

Budget Circular
Finance Bill, 2020

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CHARTERED ACCOUNTANTS

DIRECT TAX

The Hon'ble Finance Minister has presented The Finance Bill 2020 on 01.02.2020. The broad proposals under direct taxation applicable for income earned during the financial year 2020-21, assessable in the assessment year 2021-22 are as below:

▪ Rates of Income tax

There is no change in the rate of Corporate income-tax.

Personal Income Tax will now have two regimes of taxation structure:

Old Regime

No change in existing provisions

New Regime

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%

But the adoption of the new regime is subjected to the following conditions being fulfilled by the Individual or HUF:

- No claim of exemption or deduction under the provisions of 10(5), 10(13A), 10(14), 10(17), 10(32), 10AA, 16, 24(b), 32(1)(ia), 32AD, 33AB, 33ABA, 35(2AA)(1)(ii), 35(2AA)(1)(ia), 35(2AA)(1)(iii), 35AD, 35CCC, 57(ia)
- No deduction under the provisions of Chapter VI-A other than provisions of 80CCD(2) and 80JJAA
- No set-off of any loss carried forward or depreciation from earlier year
- No set-off of any loss under the head "income from house property" with any other head
- Without any exemption or deduction for allowances or perquisite by whatever name called

▪ Surcharge on Income Tax

There is no change in Surcharge on Income Tax.

▪ **Residence in India**

An individual will be said to be a resident in India if having within four years preceding that year been in India for a period or periods amounting in all to 365 days or more and is in India for a period or periods amounting in all to 120 days or more in that year.

An individual, being a citizen of India, shall be deemed to be resident in India in any previous year, if he is not liable to tax in any other country or territory by reason of his domicile or residence or any other criteria of similar nature.

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

- (a) an individual who has been 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

▪ **Perquisite Value - Contribution by Employer**

Perquisite will now include the amount or the aggregate of amounts of any contribution made to the account of the assessee by the employer :

- (a) in a recognised 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 seven lakh and fifty thousand rupees in a previous year;

▪ **Non-Speculative transaction on trading in commodity derivatives**

Non-Speculative transaction on trading in commodity derivatives will only be considered eligible if carried out in a recognized stock exchange.

Recognised stock exchange means a recognised stock exchange as referred to in clause (f) of section 2 of the Securities Contracts (Regulation) Act, 1956 and which fulfils such conditions as may be prescribed and notified by the Central Government for this purpose.

▪ **Value adopted by the authority for purpose of stamp duty**

The sections 43CA, 50C and 56(2)(x) has been amended to now provide that the sale amount received will be taken to be full value of consideration if the value adopted by authority for purpose of stamp duty does not exceed one hundred and ten percent of the amount received.

▪ **Criteria for Tax Audit**

Section 44AB has been amended to now provide relief to small and medium enterprises carrying on business and whose total sales, turnover or gross receipts as the case may be in business does not exceed five crore rupees.

Provided that in the case of such a person–

(a) aggregate of all amounts received including amount received for sales, turnover or gross receipts during the previous year, in cash, does not exceed five per cent. of the said amount; and

(b) aggregate of all payments made including amount incurred for expenditure, in cash, during the previous year does not exceed five per cent. of the said payment.

▪ **Fair Market Value for Land or Building or both as on 1st April 2001**

Section 55 has been amended to provide that the cost of the Capital Asset being land or building or both acquired prior to 01.04.2001 shall be taken at fair market value as on 01.04.2001, however, the said value cannot exceed the Stamp Duty value as on 01.04.2001, wherever available.

▪ **Deduction with respect to dividend income and income from mutual fund units**

No deduction shall be allowed from the dividend income, or income in respect of units of a Mutual Fund specified under clause (23D) of section 10 or income in respect of units from a specified company defined in the *Explanation* to clause (35) of section 10, other than deduction on account of interest expense, and in any previous year such deduction shall not exceed twenty per cent of the dividend income, or income in respect of such units, included in the total income for that year, without deduction under this section.

▪ **Tax incentives for affordable housing**

Section 80EEA in the Act is amended so as to provide a deduction in respect of interest up to one lakh fifty thousand rupees on loan taken for residential house property from any financial institution subject to the condition that the loan has been sanctioned by a financial institution during the period starting from 1st April 2019 and ending on 31st March 2021.

▪ **Amendment to Section 80GGA for Deduction in respect of donation for scientific research or rural development**

No deduction shall be allowed under this section in respect of any sum exceeding two thousand rupees unless such sum is paid by any mode other than cash.

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

▪ **Changes under section 80IAC for claiming deduction by a start-up**

The time limit for claiming deduction under sub-section (1) of Section 80IAC the eligible startup has been extended to ten years from the date of incorporation.

The total turnover of the business for claiming deduction under this section should not exceed 100 crore rupees in the previous year in which deduction is to be claimed.

▪ **Deduction in respect of profits and gains from housing projects**

Section 80IBA in the Act is amended so as to provide deduction in respect of income from business of affordable residential house property subject to the condition that the project is approved during the period starting from 1st June 2016 and ending on 31st March 2021.

▪ **Deduction in respect of certain inter-corporate dividends**

A new section 80M is inserted that states “Where the gross total income of a domestic company in any previous year includes any income by way of dividends from any other domestic company, there shall be allowed in computing the total income of such domestic company, a deduction of an amount equal to so much of the amount of income by way of dividends received from such other domestic company as does not exceed the amount of dividend distributed by the first mentioned domestic company on or before the due date.” The expression “due date” means the date one month prior to the date for furnishing the return of income under 5 sub-section (1) of section 139.

▪ **Charitable Trust/institution**

All existing Charitable Trust/Institution registered u/s 12AA of Income Tax Act,1961 will be required to get itself registered a fresh within 3 months after 1st April,2020. The registration u/s 12AA will be for 5 years only and will have to be renewed every 5 years.

Further every Charitable Trust/Institution has to furnish a statement under section 35 and 80G within the time limit prescribed. In case of failure to furnish the same a Fees @ 200/- per day has to be paid during which the default continues. Please note that, this fee is in addition to new penalty inserted for such failure under section 271K not less than ten thousand rupees but which may extend to one lakh rupees.

▪ **Dividend Distribution Tax**

Dividend distribution tax on dividend distributed by domestic companies on or after 1st April 2020 has been abolished.

▪ **Due date for filing of Income Tax Return u/s 139(1)**

Due date for filing of Income Tax Return for

- a company, or
 - a person whose accounts are required to be audited under this Act or under any other law for the time being in force, or
 - a partner of a firm whose accounts are required to be audited under this Act or under any other law for the time being in force
- will be 31st day of October.

However, the **due date for furnishing of Tax Audit Report or any other report** required under Income Tax Act continues to be **30th September**.

▪ **TDS on Dividend**

TDS on dividend shall now be deducted at the rate of 10% provided the aggregate of dividend to be distributed to the shareholder by the company exceeds 5,000 rupees in a single financial year.

▪ **TDS on Technical Services u/s 194J**

TDS on technical services u/s 194J is now to be deducted at the reduced rate of 2%.

▪ **TDS on Income from Mutual Fund u/s 194K**

TDS on income distributed in relation to units of Mutual Fund shall now be deducted at 10% if such income exceeds 5,000 rupees in a single financial year.

▪ **TDS u/s 194-O for E-commerce business**

TDS has to be deducted by E-commerce operator at the time of credit of amount of sale or services or both to the account of an e-commerce participant or at the time of payment thereof to such e-commerce participant by any mode at the rate of 1%.

▪ **Employee Stock Option Plan**

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:

- Tax on perquisite as income from salary at the time of exercise
- Tax on income from capital gain at the time of sale

TDS by the start-up Employer on the perquisites given to the employee shall be deducted within 14 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 earlier

▪ **26AS replaced with Annual Information Statement**

The Provision of Furnishing of statement of tax deducted at source by Income Tax Authority i.e., Form 26AS has been omitted with effect from the 1st day of June, 2020 and the same may be taken from Annual Information Statement being newly inserted by section 285BB vide which the prescribed income-tax authority or the person authorized by such authority shall upload in the registered account of the assessee an annual information statement in such form and manner, within such time and along with such information, which is in the possession of an income-tax authority, as may be prescribed.

▪ **Newly inserted TCS related provisions**

Person	Nature of transaction	Monetary limit	When	Rate
Authorized Dealer	Remittance out of India from a buyer being a person remitting such amount out of India under the Liberalized Remittance Scheme of the Reserve Bank of India	Seven lakh Rupees or More	At the time of debiting the amount payable by the buyer or at the time of receipt of such amount from the said buyer	5%
Seller of an overseas tour program package	Person who purchases such package	Any Amount		5%

Provided that the above provision shall not apply, if the buyer is

- (i) liable to deduct tax at source under any other provision of this Act and has deducted such amount;
- (ii) the Central Government, a State Government, an embassy, a High Commission, a legation, a commission, a consulate, the trade representation of a foreign State, a local authority as defined in the 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 such conditions as may be specified therein.

▪ **TCS on Sale of Goods**

A new section 206C(1H) has been inserted where a seller of goods has to collect tax at source at the time of receipt of money from the buyer at the rate of 0.1% provided the aggregate amount of sale exceeds fifty lakh rupees in a single financial year. In case of failure to provide Aadhar Number or PAN, the rate of collection shall be 1%.

The above provisions shall not apply, if the buyer is liable to deduct tax at source under any other provision of this Act and has deducted such amount.

Further the meaning of seller means a person whose total sales, gross receipts or **turnover from the business carried on by him exceed ten crore rupees** during the financial year immediately preceding the financial year in which the sale of goods is carried out, not being a person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein.

▪ **Fees for delay in furnishing statement under section 35 and 80G**

In the case of failure to furnish a statement under section 35 and 80G within the time limit prescribed, a new section 234G is proposed to be inserted which states that the assessee shall be liable to pay, by way of fee, a sum of two hundred rupees for every day during which the failure continues. Please note that, this fee is in addition to new penalty inserted for such failure under section 271K not less than ten thousand rupees but which may extend to one lakh rupees.

▪ **Faceless Appeal and Penalty Proceedings**

New provisions proposed to be inserted to enable faceless appeal and penalty proceedings.

▪ **Penalty for false entry or omission of entry**

Penalty to the tune of a sum equal to the aggregate amount of false or omitted entry will be levied if during any proceedings under Income Tax Act it is found that the books of Account maintained by the person there is a false entry or an omission of any entry which is relevant for computation of total income of such person.

▪ **Vivad se Vishwas Scheme**

The Finance Minister has proposed to launch an amnesty scheme under Income Tax for all disputed appeal matters in order to provide relief to the assessee. Under the scheme the assessee has been directed to pay the 100% of the disputed tax demand within 31st March 2020 or within 30th June 2020 with an additional amount in order to benefit under the scheme. The details of the scheme are yet to be notified.

THANK YOU

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