

UNION BUDGET

2020-2021

“ THE ECONOMIC IMPETUS

Economic Essor

India is now the **5th** largest economy in the world



FDI has increased to **\$284** billion during the period 2014-19 as compared to \$190 billion during 2009-14



Central Government Debt has reduced to

48.7% of GDP in

March, 2019 as compared to 52.2% in March, 2014

India's ranking in the Travel and Tourism Competitive Index has risen from 65 in

2014 to **34** in 2019.



Fiscal Deficit is estimated at 3.8% in the revised estimate 2019-20 and is expected to stabilize at **3.5%** in 2020-21.



India's Ease Of Doing Business Ranking by the World Bank has improved from 80 in 2018 to **68** in 2019



Direct Tax Revamped

New Tax Regime (Individual and HUF):

INCOME	PRESENT	PROPOSED
Rs 0 - 2,50,000	NIL	NIL
Rs 2,50,001 - 5,00,000	5%	5%
Rs 5,00,001 - 7,50,000	20%	10%
Rs 7,50,001 - 10,00,000	20%	15%
Rs 10,00,001 - 12,50,000	30%	20%
Rs 12,50,001 - 15,00,000	30%	25%
Above Rs 15,00,000	30%	30%

- The above proposed structure is not subject to deductions under Chapter VI A **except for deduction u/s 80CCD(1) & 80JJA** under the Income Tax Act, 1961.
- The proposed new Tax Regime is optional for taxpayers i.e. he/ she may choose to pay tax at the present rates and avail deductions under Chapter VI A.
- An Assessee having **no Business Income** can choose either the **present** or **proposed** regimes **every year** after analysing the more **beneficial** option
- However, if an Assessee has **Business Income** he/ she can **withdraw** from the option so exercised **only once** and cannot change thereafter.

Illustration: Mr A earns salaried income of Rs 20 Lakh per annum, he also has investments under section 80 C for Rs 1,00,000 and section 80 D for Rs 10,000 and has HRA and LTA exempt upto Rs 80,000.

PARTICULARS	PRESENT	PROPOSED
Gross Salary	20,00,000	20,00,000
Less: Exemption u/s 10 (13A), 10 (5)	(80,000)	-
Less: Standard Deduction u/s 16	(50,000)	-
Net Salary	18,70,000	20,00,000
Less: Chapter VI A deductions		
u/s 80 C	(1,00,000)	-
u/s 80 D	(10,000)	-
Net Taxable Income	17,60,000	20,00,000
Tax Liability on the above Income		
Rs 2.5 L - 5 L	12,500	12,500
Rs 5 L - 7.5 L	50,000	25,000
Rs 7.5 L - 10 L	50,000	37,500
Rs 10 L - 12.5 L	75,000	50,000
Rs 12.5 L - 15 L	75,000	62,500
Rs 15 L and above	78,000	1,50,000
Total Tax Liability	3,40,500	3,37,500
Ranking	2	1

- In the above illustration the tax payable under the proposed Tax Regime is more beneficial to the Assessee.
- However, it is advisable to compute the tax liability under both the regimes as the benefit derived may differ for different Assesseees.

Corporate Tax Rates

- Concessional corporate tax rate @ **15%** available for New Domestic **Manufacturing** companies is now extended to cover the **Power sector**.
- The reduced tax rate @ **22%** is applicable for **other** Domestic companies.

Dividend Distribution Tax (DDT)

- DDT stands **abolished** from 1st April, 2020
- Dividend will now be taxed in the hands of the recipient and not the company.
- Furthermore, **TDS u/s 194** has to be deducted by the **Mutual Fund and Company** on payment of dividend to its **Unit Holder** in excess of Rs **5,000 p.a.** @ **10% p.a.** and **no TDS** is required to be deducted by the Mutual Fund or Company on income which is in the nature of **Capital Gains**.

Start-ups

- Eligible Start-ups having turnover less than Rs 100 crore as against Rs 25 crores earlier can claim **deduction of 100% profits** under section 80 IAC for a period of **3 consecutive years** out of the **first 10 years**

Meaning of eligible start-ups under section 80 IAC

Company/ LLP engaged in innovation, development, deployment of new products, processes or services driven by technology or Intellectual property and which fulfils the following conditions

1. **Incorporated** after **01-4-2016** but before **01-04-2019**
 2. Total **turnover not exceeding 100 crore** in any PY between 01-04-2016 and 31-03-2021
 3. Holds a **certificate** of eligible business from the **Inter-ministerial Board of Certification**.
- **TDS** on allotment of shares under ESOP by an eligible start-up shall be deducted within **14 days** of:
 1. **48 months** from the **end** of the **relevant Assessment Year** in which such option was exercised; **or**
 2. **Sale** of such shares by the employee; **or**
 3. **Date** on which the Assessee **ceases** to **exist** as an **employee** of the organization;**whichever is earlier.**

Tax Audit for MSME's

- Turnover limit for requirement of audit of books of accounts u/s **44 AB** of the Income Tax Act, 1961 has been increased from Rs 1 crore to Rs **5 crore** for MSME's
- The new provision is applicable only if,
 1. Cash Receipts \leq **5%** of Total Receipts; **and**
 2. Cash Payments \leq **5%** of Total Payments

} Inclusive of Capital Receipts/
Payments
- **Due date** to furnish **Tax Audit** Report continues to remain at **31st September** but **due date** to file **ITR** is **extended to 31st October** of the relevant AY.

Section 271AAD:

- Introduced in the Union Budget, 2020 relating to **penalty** for:
 - A. False entry
 - B. Omission of any entry relevant for the purpose of computation of Total Income
- Penalty: A sum which is **equal** to the **aggregate amounts** of such **false entries** or **omitted entry**.

Section 269SU:

- Applicable to a person whose turnover **exceeds 50 crore** in the **immediately past PY**
- CBDT has notified the prescribed modes of payment that is to be made available from **1st January, 2020**:
 - a. Debit Card powered by **RuPay**
 - b. Unified Payments Interface (**UPI**)
 - c. UPI Quick Response Code (**UPI QR Code**)

Capital Gains

- In case of purchase of Capital Asset (**Land & Building**) before 01-04-2001, Cost of Acquisition should be taken as: (Wherever SDV is availableApplicable from 1-04-2020)
 - A. Fair Market Value as on 01-04-2001; or
 - B. Stamp Duty Value as on 01-04-2001

} Whichever is lower

Capital Gains (contd.)

- The **Full Value of Consideration** on transfer of capital asset would be:

Situ ations	Sale Consideration (S.C)	110% of sale consideration	Stamp Duty Value (SDV)	Full Value of Consideration
1	60,00,000	66,00,000	67,00,000	67,00,000
2	60,00,000	66,00,000	66,00,000	60,00,000
3	60,00,000	66,00,000	61,00,000	60,00,000

Note: SDV at the time of transfer is taken as full value of consideration if it exceeds 110% of actual sale consideration. Hence, if **SDV >110% of Actual S.C** then **SDV is considered, otherwise Actual S.C is considered**

Charitable Institutions

- All charitable institution registered u/s 80G shall be required to **upload a statement of donations** received in such form & manner as may be prescribed.
- The benefit of 80G shall be available to donors on the basis of information relating to donation furnished by the corresponding charitable trust or institution.
- In order to claim Income Tax exemption u/s 12 AA, a charitable institution must be registered online and subsequently a **URN** will be issued (Unique Registration Number)
- All existing registrations u/s 12AA and u/s 80G are required to **re-validate** their **existing registrations** by filling the required forms within **3 months** as prescribed.
- To encourage the establishment of new Charitable Institutions, a **Provisional Registration** for **3 years** has been proposed.
- Hospitals, schools and colleges registered u/s **10 (23C)** and u/s **12AA** can apply for **re-validation** under **either** of the above sections, **not both**.

Co-operative Society

- Tax** rates for Co-operative Society has been **reduced** to **22%** of taxable business income without deduction, against 30% previously
- Alternative Minimum Tax (**AMT**) u/s 115 JC stands **abolished** from 01-04-2020

Tax Deducted at Source (TDS)



Section 194 J:

	Present	Proposed
TDS on Professional Services	10%	10%
TDS on Technical Services	10%	2%

*The above rates are applicable from **01-04-2020**

Section 194 LC:

Concessional deduction of TDS @ **5%** on **interest payable** to **Non- Resident** on investments made in **bonds** of **Domestic Companies** and **Business Trusts** has been extended until 01-07-2023

Section 194 LD:

Concessional deduction of TDS @ **5%** on **interest payable** to **Foreign Portfolio Investors** and Qualified Foreign Investors in respect of **bonds** issued by **Domestic Companies, Government Securities** and **Municipal Bonds** has been extended until 01-07-2023

Section 194 O:

E-Commerce operators are required to deduct TDS @ **1%** on sale done by business participants registered under their platform applicable from **01-04-2020**

Tax Collected At Source (Section 206 C):

Foreign Remittance:

Remittance through **Liberalised Remittance Scheme (LRS)** of RBI, remittance in excess of **Rs 7 L** for **Investment/ Expenditure** purpose in a financial year, the **AD Bank** is required to **collect tax** at source at **5%** at the **time of remittance** and 10% if the remitter does not have a PAN

Sale of Overseas Tour Packages:

The seller of such tour packages are required to **collect taxes** at **5%** and 10%(no PAN) on **all monies** received from **buyers** for the tour **package**. Package to include expense for travel, stay and other related expenses

Sale of goods above a specified limit:

An Assessee who's gross turnover from business **exceeds Rs 10 crore** in the FY immediately preceding the FY, is required to collect tax @ **0.1%/ 1%**(Non-PAN) where **consideration received** is in **excess** of **Rs 50 L** in the FY.

Vivad Se Vishwas Scheme:

This scheme has been introduced as a dispute resolving mechanism. The disputed amounts would be treated as under:

	Disputed Tax Payable	Dispute related to penalties, interest or fee
If paid before 31-03-2020	100% of disputed tax and complete waiver of Interest and Penalty	25% of disputed penalty, interest or fee
If paid before 30-06-2020	110% of disputed tax (excess 10% is limited to relevant interest and penalty, if any)	30% of disputed penalty, interest or fee

Digitally Simplified

- **Instant allotment** of **PAN** based on Aadhar Card
- Face-less (e-proceedings) have been introduced for Appeals before the CIT
- Mandatory **pre-deposit of 20%** of demand for filing an **appeal** before ITAT

Residential Status

Deemed Resident:

Any Indian Citizen who is **not liable to tax in any other country (including tax havens)** shall be **deemed** to be a **Resident** of India

Revised Parameters for determination of Residential Status

1. A person who is an **India Citizen/ of Indian Origin** staying outside India visits India and his stay exceeds **120 days** (as against 182 days earlier) shall be treated as a **Resident** of India for the purpose of Income Tax Act, 1961.
2. An Assessee shall be treated as a **Resident but Not Ordinarily Resident (RNOR)** if he has been a Non- Resident for **7 out of 10 Preceding PY** as against 9 out of 10 Preceding PY.

Indirect Tax Refined

GST Return Filing

Simplified Processes:

- A new simplified GST Return is proposed to be introduced from 01-04-2020. The simplified return includes:
 1. **SMS** based filing for NIL Returns
 2. **Pre-filled** returns
 3. **Automated re-conciliation** at Invoice level with Input Tax Credit
- Fully **automated refund** process
- Introduction of **QR Code** for consumer invoicing to **capture** all relevant **GST parameters**.

Other Reforms:

- Nominal health cess to be charged on imports of medical equipment.
- Custom Duty reduced to **5%** on news print and light-weight coated paper.
- Rise in Excise Duty on cigarettes and other tobacco products.
- Import Duty on footwear and furniture to be increased from 5% to **35%** and **25%** respectively
- **Time** to avail **input tax credit** on debit notes to be reckoned from “**date of debit note**”, not from the invoice date relating to such debit note.

Other Reforms

100 new airports to be developed by 2024 to support the UDAAN scheme.



5 new smart cities to be set up under PPP arrangement



India all geared up to host the **G-20** Summit in **2022** on the occasion of 75th year of Independence.

Deposit insurance coverage for a depositor in case of failure by the bank has been increased from 1L to **5L per depositor.**



NIRVIK Scheme for higher credit disbursement, higher insurance coverage, reduction in premium for small exporters and simplified procedure to claim settlements.

National Logistics Policy to be released to create a single-window e-logistics market



A part of the government's stake in **LIC** and its remaining stake in **IDBI** is proposed to be dis-invested through **IPO** and **Stock Exchange**, respectively



Digital Refund of Duties and Taxes levied by the government on **exporters** (such as electricity duties and VAT on fuel used for transportation) has been proposed.



Monetisation of at least 12 lots of highway bundles of over

6000 km before 2024



100% tax exemption for interest, dividend and capital gains income to Sovereign Wealth Fund of Foreign Governments for investment made in Infrastructure/ notified priority sectors before 31st March, **2024** with a minimum lock-in period of **3 years**





THANK YOU

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