

UNION BUDGET 2020

FEBRUARY 1, 2020

AMENDMENT IN DIRECT TAX PROVISIONS

INSERTION OF NEW SECTION 115BAC- NEW INCOME TAX SLAB FOR INDIVIDUALS & HUF

Existing Provision

- ❖ *Current Income tax slab with applicable deductions and exemptions:*

Rs.

0-2.5 Lakh	: Exempt
2.5- 5 Lakh	: 5%
5-7.5 Lakh	: 20%
7.5- 10 Lakh	: 20%
10-12.5 Lakh	: 30%
12.5-15 Lakh	: 30%
Above 15 Lakh	: 30%

Amended provision

- ❖ *New Section 115BAC gives option either to continue with existing tax slabs with all deductions or to opt for the new reduced tax slabs without deductions and exemptions:*

New Slabs w/s 115BAC:

Rs.

0-2.5 Lakh	: Exempt
2.5- 5 Lakh	: 5%
5-7.5 Lakh	: 10%
7.5- 10 Lakh	: 15%
10-12.5 Lakh	: 20%
12.5-15 Lakh	: 25%
Above 15 Lakh	: 30%

- ❖ **Effective from AY 2021-22.**

INSERTION OF NEW SECTION 115BAC- NEW INCOME TAX SLAB FOR INDIVIDUAL AND HUF

❖ Conditions : Deductions which shall not be available on opting Section 115BAC :

- ✓ Leave travel concession;
- ✓ House rent allowance;
- ✓ Allowances, unless specifically prescribed, as contained in section 10 (14), (17) & (32) & Section 10AA;
- ✓ Allowances to MPs/MLAs;
- ✓ Allowance for income of minor;
- ✓ Standard deduction, deduction for Entertainment allowance and Employment/ professional tax as provided in section 16;
- ✓ Interest under section 24(b) in respect of self-occupied property u/s 23(2);
- ✓ Any deduction under chapter VIA (like section 80C, 80CCC, 80CCD, 80D, 80DD, 80DDB, 80E, 80EE, 80EEA, 80EEB, 80G, 80GG, 80GGA, 80GGC, 80IA, 80-IAB, 80-IAC, 80-IB, 80-IBA, etc) except section 80CCD(2) or Section 80JJAA.
- ✓ Deduction u/s 32(1)(ia) , 32AD, 33AB or 33ABA, 35AD, 35CCC & 57(ia).
- ✓ Set off of any carried forward losses or depreciation from earlier assessment years attributable to any of the deductions above and set off of losses under house property with any other head of income.

INSERTION OF NEW SECTION 115BAC- NEW INCOME TAX SLAB FOR THE INDIVIDUAL OR HUF TAXPAYER

- ❖ Conditions : Deductions which shall not be available on opting Section 115BAC (contd) :
- ✓ Where the individual has Business Income, option once exercised shall be applicable for all subsequent years.
- ✓ Where the individual has no Business Income, option shall be available every year
- ✓ No exemption or deduction for allowances or perquisite, by whatever name called, provided under any other law for the time being in force.

INSERTION OF NEW SECTION 115BAD- TAX ON INCOME OF RESIDENT CO-OPERATIVE SOCIETIES

Existing Provision

Existing Income Tax Slab:

Rs.

Upto 10,000 : 10%

10,000 – 20,000 : 20%

Above 20,000 : 30%

Amended provision

- ❖ *Co-operative society resident in India shall have the option to pay tax at 22% from AY 2021-22 onwards, provided its total income is computed subject to prescribed conditions (refer next slide).*
- ❖ **Effective from AY 2021-22.**

INSERTION OF NEW SECTION 115BAD TAX ON INCOME OF RESIDENT CO-OPERATIVE SOCIETIES

❖ Conditions for paying tax @ 22%

- ✓ *The total income of Cooperative Society is computed without claiming any deduction under Section 10AA, 32,32AD,33ABA, 35, 35AD, 35CCC or under any provision of Chapter VI-A.*
- ✓ *No Set off and Carry Forward of Losses and Depreciation is allowed if such loss / depreciation is attributable to deductions listed above.*
- ✓ *The concessional rate shall apply only if option is exercised in prescribed manner on or before the due date of filing of return under section 139(1) for Previous Year 2020-2021.*
- ✓ *The option once exercised cannot be withdrawn.*
- ✓ *Surcharge @ 10% shall be applicable to such co-operative society*
- ✓ *Provisions relating to Alternate Minimum Tax (AMT) shall not be applicable.*

SECTION 115O - REMOVAL OF DIVIDEND DISTRIBUTION TAX (DDT)

Existing Provision

- ❖ **Section 115O (1)** - Domestic company is required to pay DDT @ 15% on the dividend paid.
- ❖ **Section 10(34)**- Dividend received from the domestic company u/s section 115-O is exempt in the hands of the recipient

Amended provision

- ❖ **Section 115O (1) & Section 10(34)** will not apply to Dividend received on or after 1st April 2020
Consequently:
- ❖ **DDT provisions withdrawn.**
- ❖ **Dividend taxable in the hands of recipients.**
- ❖ **Deduction of dividend received from the Subsidiary company by the Holding company available. {Section 115O (1A)}**
- ❖ **Effective from AY 2021-22.**

EXPLANATION I TO SECTION 6 (I) RESIDENTIAL STATUS

Existing Provision

❖ Section 6 (1) Explanation 1:

In case of Indian Citizen or Person of Indian Origin who settled outside India and who is visiting India:

To qualify for resident & not ordinarily resident in India, following 02 conditions were prescribed:

1. **182 days** in India in relevant previous year &
2. 365 days stay in India within the 4 years preceding that relevant previous year.

Amended provision

❖ Section 6 (1) Explanation 1:

182 days has been substituted by 122 days.

- ❖ **Effective from AY 2021-22.**

INSERTION OF CLAUSE (1A) IN SECTION 6 RESIDENTIAL STATUS

Existing Provision

- ❖ New provision

Amended provision

- ❖ **Section 6 (1A):**

An Indian citizen, who is not a tax resident in any other country or territory, even if on account of operation of different tax treaties or tax heaven status of the countries of his stay, *will be deemed to be a "resident" of India, and accordingly will be taxed in India on his global income.*

CBDT clarification dated: 02.02.2020
Income of Indian citizen will not be taxable under above-mentioned Section 6(1A) in India unless it is derived from an Indian Business or Profession.

- ❖ **Effective from AY 2021-22.**

SECTION 9A (3) CLAUSE 3- (INSERTION OF NEW PROVISIO)

Existing Provision

- ❖ **Section 9A** : Stipulates certain activities which do not constitute “business connection” in India.
- ❖ **Clause 3 of section 9A:** states that fund management activity carried out through an eligible Investment Fund referred in section 9A(1) will not constitute business connection in India subject to fulfillment of certain conditions.
- ❖ One of the condition, states that *the aggregate participation or investment in the Fund, directly or indirectly, by persons resident in India does not exceed 5% of the corpus of the fund;*

Amended provision

- ❖ **Section 9A Clause 3(C):**

*New proviso inserted after Clause 3(C):
“For the of calculation of the aggregate participation or investment in the fund being 5% of the Corpus, any contribution made by the eligible fund manager during the first 3 years of operation of the fund, not exceeding Rs 25 Crore, shall not be taken into account;”*

- ❖ **Effective from AY 2021-22.**

SECTION 6 (3)

RESIDENTIAL STATUS

Existing Provision

❖ Section 6(6) :

A person is said to be “Not ordinarily resident (NOR)” in India in any previous year if such person is –

(a) non-resident in India 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 a period of 729 days or less; or

(b) a Hindu undivided family whose manager has been a non-resident in India 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 a period of 729 days or less.

Amended provision

❖ Section 6 (6):

A person is said to be “Not ordinarily resident” in India in any previous year, if

such person is –

(a) a non-resident in India in seven out of the ten previous years preceding that year; or

(b) a Hindu undivided family whose manager has been a non-resident in India in seven out of the ten previous years preceding that year.'

❖ **Effective from AY 2021-22.**

REGISTRATION OF TRUST OR INSTITUTION

(AMENDMENT IN SECTION 10(23C), 11, 12A, 12AA, 80G & INSERTION OF NEW SECTION 12AB)

- ❖ Clauses from (a) to (ab) of Section 12A and First & Second proviso to section 10(23C) are substituted with clause (ac) of section 12A, new section 12AB and new proviso to section 10(23C) which provides new process of registration of Trust & Institution under the respective section.
- ❖ Presently, registration u/s 12AA & approval u/s 10(23C) is provided for a period until it is cancelled. However as per amendment, registration/approval *under section 12A & 10(23C)* will be provided for a *period of 5 years*. On expiry of 5 years, the registration/approval has to be re-obtained.
- ❖ Section 12A(1)(ac)/ Section 12AB & Proviso to Section 10(23C):

Table inserted to indicate the period/categories within which existing institutions & Trusts etc. need to apply for registration/approval and period of approval granted by the Principal Commissioner or Commissioner:
- ❖ Effective from 1st June 2020.

REGISTRATION OF TRUST OR INSTITUTION

(AMENDMENT IN SECTION 10(23C), 11, 12A, 12AA & INSERTION OF NEW SECTION 12AB)

Categories	Period to Apply for Renewal of Registration	Period of Approval/Registration
Existing Institution & Trust	3 months from 1st June 2020	5 Years
Period of Approval/ Registration is due to expire	06 months prior to expiry of the period of approval/registration	5 Years
Period of Provisional Approval/Registration is due to expire	06 months prior to expiry of period of provisional approval/ registration or within six months of commencement of its activities, whichever is earlier;	5 Years
In any other case e.g. Fresh Registration u/s 12A/ Approval u/s 10(23C)	01 month prior to the commencement of the previous year relevant to the AY from which the said approval is sought,	Provisionally for a period of 3 years
Registration of Trust/Institution becomes inoperative due to first proviso to Section 11(7) (i.e. due to registration u/s 10(23C))	06 months prior to the commencement of the AY from which the said registration is sought to be made operative;	5 Years
Adopted or undertaken modifications of the objects which do not conform to the conditions of registration u/s 12A	Within a period of 30 days from the date of the said adoption or modification;	5 Years

EFFECTIVE FROM 1ST JUNE 2020

REGISTRATION OF TRUST OR INSTITUTION

(AMENDMENT IN SECTION 10(23C), 11, 12A, 12AA & INSERTION OF NEW SECTION 12AB)

- ❖ **Eighteenth Proviso to Section 10(23C):** All applications pending before the Principal Commissioner or Commissioner, on which no order has been passed before 1st June 2020 (being effective date of applicability of the amended provision), shall be treated as fresh application under clause (iv) i.e. “under any other cases” of the first proviso to Section 10(23C).
- ❖ **Simultaneous Registration For Exemption under Section 11 etc and Approval For Section 10(23C) Exemption Not Permissible**
- ❖ The proposed amendment to section 11 provides that if the institution is registered for exemption u/s 11 as well as approved u/s 10(23C) then the registration u/s 11 shall become inoperative from the date of coming into force of the amended provisions (i.e. 1st June 2020). If in future, an institution which is registered u/s 12AB also gets approval u/s 10(23C), then the registration u/s 12AB shall become inoperative from the date of such approval.
- ❖ The proposed amendments give an option to the institution to get its registration operative u/s 12AB by making fresh application. However, in such circumstances benefit of section 10(23C) will not be available.
- ❖ **Effective from 1st June 2020.**

REMOVAL OF SECTION 10(35)

Existing Provision

- ❖ Any income received u/s 115TA from a securitization trust by any person being an investor of the said trust is not taxable in the hand of recipient.

Amended provision

- ❖ **A new proviso is inserted in Sec 10(35) which states that existing provision will not be applicable on the income in respect of units received on or after 1st April 2020.**
- ❖ **Effective from AY 2021-22.**

SECTION 17(2): PERQUISITE UNDER SALARY

Existing Provision

- ❖ **Section 17(2)(vii)** states that perquisite will include the amount of any contribution by the employer in respect of the assessee to an approved superannuation fund, to the extent it exceeds Rs 150,000.

Amended provision

- ❖ **Section 17(2) (vii) has been substituted with the following new sub-clauses:**

Any contribution made to the account of the assessee by the employer-

- (a) in a recognized provident fund;
- (b) in the scheme referred to in sub-section (1) of section 80CCD; and
- (c) in an approved superannuation fund,

to the extent it exceeds Rs 750,000 in a previous year, will be included in the perquisite of the employee.

The annual accretion by way of interest, dividend or any other amount of similar nature upon employer's contribution to the aforementioned funds or schemes during the previous year, computed in such manner as may be prescribed will be included in the perquisite value in the hands of the employee.

- ❖ **Effective from AY 2021-22.**

SECTION 44AB
ENHANCEMENT OF THRESHOLD LIMIT & DUE DATE OF
FILING TAX AUDIT REPORT
(INSERTION OF NEW PROVISO)

Existing Provision

- ❖ New provision

Amended provision

A new proviso is inserted to section 44AB(a)(ii) which has increased the turnover threshold limit for the Tax Audits u/s 44AB **to Rs. 5 crores from the existing Rs.1 crore** for persons carrying on business whose aggregate annual cash receipts and cash payments do not exceed 5% of their total receipts and payments respectively.

However, the existing threshold limit of Rs 50 lakhs for the tax audits for persons carrying on profession remains unchanged.

Effective from AY 2021-22.

SECTION 44AB

[AMENDMENTS CONTD..]

Existing Provision

- ❖ Not applicable.

Amended provision

- ❖ Tax audit report is to be filed one month prior to the due date of filing of income tax return. (i.e. 30th September)
- ❖ Reports referred in section 10, 10A, 12A, 32AB, 33AB, 33ABA, 35D, 35E, 44AB, 44DA, 50B, 80-IA, 80-IB, 80JJAA, 92F, 115JB, 115JC and section 115VW are also to be filed one month prior to the due date of filing of income tax return. (i.e. 30th September)
- ❖ Effective from AY 2021-22.

SECTION 139

CHANGE IN DUE DATE OF FILING INCOME TAX RETURN (EFFECTIVE FROM AY 2021-22)

Categories	Existing Due Date for filing ITR	New Due Date for filing ITR
A company	30th September of the Assessment year	31st October of the Assessment year
A person (other than a company) whose accounts are required to be audited under this Act or under any other law for the time being in force; or	30th September of the Assessment year	31st October of the Assessment year
A partner (In existing law, working partner was there but now with the omission of word "working" it is applicable to all partners) of a firm whose accounts are required to be audited under this Act or under any other law for the time being in force,	30th September of the Assessment year	31st October of the Assessment year

Categories	Existing Due Date for filing ITR	New Due Date for filing ITR (No change)
Individual and Non-Audit Cases (Non- Transfer Pricing Case)	31 st July	31 st July
Income tax return (TP Cases)	30 th Nov	30 th Nov

SECTION 43CA, 50C & 56 (X)(B)(II): INCREASE IN VARIATION LIMIT

Existing Provision

- ❖ If the variation between actual sales consideration and value adopted for stamp duty valuation **does not exceed 5%** of the consideration received or accruing, the consideration received or accruing was considered as full value of the consideration.

Amended provision

- ❖ Difference between the actual sales consideration and value adopted for stamp duty valuation **increased from 5% to 10%**.
- ❖ **Effective from AY 2021-22.**

SECTION 55: **COMPUTATION OF FAIR MARKET VALUE(FMV)** **OF LAND OR BUILDING OR BOTH**

Existing Provision

❖ **Section 55(2)(b):**

In case of Land or Building or both acquired before 01.04.2001, the Cost of Acquisition considered for computation of Capital Gains is either Actual Cost of Acquisition or FMV as on 01.04.2001, whichever is higher.

Amended provision

- ❖ A new proviso is inserted which states that the FMV of an asset being land or building or both, as on 01.04.2001, shall not exceed the Stamp Duty Value of such land or building or both, as on 01.04.2001.
- ❖ **Effective from AY 2021-22**

SECTION 80 IAC

STARTUP

Existing Provision

- ❖ **Section 80IAC:** The turnover limit for exemption for an eligible start-up as defined u/s 80-IAC, was Rs 25 crores.
- ❖ Deduction can be claimed for any 3 consecutive assessment years out of 7 years beginning from the year in which the eligible start-up is incorporated.

Amended provision

- ❖ The turnover limit for exemption for an eligible start-up has been increased from INR 25 crores to INR 100 crores,
- ❖ The eligible period for which profits can be deducted for any 3 consecutive years has been extended from 7 years to 10 years.
- ❖ **Effective from AY 2021-22**

SECTION 10(35) & SECTION 57: INCOME FROM OTHER SOURCES

Existing Provision

- ❖ **Section 10 (35):** Income received from units of a Mutual Fund or by the Administrative of the Specified undertaking or specified company, was not considered as income in the hands of recipient.
- ❖ **Section 57:** Expense incurred for realizing the dividend from domestic company u/s 115O is not allowable.

Amended provision

- ❖ **Section 10(35):** A new proviso is inserted which states that any income from a units received on or after 1st June 2020 will be taxable in the hands of recipient.
- ❖ **A new proviso is inserted to section 57** which states that *no deduction shall be allowed* from the dividend income or income in respect of units of a Mutual Fund specified under section 10 (23D) or income in respect of units from a specified company under section 10(35). *However deduction on account of interest expense will be allowed . However in any previous year such deduction shall not exceed 20% of the dividend income, or income in respect of such units, included in the total income for that year.*
- ❖ **Effective from AY 2021-22**

SECTION 80EEA: **DEDUCTION IN RESPECT OF INTEREST ON LOAN TAKEN FOR HOUSE PROPERTY**

Existing Provision

- ❖ **Section 80EEA:** To avail the deduction, loan should be sanctioned by the financial institution during the period 01st April 2019 to 31st March 2020.

Amended provision

- ❖ **Section 80EEA:** The sunset period is extended till 31st March 2021
- ❖ **Effective from AY 2021-22.**

SECTION 80G:

DONATIONS TO CHARITABLE INSTITUTIONS ETC.

(INSERTION OF NEW SUB CLAUSES)

Existing Provision

- ❖ **New provision**

Amended provision

- ❖ **Section 80G(5)(viii) & (ix): The charitable institution shall be liable to prepare and furnish a prescribed statement of donations received based on which the donor shall be entitled to claim the deduction of income in lieu of his donation u/s 80G.**
- ❖ **The institution or fund will provide a certificate to the donor specifying the amount of donation in such manner and within such time from the date of receipt of donation, as may be prescribed:**
- ❖ **Effective from 1st June 2020.**

SECTION 80GGA: **DONATION FOR SCIENTIFIC RESEARCH OR RURAL DEVELOPMENT**

Existing Provision

- ❖ No deduction was allowed under this section in respect of any sum exceeding **Rs 10,000** unless such sum is paid by any mode other than cash.

Amended provision

- ❖ Threshold limit has been reduced to **Rs 2,000** from Rs 10,000.
- ❖ **Effective from 1st June 2020.**

NEW SECTION 80M DEDUCTION IN RESPECT OF INTERCORPORATE DIVIDENDS

- ❖ Domestic company will be allowed a deduction of dividend received from other domestic company in case the first domestic company further declares and distributes the dividend to its investors on or before its due date of filing return of income u/s 139(1).
- ❖ Where any deduction under this section has been allowed in any previous year, no deduction shall be allowed in respect of such amount in any other previous year.
- ❖ “due date” means the **date one month prior** to the date for furnishing the return of income under section 139(1).
- ❖ **Effective from AY 2021-22**

SECTION 115BAB

REDUCED TAX ON INCOME OF NEW MANUFACTURING DOMESTIC COMPANIES

Existing Provision

- ❖ The concessional rate of taxation u/s 115BAB was applicable to newly setup manufacturing companies for production of an article or thing.

Amended provision

- ❖ The concessional tax rate of 15% u/s 115BAB **has been extended to electricity companies.**
- ❖ **Effective from AY 2021-22**

SECTION 133A

POWER OF SURVEY

Existing Provision

- ❖ Income-tax authority is empowered to conduct survey at the business premises of the taxpayer under his jurisdiction.

Amended provision

- ❖ To prevent possible misuse of such powers it is proposed -
 - A) Where the information is received from prescribed authority, survey can only be conducted after obtaining prior approval of the Joint Director or the Joint Commissioner; and
 - B) In other cases, survey can only be conducted after obtaining prior approval of the Commissioner or the Director, as the case may be.

Effective from AY 2021-22

SECTION 254(2A) I & II PROVISO:

GRANT OF STAY BY ITAT

Existing Provision

- ❖ **First Proviso:** ITAT is vested with the power to grant a stay of demand for a maximum period of 180 days in case the taxpayer has filed an appeal before it. It is envisaged that the appeal is disposed off by ITAT in this period.
- ❖ **Second Proviso:** ITAT can extend the stay for further periods, total duration not exceeding 365 days, if it is satisfied that non-disposal of the appeal is not account of any delay attributable to taxpayer, viz. seeking repeated adjournments.

Amended provision

- ❖ **First Proviso:** Such stay may be granted only when the taxpayer deposits 20% of tax, interest, fee, penalty or any other sum payable by it or furnish security of equal amount in respect thereof
- ❖ **Second Proviso:** Stay can only be extended if ITAT is satisfied that the delay in disposal of appeal is not caused by the taxpayer and he has deposited 20% of amount of tax, interest, fee, penalty or any other sum payable by him or furnish a security of equal amount in respect thereof.
- ❖ Total stay duration shall not exceed 365 days.
- ❖ **Effective from AY 2021-22**

OTHER PROVISIONS RELATED TO APPEAL & ASSESSMENT

Existing Provision

- ❖ **Section 143(3A)** : Under the current provisions, E-assessment scheme is applicable to regular scrutiny assessment i.e. under section 143(3).
- ❖ **Section 144C {Dispute Resolution Panel (DRP)}**:

Where the tax officer intended to make any variation in assessment proceedings in respect of income or loss of an eligible taxpayer, a draft order passed in the first instance can be objected before a DRP. The scheme is an alternate to filing an appeal before the Commissioner (Appeals).

Eligible taxpayer includes a

- person where Transfer Pricing adjustments have been made; and
- a foreign company

Amended provision

- ❖ **Section 143(3A)** : E-assessment scheme to be extended to Best judgement assessment under section 144.
- ❖ **Section 144C {Dispute Resolution Panel (DRP)}**:

It is proposed to include all cases which are prejudicial to the interest of the taxpayer and not necessarily restricted to income or loss - viz. difference in opinion on tax rates.

Eligible taxpayer has been expanded to include a non-resident, other than a company, as well.

Effective from AY 2021-22

OTHER PROVISIONS RELATED TO APPEAL & ASSESSMENTS

Existing Provision

- ❖ **Section 250(6A) {E-appeal}** : In the current regime, only appeal before Commissioner (Appeals) can be filed online but the proceedings are neither electronic nor faceless.
- ❖ **Section 274 (2A): New**
- ❖ **Section 115A:** It determines tax for non residents whose total income consists of
 - a) certain dividend or interest income
 - b) royalty or fees for technical services (FTS)

The current provisions of Section 115A relieves non residents from filing of return if it is not liable to pay tax ,if income consists of Dividend and Interest Income only and TDS has been deducted on such income.

Amended provision

- ❖ **Section 250(6A) {E-appeal}** : Proposed to bring a scheme for E-appeal proceedings before Commissioner (Appeals) to impart greater accountability, efficiency and transparency
- ❖ **Section 274 (2A):** New sub section is inserted to provide for E-penalty proceedings in line with E-assessment proceedings. (This amendment will take effect from the April 1, 2020)
- ❖ **Section 115A:** The benefit of not filing the return by a non-resident has been extended in case income consists of Royalty income and FTS and TDS has been deducted on such income. However, where rate of TDS is lower as per the relevant DTAA, exemption from filing tax return is not available.
- ❖ **Effective from AY 2021-22**

SECTION 192

TDS ON EMPLOYEES STOCK OPTION PLAN

(ESOP) FOR STARTUPS

Existing Provision

- ❖ **New provision**

Amended provision

In case of shares allotted by an eligible start-up to an employee under ESOP, tax on perquisite under section 17(2) in the hands of employee shall be payable within 14 days:

- of expiry of 48 months from the end of the relevant AY; or
- from the date of the sale of such shares allotted under ESOP; or
- from the date on which the Assessee ceases to be the employee of that start-up.

whichever is the earliest.

No amendment has been made in section 17(2)(vi) of the Act to defer the taxability. Only the collection/ payment of tax has been deferred. It remains to be seen how this would be disclosed in the tax returns.

Effective from AY 2021-22

SECTION 194J

TDS ON FEE FOR PROFESSIONAL AND TECHNICAL SERVICES

Existing Provision

- ❖ Under section 194J, tax is to be deducted at the rate of 10% on fee payable for professional services, or fee for technical services by any person, other than individual or HUF .

Amended provision

- ❖ **It is proposed to reduce the rate for TDS in case of fee for technical services to 2%.**
- ❖ **The rate would remain 10% in case of professional services, royalty and other services.**
- ❖ **Effective from AY 2021-22**

SECTION 194C

CHANGE IN DEFINITION OF “WORK”

Existing Provision

- ❖ “Work” includes manufacturing or supplying a product according to the requirement or specification of a customer by using material received from such customer.

Amended provision

- ❖ It has now been proposed to include within the ambit of definition of “work” - manufacturing or supplying a product according to the requirement or specification of a customer by using material received from associate of the customer (as defined under section 40A(2)(B))
- ❖ Effective from AY 2021-22

SECTION 194A

TDS ON INTEREST OTHER THAN INTEREST ON SECURITIES

Existing Provision

- ❖ Co-operative society was not liable to deduct TDS on payment of Interest to its members or to any other Co-operative society.

Amended provision

- ❖ **Co-operative society shall be liable to deduct TDS @10% on payment made to its member or any other Co-operative society if:**
 - **The gross turnover of the co-operative society exceeds Rs 50 crore during immediately preceding FY And**
 - **The interest payable for the FY exceeds Rs. 50,000 in case of senior citizen and Rs. 40,000, in any other case.**

Effective from AY 2021-22

NEW SECTION 194K

TDS ON INCOME FROM MUTUAL FUNDS

Existing Provision

- ❖ New provision

Amended provision

Any person responsible for paying income exceeding Rs 5,000 in respect of the following, shall deduct TDS @ 10%-

(a) units of a Mutual Fund specified under section 10(23D); or

(b) units from the Administrator of the specified undertaking; or

(c) units from the specified company

Tax shall be deducted at the time of,

(a) Credit of such income to the account of the payee

(b) Payment thereof by any mode

whichever is earlier

Effective from AY 2021-22

NEW SECTION 194O TDS ON PAYMENT OF CERTAIN SUMS BY E- COMMERCE OPERATOR

Existing Provision

- ❖ New provision

Amended provision

E-commerce operator shall deduct TDS @1% of the gross amount of sales or services or both, made to E-commerce participant (seller) . Tax shall be deducted at the time of credit or payment for sale or services by any mode whichever is earlier.

Explanation : *Any payment made by a purchaser of goods or recipient of services directly to an e-commerce participant for the sale of goods or provision of services or both, facilitated by an e-commerce operator, shall be deemed to be the amount credited or paid by the e commerce operator to the ecommerce participant and shall be included in the gross amount of such sale or services for the purpose of TDS.*

Effective from AY 2021-22

NEW SECTION 194 TDS ON PAYMENT OF DIVIDEND

Existing Provision

- ❖ Currently, No TDS was deducted for payment of dividend u/s 115O.
- ❖ The aggregate threshold limit was Rs 2,500 in case of dividend paid other than under Section 115O.

Amended provision

Dividend paid by Indian companies, to a shareholder, who is resident in India, shall be subjected to TDS @ 10% if the dividend amount paid during the FY exceeds Rs. 5,000 .

Effective from AY 2021-22

SECTION 206C **WIDENING THE SCOPE OF TCS**

New Provision

A. Tax shall be collected at source at the rate of 5% on following transactions:

- a. **Sale of overseas tour package** – TCS compliance to be done by seller of overseas package. No minimum threshold prescribed.
- b. *Remittance of Rs. 7 lakhs or more in a financial year outside* India under LRS Scheme of RBI
 - TCS compliance to be done by banker through which remittance is made.

In case PAN/Aadhar is not available TCS shall be done at the rate of 10%.

The above TCS provision shall not apply if the buyer in a & b above 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 or any other person notified by the Central Government in the Official Gazette.

Effective from AY 2021-22

SECTION 206C
WIDENING THE SCOPE OF TCS
[CONTD..]

New Provision

B. Every person being seller, shall collect TCS at the rate of 0.1% from the buyer in case of sale of any goods other than the goods covered in 206C(1),(1F) & (1G), if consideration received during the previous year exceeds Rs. 50 lakh.

In case PAN/ Aadhar is not available, TCS shall be done at the rate of 1%.

TCS shall not be collected in the following situations :

- a) If the turnover of the Assessee is less than Rs. 10 Crores in the immediately financial year in which the sale of goods is carried out ; or
- b) From Central Government, a State Government and an embassy, a High Commission, legation, commission, consulate, the trade representation of a foreign State, a local authority or any other person as the Central Government may, by notification in the Official Gazette; or
- c) If the seller is liable to collect TCS under other provisions of section 206C or the buyer is liable to deduct TDS under any provision of the Act and has deducted such amount.

Effective from AY 2021-22

OTHER AMENDMENTS

Existing Provision

- ❖ **Section 80 IBA:** Where the gross total income of an assessee includes any profits and gains derived from the business of developing and building affordable housing projects, deduction of 100% of the profits and gains is allowed, subject to the condition that the project should be approved on or before March 31, 2020
- ❖ **Section 80 EEA:** Deduction of interest upto Rs. 150,000 on loan taken from any financial institution for acquisition of an affordable residential house property is permitted, provided loan has to be sanctioned on or before March 31, 2020.

Amended provision

- ❖ **Section 80 IBA:** The period for getting the project approved is extended to March 31, 2021.
- ❖ **Section 80 EEA:** Loan sanction period is extended to March 31, 2021.
- ❖ **Effective from AY 2021-22**

OTHER AMENDMENTS

Existing Provision

- ❖ **Section 194LC:** Concessional rate of TDS of 5% is applicable on interest paid to non-residents on monies borrowed under a loan agreement or by issue of long-term borrowing on bonds including long-term infrastructure bonds or by issue of Rupee denominated Bonds (RDB) before July 1, 2020.
- ❖ **Section 194LD:** Concessional rate of TDS of 5% is applicable on interest payments to Foreign Institutional Investors (FII) and Qualified Foreign Investors (QFIs) on investment in Government securities and RDB of an Indian company subject to the condition that interest should be payable on or before July 1, 2020.

Amended provision

- ❖ **Section 194LC:** The period is extended to July 1, 2023.
- ❖ Rate of TDS shall be 4% on the interest payable to a non-resident on monies borrowed in foreign currency from outside India, by way of issue of any long-term bond or RDB on or after April 1, 2020 but before July 1, 2023.
- ❖ **Section 194LD:** The period is extended to July 1, 2023.
- ❖ Rate of TDS at 5% shall also apply to interest payable, on or after April 1, 2020 but before July 1, 2023, to an FII or QFI in respect of the investment made in Municipal debt security.
- ❖ Effective from AY 2021-22

OTHER AMENDMENTS

Existing Provision

- ❖ **Section 234G:** New
- ❖ **Section 271K:** New

Amended provision

- ❖ **Section 234G:** Where research association, university, college fails to deliver a statement or furnish a certificate within the time OR
- ❖ **Institution or fund fails to deliver statement within time prescribed u/s 80G**

It shall be liable to pay fees of Rs. 200 per day for the period of delay.

- ❖ **Section 271K:** Where research association, university, college fails to deliver a statement or furnish a certificate within due date. OR
- ❖ **Institution or fund fails to deliver statement within time prescribed u/s 80G**

Assessing officer may direct to pay a sum of not less than Rs.10,000 which may extend to Rs. 1 lakh.

Effective from 1st June 2020.

OTHER AMENDMENTS

Existing Provision

- ❖ **Section 203AA {Furnishing of statement of tax deducted}** : Form 26AS specifies only the amount of tax deducted

Amended provision

- ❖ **A new Section 285BB inserted :**

Form 26AS shall provide multiple information (such as sale/purchase of immovable property, share transactions, TDS, etc)

Effective from June 1, 2020.

OTHER AMENDMENTS

Existing Provision

- ❖ **Section 271AAD: New**

Amended provision

New Section 271AAD inserted {Penalty for false entry, etc. in books of account}

It provides for penalty in case it is found that the books of accounts contain a false entry or an omission which leads to evasion of tax liability. The AO is empowered to direct the assessee to pay by way of penalty a sum equal to 100% of the amount of such false or omitted entry.

- ❖ **Effective from AY 2021-22**

THANK YOU

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