

Finance Bill, 2020

Key Highlights & Impact

(For Internal Circulation Only)

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**FINANCE
BILL**

Note: This draft is meant for private circulation only to the clients of Shiv & Associates, to provide a quick glimpse of the important changes introduced by Finance Bill, 2020 and should not be used in any quasi-judicial or judicial proceedings. The purpose of this draft is only educational in nature to explain the changes introduced in a summarized and simpler language and should not be considered as legal/ professional advise. The applicability of each provision has to be ascertained on case to case basis. It is recommended to refer your tax consultant for any legal or professional advise.

1. NEW INCOME TAX REGIME FOR INDIVIDUAL/ HUF

Individual & HUF given **option** to pay tax at a lower rate, provided they give away exemptions and deductions

Tax Slab	Existing	New Tax Regime
Up to Rs. 2.5 lakhs	Nil (No change)	
Rs.2.5 lakhs – 5 lakhs (No tax for individual with income up to Rs. 5 lakhs)	5% (No change)	
Rs. 5 lakhs – 7.5 lakhs	20%	10%
Rs. 7.5 lakhs – 10 lakhs	20%	15%
Rs. 10 lakhs – 12.5 lakhs	30%	20%
Rs. 12.5 lakhs – 15 lakhs	30%	25%
Above Rs. 15 lakhs	30% (No change)	

Example of deductions/ exemptions not available under New Tax Regime includes-

- House Rent Allowance- Sec 10(13A)
- Standard Deduction- Section 16
- Interest on House Property- Section 24
- Leave Travel Concession- Section 10(5)
- Exemption in respect of free food & beverages through vouchers (such as Sodexo)
- Deductions under Chapter VIA like Section
 - 80C/ 80CCC- Investments / Insurance Premium
 - 80CCD- Pension Contribution (except employer contribution)
 - 80EE- Interest on House Loan
 - 80D- Medical Insurance
 - 80TTA- Interest on Savings Account
 - 80G- Donation

Amendments	Remarks
<ul style="list-style-type: none"> • Individual/ HUF not having business income can exercise this option separately for each year. • For business income, option once exercised is valid perpetually unless the person withdraws it. Option once withdrawn, can not be exercised again. 	<ul style="list-style-type: none"> • Important to cautiously evaluate the two options, before opting for one.

2. TAX ON COOPERATIVE SOCIETIES

Amendments	Remarks
<ul style="list-style-type: none"> Cooperative societies now also given option to pay Income Tax @ 22% (plus surcharge and cess) without availing exemptions and deductions. Alternate Minimum Tax shall not be applicable on such cooperatives. 	<ul style="list-style-type: none"> In line with concessional tax rates announced for companies. Option once opted can not be withdrawn later on.

3. TAX ON COMPANIES

Amendments	Remarks
<ul style="list-style-type: none"> Concessional tax rate of 15%, earlier applicable for new manufacturing companies, now extended to new power generation companies. 	<ul style="list-style-type: none"> Concessional Tax rate of 22% (plus surcharge and cess) for other companies already announced in September 2019.

4. ABOLITION OF DIVIDEND DISTRIBUTION TAX

Amendments	Remarks
<ul style="list-style-type: none"> Companies and Mutual Funds no longer required to pay tax on dividend declared by them. TDS shall be deducted on dividend @ 10% on dividend payment >Rs. 5,000 in a year. Dividend shall be taxable in the hands of receiver as per their income tax slab rate. 	<ul style="list-style-type: none"> Beneficial for persons in lower tax bracket, but will increase tax burden for persons in higher tax brackets. Interest expense to the extent of up to 20% can be claimed as deduction against dividend income. No cascading effect in case of holding companies (Sec 80M)

5. SAFE HARBOUR ON PROPERTIES INCREASED TO 10%

Amendments	Remarks
<ul style="list-style-type: none"> Sale Value of property can now vary by 10% (earlier 5%) of the Stamp Duty Value without attracting additions in income u/s 50C and 56(2). 	<ul style="list-style-type: none"> A relief for tax payers where market value of properties are below circle rates.

6. VALUATION OF PROPERTIES

Amendments	Remarks
<p>Fair Market Value of property as on 1.4.2001 taken for computing LTCG can not exceed Stamp Duty Value, wherever available.</p>	<ul style="list-style-type: none"> Attempt to curb mal-practice of over-valuation of property to avoid LTCG. No effect for properties where circle rates not available.

7. INCENTIVES FOR STARTUPS

Amendments	Remarks
<ul style="list-style-type: none"> Option for startups to avail 100% tax benefits for any 3 consecutive years in 10 years (existing 7 years). Turnover limit for availing benefits increased to Rs. 100 crores (existing Rs. 25 crores). 	<ul style="list-style-type: none"> Beneficial for startups with long gestation period Step to expand the benefits given to start ups and boost the start up environment

8. CHANGE IN DUE DATE OF FILING ITR

Amendments	Remarks
Due date of filing ITR changed from September 30 to October 31.	<ul style="list-style-type: none"> Date of filing tax audit remains as September 30.

9. WIDENING OF TCS PROVISIONS

Applicability on	TCS Rate	Limit	Remarks
Overseas Tour Package	5% to be collected by seller of package. (10% where no PAN/ Aadhar is provided)	No Limit	This may hamper the business of tour operators, as people may prefer booking flights/ hotels separately, instead of opting packages.
Remittance outside India	5% to be collected by authorized dealer (10% where no PAN/ Aadhar is provided)	Rs. 7 lakhs during the Financial Year	This is targeted to curb flow on unaccounted money outside India
Sale of Goods	0.1% to be collected by seller (1% where no PAN/ Aadhar is provided)	Seller having turnover in excess of Rs. 10 crores in preceding year has to collect TCS for consideration in excess of Rs. 50 lakhs	It is expected that export of goods shall be kept outside the purview of this provision.

10. CHANGES IN TDS PROVISIONS

Amendments	Remarks
TDS on Technical Services reduced to 2% from existing 10%. (TDS on Professional Services remains at 10%)	This will remove ambiguity and litigations on account of deduction of tax @ 2% u/s 194C or @ 10% u/s 194J.
TDS @ 1% to be deducted by e-commerce marketplace on remittance to sellers on gross sale value (No TDS required where aggregate sale value is less than Rs. 5 lakhs and seller has furnished PAN)	This TDS is in addition to TDS required to be deducted under GST provisions. Provisions shall also be applicable on food delivery apps and cab aggregators.
TDS provisions now applicable if turnover/ gross receipts exceed Rs. 1 crore in case of business or Rs. 50 lakhs in case of profession.	TDS applicability not based on audit of accounts. Hence, a person filing return u/s 44AD having turnover exceeding Rs. 1 crore shall also be required to deduct tax.

11. CHANGE IN TAX AUDIT LIMIT

Amendments	Remarks
Tax Audit Limit increased to Rs. 5 crores (from existing Rs. 1 crore) on condition that- 95% or more of gross receipt and payment is through banking/ electronic mode	<ul style="list-style-type: none"> • Additional incentive for businesses to switch to cashless ecosystem. • For other businesses, tax audit limit shall continue as Rs. 1 crore. • Option not available for professionals.

12. CHANGES IN 12A & 80G REGISTRATION

Amendments	Remarks
Registration to be provided for 5 years period to trusts & institutes for Section 11, 10(23C) and 80G. (Applicable w.e.f. Jun 1, 2020)	<ul style="list-style-type: none"> • No perpetual registration as provided in existing provisions • Renewal every 5 years, to be applied 6 months in advance • Existing trusts/ institutes also need to register again by 31 Aug, 2020. • For new application, registration on provisional basis for 3 years • In case of multiple registration u/s 11 and u/s 10(23C), only the later will prevail.

13. MATCHING OF 80G DONATIONS

Amendments	Remarks
<ul style="list-style-type: none"> Donor to be allowed deduction only if donee furnish statement of donations received. Donee need to furnish statement of donations received on periodic basis 	<ul style="list-style-type: none"> Similar concept as in the case of TDS and 26AS Statement. Provision introduced to curb fake deduction claims.

13. VIVAD SE VISHVAS SCHEME (INCOME TAX CASE SETTLEMENT)

Scheme	Remarks
<p>Amnesty Scheme to clear pending dues without interest and penalty.</p> <ul style="list-style-type: none"> 100% tax amount to be paid- if paid before 31 March, 2020. 110% tax amount to be paid- if paid before 30 June, 2020. <p>Where only interest and penalty are due-</p> <ul style="list-style-type: none"> 25% of interest and penalty- if paid by March 31, 2020 30% of interest and penalty- if paid by June 30, 2020. 	<ul style="list-style-type: none"> Scheme similar to Sabka Vishvas Scheme introduced for Indirect Taxes last year. Rs.8 lakhs crore stuck in direct tax litigations in 5 lakhs cases. 2 months window for taxpayers to avail full benefit of scheme.

14. INTRODUCTION OF E-APPEALS

Proposal	Remarks
<p>Proposal to introduce e-appeals to reduce human interaction.</p>	<ul style="list-style-type: none"> E-proceedings already in place for assessments. Step towards moving towards a faceless interface for more transparency in system

15. CHANGE IN TAX RESIDENCY PROVISION

Amendments	Remarks
<ul style="list-style-type: none"> For determining tax residency, period of stay reduced from 182 days to 120 days. An Indian resident not taxable in any other country shall be taxable in India 	<ul style="list-style-type: none"> Measures to curb tax planning by managing days of stay in India. Targeting High Net-worth Income individuals

16. PENALTY ON FAKE INVOICES

Amendment	Remarks
<p>Penalty equal to aggregate amount of invoices, in case of</p> <ul style="list-style-type: none"> false entries or omitting entries to evade tax <p>False entries include-</p> <ul style="list-style-type: none"> Fake Invoices Invoices without actual supply of goods/ services Invoices to/from persons who do not exist 	<ul style="list-style-type: none"> Penalty provision introduced to curb fraudulent ITC claims in GST

17. OTHER CHANGES

Amendment	Remarks
TAX PAYERS CHARTER	<ul style="list-style-type: none"> CBDT to adopt Tax payers charter to built a Harassment Free environment.
TAXABILITY OF ESOPs OF STARTUPS	<ul style="list-style-type: none"> ESOPs issued by start ups to be taxable at the earliest of- (a) sale, (b) leaving the employment, or (c) 5 years
RESTRICTION ON EMPLOYER CONTRIBUTION	<ul style="list-style-type: none"> Aggregate employer contribution towards PF, Pension Fund and Superannuation fund in excess of Rs. 7.5 lakhs to be taxable in the hands of employee