assembly used in cellular phones (w.e.f. 01.10.2020)	Normal rate applicable to Chapter	NIL

Any Chapter	Customs Duty	Touch Panel/Cover Glass Assembly for use in manufacture of cellular phones (w.e.f. 01.10.2020)	Normal rate applicable to Chapter	10%
Any Chapter	Customs Duty	Inputs or parts used in manufacture of Touch Panel/Cover Glass Assembly used in cellular phones (w.e.f. 01.10.2020)	Normal rate applicable to Chapter	NIL
Any Chapter	Customs Duty	Inputs or sub-parts used in manufacture of Inputs or parts used in manufacture of Touch Panel/Cover Glass Assembly in cellular phones (w.e.f. 01.10.2020)	Normal rate applicable to Chapter	NIL
Any Chapter	Customs Duty	**(a)** The following goods for use in manufacture of cellular mobile phones, namely :- (i) Printed Circuit Board Assembly (PCBA) (ii) Camera Module (iii) Connectors (v) Touch Panel / Cover Glass Assembly (vi) Vibrator Motor / Ringer **(b)** Inputs or parts for use in manufacture of items mentioned at (a) above **(c)** Inputs or sub-parts for use in manufacture of parts mentioned at (b) above (w.e.f. 01.10.2020)	NIL	Normal rate applicable to Chapter
Any Chapter	Customs Duty	Inputs or raw materials for use in manufacture of Fingerprint reader/Scanner of cellular mobile phones	Normal Rate applicable to Chapter	NIL
8504 40	Customs Duty	All goods other than charger or adapter (reduced rate has been made available to all the goods irrespective of the use)	-	10%

8518 (except 8518 21 00, 8518 22 00, 8518 29 00 and 8518 30 00)	Customs Duty	All goods other than the following parts of cellular mobile phones, namely: - (i) Microphone; and (ii) Receiver	-	10%
8517 70 10	Customs Duty	Printed Circuit Board Assembly (PCBA) of Cellular mobile phones	-	10%
8517 70 10	Customs Duty	Printed Circuit Board Assembly (PCBA) of following goods, namely: - (a) Base station; (b) Optical transport equipment; (c) Combination of one or more of Packet Optical Transport Product or Switch (POTP or POTS); (d) Optical Transport Network (OTN) products; (e) IP Radios; (f) Soft switches and Voice over Internet Protocol (VoIP) equipment, namely, VoIP phones, media gateways, gateway controllers and session border controllers; (g) Carrier Ethernet Switch, Packet Transport Node (PTN) products, Multiprotocol Label SwitchingTransport Profile (MPLS-TP) products; (h) Multiple Input/Multiple Output (MIMO) and Long Term Evolution (LTE) products	-	10%
71	Customs Duty	Gold in the form of wire, ribbon, preform of purity 99.99 % and above used in manufacture of Semi-conductor devices; Light Editing Diodes.	5%	Normal Rate
71	Customs Duty	Aluminium wire with silicon or magnesium impurity of upto 2%; gold wire with phosphorous or antimony doping used in manufacture of Semi-conductor devices	5%	Normal Rate

69, 70, 71, 74, 85	Customs Duty	Micro Fuse Base, Sub-Miniature Fuse Base, Micro Fuse Cover, Sub-Miniature Fuse Cover	Normal Rate	5%
0303	Customs Duty	Tuna Bait	NIL	30%
040210 or 04022100	Customs Duty	Milk and Cream upto an aggregate of ten thousand metric tonnes of total imports of such goods in a financial yea	15%	Normal Rate
3920 10 99	Customs Duty	Calendared plastic sheet for use in manufacturing of Smart Card falling under heading 8523	10%	5%
4114 20 10	Customs Duty	Patent leather	NIL	10%
4301 or 4302	Customs Duty	Furskins and artificial fur; manufactures thereof	NIL	Normal Rate applicable to Chapter
48	Customs Duty	Newsprint – (i) in strips or rolls of width exceeding 28 cm; or (ii) in rectangular (including square) sheets with one side exceeding 28 cm and the other side exceeding 15 cm in the unfolded state	10%	5%
48	Customs Duty	Uncoated paper of a kind used for printing newspapers, of which not less than 50% by weight of the total fibre content consists of wood fibres obtained by mechanical or chemi-mechanical process, unsized or very lightly sized, having a surface roughness Parker Print Surf (1 Mpa) on each side exceeding 2.5 micro meters (microns), weighing not less than 40 g/m2 and not more than 65 g/m2	10%	5%
4810	Customs Duty	Lightweight coated paper weighing up to 70 g/m2, imported by actual users for printing of magazines	10%	5%
4907 00 20	Customs Duty	Paper Money	10%	5%
64 or any other Chapter	Customs Duty	The following goods for use in the leather industry, namely :- (1) Parts, consumables and other items specified in List 8 (2) Other parts, consumables and items specified in List 9	10%	Normal Rate applicable to Chapter

71	Customs Duty	Rubies, emeralds and sapphires, unset and imported uncut	NIL	0.5%
71	Customs Duty	Rough coloured gemstones, Rough semi-precious stones, Pre-forms of precious and semi-precious stones, Rough synthetic gemstones, Rough cubic zirconia	NIL	0.5%
7104	Customs Duty	Polished Cubic zirconia	5%	7.5%
7112	Customs Duty	Spent catalyst or ash containing precious metals	12.5%	11.85%
7806	Customs Duty	Lead bars, rods, profiles and wire	5%	10%
7907	Customs Duty	Zinc tubes, pipes and tube or pipe fittings	7.5%	10%
8007	Customs Duty	Tin plates, sheets and strip, of a thickness exceeding 0.2 mm; tin foil (whether or not printed or backed with paper, paperboard, plastics or similar backing materials), of a thickness (excluding any backing) not exceeding 0.2 mm; tin powders and flakes	5%	10%
84 or any other Chapter	Customs Duty	Goods specified in List 10 required for use in high voltage power transmission project	5%	7.5%
84 or any other Chapter	Customs Duty	The following goods required for manufacture of Optical disk drives(ODD), namely:- (i) Pick up assembly (ii)Digital signature procession integrated circuit (iii) DC motor (iv) LDO voltage regulator	NIL	Normal Rate applicable for chapter
84 or any other chapter	Customs Duty	Rotary tiller/weeder	2.5%	Normal Rate applicable to Chapter
8424	Customs Duty	Sprinklers and drip irrigation systems for agricultural and horticultural purposes; Micro Irrigation equipment	5%	7.5%

84362100	Customs Duty	All Goods	5%	7.5%
8443	Customs Duty	Parts for manufacture of printers	NIL	7.5%
8471	Customs Duty	CD–Writers	NIL	7.5%
85	Customs Duty	MP3 or MP4 or MPEG 4 player with or without radio or video reception facility	5%	Normal Rate
85	Customs Duty	One set of pre-recorded cassettes accompanying books for learning languages and essential complement to such books. Audio cassettes, if recorded with material from books, newspaper or magazines, for the blind	NIL	Normal Rate
8501	Customs Duty	All goods	7.5%	10%
8518	Customs Duty	The following goods for use in the manufacturing of Microphones falling under tariff item 8518 10 00, namely: - (i) Microphone Cartridge; (ii) Microphone Holder; (iii)Microphone Grill; (iv)Microphone Body.	15% or 10%	NIL
8540 11	Customs Duty	Colour television picture tubes for use in the manufacture of cathode ray televisions	NIL	10%

- Health Cess at the rate of 5% is introduced on import of medical devices.

2. Changes to the Customs Provisions:

- A new Section 28DA has been inserted to prescribe procedure for claiming preferential rate of duty in terms of any trade agreements with other nations.
- A new Section 51B has been added to issue and utilise the duty credits online.
- Section 111 amended so as to enable confiscation of goods imported under preferential duty if provisions of the Chapter VAA are contravened.

II. GOODS AND SERVICE TAX:

1. Following amendments are proposed to CGST Law:

- Section 10(2) is proposed to be amended to include services also in the eligibility criteria under clause (b)(c) and (d) for opting composition levy.
- Section 16(4) is amended to rationalise the availment of ITC on debit notes.
- Section 29 amended to enable taxpayers who want to deregister from GST, if they had taken registration voluntarily.
- Section 5(4) omitted – late fee for delay in issuing TDS Certificate removed.
- Section 122 amended to tighten the penalty against certain offences to the beneficiary of tax evasion also.
- Section 132 amended to further tighten the offences and penalty provisions.
- Section 140 amended to insert provision for fixing time limit to avail transitional credit. Amendment to be effective retrospective.
- Schedule II amended to tax the transfer of business assets only if there is a consideration.

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