

# PROPOSED AMENDMENTS BY FINANCE ACT 2020

*(INCLUDING SALIENT FEATURES OF VIVAD  
SE VISHWAS SCHEME)*



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# BUDGET 2020-21

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# E CONOMIC INDICATORS

## PART-A



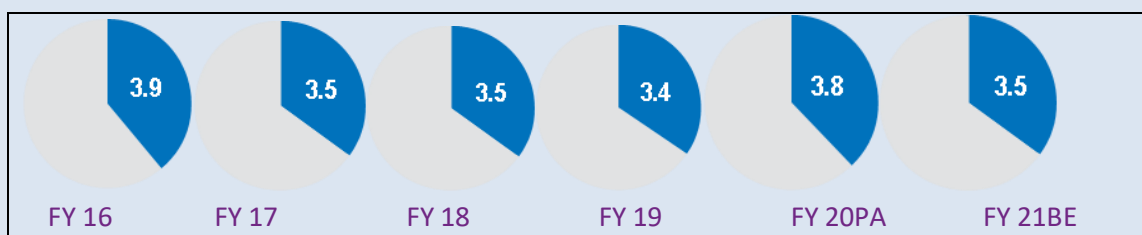
A-1. The Economic Survey 2019-20 (the Survey) was presented before both the Houses of Parliament –Lok Sabha and Rajya Sabha on 31 January 2020 by the Hon’ble Finance Minister and the Chief Economic Adviser to the Government of India (GOI). Survey 2020 throws a light upon the major impact of employment, agricultural policies and climate change on the Indian Economy.



A-2. Economic Survey 2020 projects the GDP Growth of 6% - 6.5% in fiscal 2020-21. Leading economic indicators suggest the economic slowdown may be tapering with green shoots visible in a few quarters of the economy. The Economic Survey 2020 expects growth to rebound in H2 of FY2021 and annual growth to be in the range of 6-6.5 %.

A-3. Fiscal deficit as % of GDP has been revised up to 3.8% for FY2020 from 3.3% in the budget estimate. The Fiscal deficit as percentage of GDP then is pegged at 3.5% for FY2021. In absolute terms the fiscal deficit for FY2021 is estimated to be Rs. 7.9 lakh crore vis-à-vis Rs. 7.7 lakh crore for FY2020 (RE).

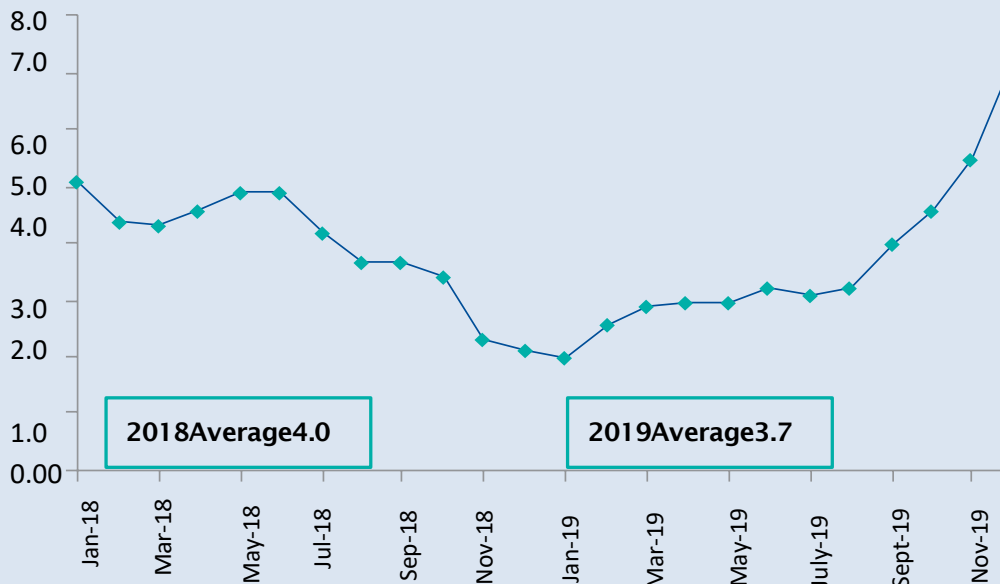
**Fiscal deficit as % of GDP**



A-4. Consumer price inflation averaged 4.1 % in 2019-20 (April to December) and stood at 7.3 % in December, primarily because of rising food prices, although core prices remained below 4 %. Domestic prices

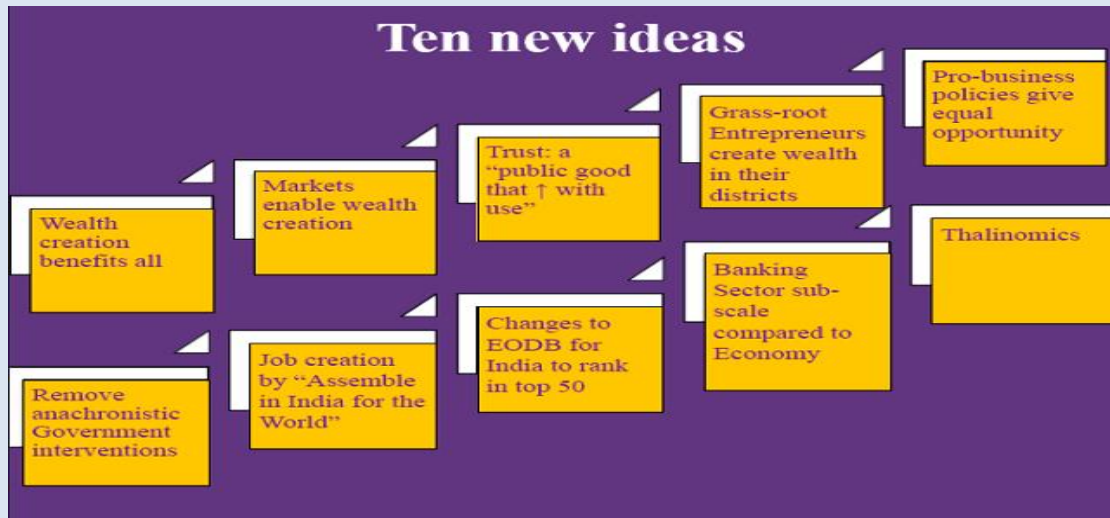
are further influenced by rising global food prices. The Thalnomics analysis in the Economic Survey suggests that food prices have come down since early 2000, boosting consumer affordability.

### CPI headline inflation (in %)

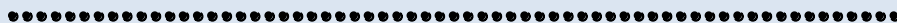


- A-5. The exchange rate touched 72 rupees per dollar twice in early January. While factors such as slowing economic growth and a rising fiscal deficit weigh on sentiments, the recent geopolitical tensions and their possible impact on oil prices and the economy may have added to its vulnerability.
- A-6. FDI inflows remained strong with a net inflow of US\$24.4 billion investments during April-November 2019. FPI flows were vulnerable, but their share in total investment declined by 6 % since 2015. This bodes well for the economy because direct investments are more stable and help create real assets on a long-term basis. The trend may continue as India embarks on an ambitious infrastructure project to spur economic growth.
- A-7. NPAs have declined for the first time in 10 years and one of the reasons cited has been quick resolutions under the IBC Act. After rising to 11.2 % of the gross advances, the ratio fell to 9.1 % in September 2019. The economic survey suggested maintaining a health score for NBFCs that can provide an early- warning signal of impending liquidity problems.

A-8. 10 New Ideas proposed by Economic Survey 2020



A-9. Revised estimates of expenditure for the financial year 2019-20 are at level of Rs. 26.99 lakh crore and the receipts are estimated at Rs. 19.32 lakh crore. Receipts for the year 2020-21 are estimated at Rs. 22.46 lakh crore and keeping in mind commitment of the Government towards various schemes and need for improvement in quality of life, level of expenditure has been kept at Rs. 30.42 lakh crore.



# INCOME TAX

## PART-B





### **B-1. General Amendments**

1. No change in existing tax slab rates to different assesseees. However, option is provided to an assessee for opting lower rates of tax where benefit of certain deduction/exemptions are not claimed.
2. Instant allotment of PAN through Aadhaar scheme shall be introduced.
3. Insertion of Taxpayers' Charter in the Act containing instructions, guidelines etc. to other Income Tax Authorities.
4. Form 26AS shall be extended beyond the information of tax deducted and shall contain multiple information in respect of a person such as sale/purchase of immovable property , shares transactions etc.
5. Tax on Dividend distribution by domestic companies and income distributed by mutual fund companies has been abolished ,Therefore dividend ill be taxable in the hands on recipient w.e.f 1<sup>st</sup> .April. 2020 .



### **B-2. Income Tax Slab Rates For FY 2020-21(AY 2021-22)**

#### **I. Income tax slabs for individual / HUF**

##### ➤ Option 1(Existing Slab)- No Change

<u>INCOME SLABS(Age, Less Than 60 Years Old)</u>	<u>TAX</u>	<u>INCOME SLABS(Age, 60 Years or More But Less Than 80 Years)</u>	<u>TAX</u>	<u>INCOME SLABS(Age, 80 Years or More )</u>	<u>TAX RATE</u>
Income up to Rs. 2,50,000		Income up to Rs. 3,00,000		Income up to Rs. 5,00,000	<b>No Tax</b>
Income from Rs. 2,50,001-Rs 5,00,000		Income from Rs. 3,00,001-Rs 5,00,000		-	<b>5%</b>
Income from Rs. 5,00,001-Rs 10,00,000		Income from Rs. 5,00,001-Rs10,00,000		Income from Rs. 5,00,001-Rs 10,00,000	<b>20%</b>
Income more than Rs 10,00,000		Income more than Rs 10,00,000		Income more than Rs 10,00,000	<b>30%</b>



➤ **Option 2 (New Slab)**

- **Applicable to those not availing certain exemptions and deductions.**

<b><u>INCOME TAX SLABS</u></b>	<b><u>TAX RATE</u></b>
Income up to Rs. 2,50,000	<b>No Tax</b>
Income from Rs. 2,50,001-Rs 5,00,000	<b>5%</b>
Income from Rs. 5,00,001-Rs 7,50,000	<b>10%</b>
Income from Rs. 7,50,001-Rs 10,00,000	<b>15%</b>
Income from Rs. 10,00,001-Rs 12,50,000	<b>20%</b>
Income from Rs. 12,50,001-Rs 15,00,000	<b>25%</b>
Income more than Rs 15,00,000	<b>30%</b>

**Conditions as regard to exemptions and deductions-**

**1. List of exemptions and deductions that a taxpayer will have to give up while choosing the new tax regime:-**

**a. Salaried persons**

- Leave Travel Allowance (LTA)[Section 10(5) ]
- House Rent Allowance (HRA) [Section 10(13A)]
- Other Special Allowances [Section 10(14)]
- Allowances to MPs/MLAs [Section 10(17)]
- Standard Deduction [Section 16(ia)]
- Entertainment Allowance [Section 16 (ii)]
- Employment/ Professional Tax[Section 16 (iii)]

**b. General**

- Interest payment on borrowed capital (where house or part thereof is self – occupied or it cannot be occupied due to reason of employment, business or profession carried on at any other place, where assessee resides in any building not belonging to him) under the House Property. [Section 24 (b)]
- Allowance for income of minor [Section 10(32)]
- Exemption for SEZ unit [Section 10AA]

- Additional depreciation [Section 32(1)(iia)]
  - Deduction under section 32AD, 33AB, 33ABA relating to investment in notified backward areas, Tea/Coffee/Rubber Development account and Site Restoration Fund respectively.
  - Deduction under section 35(1)(ii), 35(1)(iia), 35(1)(iii) and 35(2AA) relating to expenditure on scientific research.
  - Deduction under section 35AD and 35CCC relating to expenditure on specified business and agriculture extension project respectively.
  - Deduction from family pension [Section 57(iia)]
  - Any deduction under chapter VIA (being tax saving investments or specified expenditure) **except** deduction under section 80CCD(2) (New Pension Scheme) and 80JJAA (Deduction in respect of new employment of employees).
  - Without Set off of any loss –
    - or depreciation from any earlier assessment year if the same relates to deductions referred to above
    - under the head house property with any other head of income.
  - Any allowances or perquisites provided under any other law
2. The loss or depreciation referred above shall be deemed to be have been given full effect.No further deduction of such loss or depreciation shall be allowed in any subsequent year.
3. Where effect of any depreciation allowance is not given prior to A.Y. 2021-22 relating to above,corresponding adjustment shall be made in WDV of such block.

**Note:**

1. Where Individual/HUF has no business income,such option may be exercised each year along with return to be furnished under section 139(1).
2. In any other case, on or before due date for furnishing return and such option once exercised shall apply to subsequent assessment years. The option can be withdrawn only once where it was exercised 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 -1 above shall be available.

3. If the individual or HUF has a Unit in the International Financial Services Centre, the deduction under section 80LA shall be available to such Unit subject to fulfilment of the conditions contained in that section.
4. On selection of Option 2, AMT or carry forward or set off of AMT credit shall not apply in case of individual or HUF having business income.
5. On selection of Option 2, only transport allowance to divyang employees, conveyance allowance, any allowance for travel on tour or on transfer and daily allowance on absence from his place of duty, shall be allowed.
6. Resident individuals can calculate tax benefit while availing the option discussed above on estimated total income by using Tax Calculator provided by CBDT on Income Tax e-filing website. ([www.incometaxindiaefiling.gov.in](http://www.incometaxindiaefiling.gov.in)) 3

#### **Others - Applicable in both options**

- **If any assessee is having income less than Rs. 5 lakhs, he/she shall be eligible to claim rebate u/s 87A equal to the amount of tax payable. Hence, no tax shall be payable by assessee having income less than or equal to Rs.5 lakhs.**
- **In addition surcharge is levied as follows:-**

Total Income (including income u/s 111A and 112A) exceeds Rs. 50 lakh up to Rs. 1 Cr.	10% of income tax
Total income (including income u/s 111A and 112A) exceeds Rs. 1 Cr. up to Rs. 2Cr.	15% of income tax
Total income (excluding income u/s 111A and 112A) exceeds Rs. 2 Cr. up to Rs. 5 Cr.	25% of income tax
Total income (excluding income u/s 111A and 112A) exceeds Rs. 5 Cr.	37% of income tax
Total income ( <b>including income u/s 111A and 112A</b> ) exceeds Rs. 2 Cr.	15% of income tax

➤ **Marginal Relief:**

Marginal Relief has also been provided in all cases where surcharge is proposed to be imposed.

➤ **Education Cess:**

Health and Education Cess is to be levied at the rate of 4% on the amount of income tax so computed, inclusive of surcharge wherever applicable, in all cases. No marginal relief shall be available in respect of such cess.

**II. Income tax slabs for domestic companies**

<b>TURNOVER/PARTICULARS</b>	<b>TAX RATE</b>
Gross Receipts up to Rs. 400 Cr. in the FY 2018-19	<b>25%</b>
Gross Receipts exceeding Rs.400 Cr. in the FY 2018-19	<b>30%</b>
Where the company opted for Section 115BAA	<b>22%</b>
Where the company opted for Section 115BAB	<b>15%</b>

➤ **In addition to above - surcharge is levied as follows:-**

	Total Income exceeds Rs. 1 Cr. up to Rs. 10 Cr.	Total income exceeds Rs. 10 Cr.
Domestic Company	<b>7% of income tax</b>	<b>12% of income tax</b>
Foreign Company	<b>2% of income tax</b>	<b>5% of income tax</b>

However, the rate of surcharge in case of a company opting for taxability under Section 115BAA or Section 115BAB shall be 10% irrespective of amount of total income.

**Note:**

1. Provisions of MAT u/s 115JB shall not apply to companies in case rates u/s 115BAA or 115BAB are opted.
2. No deduction under any provisions of Chapter –VIA other than section 80JJAA & 80M shall be allowed to companies in case rates u/s 115BAA or 115BAB is opted.

➤ **Marginal Relief:**

Marginal Relief has also been provided in all cases where surcharge is proposed to be imposed.

➤ **Education Cess:**

Health and Education Cess is to be levied at the rate of 4% on the amount of income tax so computed, inclusive of surcharge wherever applicable, in all cases. No marginal relief shall be available in respect of such cess.

**III. Income tax slab for firms**

<b>TURNOVER/PARTICULARS</b>	<b>TAX RATE</b>
On the whole of Total Income	30%

➤ **In addition surcharge is levied as follows:-**

Surcharge is levied at 12% where taxable income exceeds Rs. 1 Cr.

➤ **Marginal Relief:**

Marginal Relief has also been provided in all cases where surcharge is proposed to be imposed.

➤ **Education Cess:**

Health and Education Cess is to be levied at the rate of 4% on the amount of income tax so computed, inclusive of surcharge wherever applicable, in all cases. No marginal relief shall be available in respect of such cess.

**IV. Income tax slab for cooperative societies**

<b>TURNOVER/PARTICULARS</b>	<b>TAX RATE</b>
Total Income upto Rs.10,000	10%
Total Income exceeds Rs.10,000 up to Rs. 20,000	20%
Total Income above Rs.20,000	30%
Where the resident co-operative society opted for Section 115BAD	22% of total income

### **Conditions for opting Section 115BAD-**

1. The total income of the co-operative society is computed without claiming the specified deductions and incentives, such as tax holiday under section 10AA, additional depreciation under section 32(1)(ia) etc.;
2. Without set off of any loss carried forward or depreciation from any earlier assessment year attributable to the above deductions or incentives; and
3. By claiming the depreciation, except additional depreciation, in the manner prescribed.
4. Provisions of AMT u/s 115JD shall not apply to cooperative societies in case rate u/s 115BAC is opted and consequently no credit of AMT would be available.
5. Units located in IFSC can continue to avail the benefit of the concessional taxation regime without foregoing the deduction specified under Section 80LA.
6. The co-operative society needs to exercise the option on or before the due date prescribed for filing the return of income.
7. The option is irrevocable and cannot be withdrawn once opted.

#### **➤ In addition to above surcharge is levied as follows:-**

1. Surcharge is levied at 12% where taxable income exceeds Rs.1 Cr.
2. The rate of surcharge in case of a societies opting for taxability under Section 115BAD shall be 10% irrespective of amount of total income.

#### **➤ Marginal Relief:**

Marginal Relief has also been provided in all cases where surcharge is proposed to be imposed.

#### **➤ Education Cess**

Health and Education Cess is to be levied at the rate of 4% on the amount of income tax so computed, inclusive of surcharge wherever applicable, in all cases. No marginal relief shall be available in respect of such cess.

### **B-3. Non Residents / Foreign Institutions etc.**

Currently, if a person who is a Citizen of India or a Person of Indian Origin, managed his stay in India such that he remained a non-resident in perpetuity, he was not liable to pay tax on his global income in India. It was entirely possible for High Net worth(HNW)



individuals to arrange his affairs in such a fashion that he would not be liable to be taxed in any other country and also not in India. HNW Indians who are able to evade tax by planning their travel across multiple countries would be impacted by the proposed amendment. Such NRIs would not be able to completely escape taxation anywhere in the world now.

1. Indian citizens and Persons of Indian Origin (POI) who comes on a visit to India, shall be resident in India in case of their stay in India for a period of 120 days or more during the financial year (instead of 182 days currently).
2. 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.
3. An individual/HUF shall be resident but not ordinarily resident in India if such person has been a non-resident in India in 7 out of 10 previous years proceeding that relevant year.

Currently, if such person has been a non-resident in India in 9 out of 10 previous years or has during the 7 previous years been in India for a period of 729 days or less, is said to be resident but not ordinarily resident.

4. In order to promote investment of sovereign wealth fund including wholly owned subsidiaries of Abu Dhabi Investment Authority (ADIA), the same would be exempted from certain incomes and activities earned here. However, for availing these exemptions, ADIA has to invest before 31 March, 2024 and should hold it for minimum three years.
5. Modifications in conditions for offshore funds for providing exemptions from 'Business Connections' have been introduced.



6. Exemption to Non-resident from filing income tax return if its income consists only of dividend interest, royalty or fees for technical services as specified under section 115A and TDS on such income has been deducted.
7. Through Finance Act, 2018, Explanation 2A was added to section 9(1)(i) to clarify that Significant Economic Presence(SEP) of an NR in India will constitute a "business connection" in India. SEP was also defined to include certain transactions and activities carried on beyond thresholds to be prescribed.

In view of the pending discussion under G20-OECD Secretariat the applicability of SEP is proposed to be deferred to AY 2022-23 and onwards.

The definition for SEP is:

- i. Transactions in respect of any goods, services, or property carried out by an NR with any person in India that includes provision of download of data or software in the country provided the revenue therefrom exceeds monetary threshold as may be prescribed; or
- ii. Systematic and continuous soliciting of business activities or engaging in interaction with users (exceeding the number as may be prescribed) in India.

These transactions or activities will constitute SEP irrespective of whether: the agreement for such transactions or activities is entered in India, the NR has a residence or place of business in India or the NR renders services in India.

Further, the income deemed to accrue or arise in India in relation to a SEP will be only so much as is attributable to the transactions and activities as specified earlier.

8. Amendment in the definition of royalty(Explanation 2 to section 9(1)(vi) to delete the exclusion of consideration for the sale, distribution, or exhibition of cinematographic films from the definition of royalty.
9. In line with the changes made by SEBI to the FPI regulations, exemption granted to Category-I and Category-II FPIs under the erstwhile regulations be grandfathered and similar exemption maybe granted in Category-I FPI under the 2019 regulations.
10. It is proposed to relax the conditions laid down in section 9A for offshore funds exemption from business connection being as under:

- a. For the purpose of calculation of the aggregate participation or investment in the fund, directly or indirectly, by Indian resident, contribution of the eligible fund manager during first three years up to 25crore rupees shall not be accounted for.
- b. If the fund has been established or incorporated in the previous year, the condition of monthly average of the corpus of the fund to be at 100crore rupees shall be fulfilled within twelve months from the last day of the month of its establishment or incorporation.

#### **B-4. Charitable Institution**

1. It is proposed to amend registration of institution u/s 12AB (erstwhile 12AA) in the following manner :

- a. Institutions already registered under the existing law:

- i. To make application within 3 months from 1st June 2020.

- ii. Registration shall be applicable from AY from which the registration was originally granted.

- iii. Application to be disposed off within 3 months from the end of the month in which the application was made.

- iv. Registration will be granted for the period of 5years

- b. Institution for fresh registration: (w.e.f. 01.06.2020 )

- i. Application shall be made as per existing law u/s 12A

- ii. Application to be disposed off within 1 month from the end of the month in which the application was made.

- iii. Provisional registration shall be given for a period of 3 years.

- c. Institution who have been given provisional approval:

- i. To make application at least 6 months prior to expiry of provisional approval or within 6 months of commencement of its activities whichever is earlier.

- ii. Any approval granted shall be applicable from the first of the AY for which it was provisionally approved.

- iii. Application to be disposed off within 6 months from the end of the month in which the application was made.



- iv. Registration will be granted for the period of 5 years subject to the genuineness of activities and compliance of all applicable laws.
- d. In case where application is pending approval as on 1st June,2020 shall be dealt as law applicable to fresh registration accordingly application shall be disposed off within 1 month and order of provisional registration shall be passed for a period of 3years.
- e. In other cases i.e.
  - i. Where institution is registered u/s 12AB,application shall be made 6 months prior to the expiry of the period.
  - ii. Where registration is inoperative u/s 11(7), application shall be made 6 months prior to the commencement of Assessment Year.
  - iii. Where institution modifying its objects etc., application shall be made within 30 days from the date of such modification.
  - iv. Above said application shall be disposed off within a period of six months from the end of the month in which application is filed.
  - v. Registration will be granted for the period of 5 years subject to the genuineness of activities and compliance of all applicable laws.
- 2. It is proposed to insert sub clause (viii) in section 80G that provides that the donee has to prepare and file a statement containing full particulars of donations received as well as to furnish a certificate to the donors.
- 3. Procedure regarding Approval/continuation thereof u/s 80G has been amended in similar footing as mentioned u/s 12AB above.
- 4. Approval u/s 10(23C) is proposed to be given only for a period of 5 years. Further related amendments for approval//continuation thereof u/s 1023C are also proposed in similar footing as mentioned u/s 12AB above.
- 5. Audit report in Form 10B / 10BB shall be submitted one month prior to due date of filing of return of income i.e. 30th September.
- 6. The due date for filing of ITR for such institutions has been extended to 31st October from 30th September.

7. The registration u/s 12AA would become inoperative in case of an entity is exempt under Section 10(23C) or Section 10(46). If assessee wants exemption u/s 12AB (new section inserted. Applicable w.e.f. 1st June, 2020) it may make an application for the same and then it shall not be entitled for deduction u/s Section 10(23C) or Section 10(46).

Note: No such changes are made u/s 10 in similar footing .

8. Section 12AA shall be inoperative from 1st June, 2020.
9. New Section 12AB has been inserted which shall be applicable from 1st June, 2020 containing amended procedure for registration u/s 12A.

**B-5. Income Under The Head Salary**

11. Employer's contribution to recognized provident fund/superannuation fund/ NPS shall be treated as perquisite in the hands of employee; to the extent combined total contribution exceeds seven lakh and fifty thousand rupees in a previous year.
12. Annual increase by way of interest, dividend or any amount of similar nature during the previous to the credit of the fund or scheme shall be treated as perquisites in the hands of employees to the extent it relates to the contribution made by the employer towards such fund.

**B-6. Income Under The Head Business or Profession**

1. In the case of a person whose amount received and payments made, in cash, during the previous year does not exceed five % of the total receipts or payments, is required to get his/its books of accounts audited u/s 44AB where the turnover exceeds rupees five crores during the relevant year instead of rupees one crores.
2. Due date for furnishing the tax audit / other audit reports shall remain 30<sup>th</sup> September of relevant year. However, in such cases due date of filing of return has been extended to 31<sup>st</sup> October of relevant assessment year.
3. Increase in safe harbour limit u/s 43CA from 5 % to 10 %, where the value adopted by the stamp valuation authority does not exceed one hundred and ten % of the consideration received, the consideration so received 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.
4. Option has been provided to assessee for not availing deduction u/s 35AD and opting concessional rate of taxes u/s 115BAA & 115BAB.

5. Section 44 is a separate code for taxation of insurance companies other than life insurance companies. Currently, as is the case for any other taxpayer, any expenditure debited to profit and loss account not admissible under the provisions of section 30 to 43B is to be added back in computing taxable income of such insurance companies. However, correspondingly, the expenditure added back is currently not being allowed subsequently when actually paid. It is proposed to provide that any sum payable for certain specified expenses in section 43B by such insurance company be allowed as deduction in computing the income in the previous year in which such sum is actually paid.
6. The benefit of carrying forward of accumulated losses and unabsorbed depreciation allowance of the amalgamating bank with the other banking institution now extended in respect of the merger/amalgamation of public sector banks. This benefit has also been extended in respect of the merger/amalgamation of public sector General Insurance Companies.

**B-7. Income Under The Head Capital Gains**

7. Increase in safe harbour limit u/s 50C from 5 % to 10 %, where the value adopted by the stamp valuation authority does not exceed one hundred and ten % of the consideration received, the consideration so received as a result of the transfer shall, for the purposes of computing capital gains from transfer of such asset, be deemed to be the full value of the consideration.
8. Amendment in section 55 of the Act, in case of a capital asset, being land or building or both, the fair market value of such asset on the 1st day of April, 2001 shall not exceed the stamp duty value, wherever available, of such asset as on the 1st day of April, 2001.
9. Insertion of sub-sections (2AG) and (2AH) in section 49 for computing cost of units in the segregated portfolios in Mutual Fund Schemes.



**B-8. Income Under The Head Other Sources**

1. Income from dividends and units of mutual funds shall be taxable in the hands of the recipient at applicable rates.

2. No deduction shall be allowed from the dividend income, or income in respect of units of a Mutual Fund, other than deduction on account of interest expense and such deduction shall not exceed twenty % of the income received.
3. Increase in safe harbour limit u/s 56 from 5 % to 10 %, where the value adopted by the stamp valuation authority does not exceed one hundred and ten % of the consideration paid, the consideration so paid, as a result of the transfer shall, for the purposes of computing income from other source from transfer of such asset, be deemed to be the full value of the consideration.

**B-9. Deduction Under Chapter VIA/Other incentives**

1. In order to continue promoting purchase of affordable housing(stamp duty value upto Rs. 45 lakhs), the period of sanctioning of loan by the financial institution under Section 80EEA is extended from 31st March, 2020 to 31st March, 2021.
2. Section 80GGA provides for deduction in respect of donations given to an approved research association, university, college, or another institution for specified purposes. To further promote the agenda of digitalisation and less cash economy, the existing threshold of Rs. 10,000 for cash donations has been reduced to Rs. 2,000.
3. Under Section 80IBA, cut-off date of approval of housing projects from competent authorities has been extended from 31st Mar, 2020 to 31st Mar, 2021.
4. Section 80M has been inserted to remove the cascading effect of tax on dividend income received by a domestic company from another domestic company forming part of its gross total income, where the recipient company pays further dividend to its shareholders on or before the due date. The deduction in respect of dividend income shall be limited to the extent of dividend distributed by the recipient company.
5. Filing the tax audit report under section including 80-IA, 80-IB and 80JAA for claiming exemption/ deductions under the Act is aligned with the date specified under section 139(1) of the Act for filing the return of income, the abovementioned reports shall be furnished by the taxpayers one month prior to the due date of filing the tax return.

**B-10. TDS**

1. Tax under Section 194J in case of fees for technical services (other than professional services) shall be deducted at the rate of 2%. The TDS rate in other cases including fees for professional services shall remain same i.e. 10% (Effective from 1<sup>st</sup> April, 2020).
2. Sec 194-O has been inserted for levy of TDS at 1% on payments to the e-commerce participant for sale of goods/ provision of services or both through the e-commerce operator's digital/electronic platform. It is further clarified that even if the payment is made directly by the purchaser to the 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. TDS shall not be deducted in case of Individual/HUF where gross amount does not exceed Rs. 5,00,000/- in the financial year and such participant provided his PAN or Aadhaar to the E-Commerce Operator (Effective from 1<sup>st</sup> April, 2020).
3. Section 194 has been amended to provide for levy of TDS at the rate of 10% on the dividend paid (through any mode) to a resident shareholder by a domestic company. Further, there shall be no TDS where the aggregate payment does not exceed Rs. 5,000 during a year, if paid by any mode other than cash(Effective from 1<sup>st</sup> April, 2020).
4. Section 194K has been inserted to provide for levy of TDS at the rate of 10% on any income payable to resident , in respect of units of Mutual Fund specified under section 10(23D) or units from the Administrator of the specified undertaking or units from the specified company. Further, there shall be no TDS where the aggregate payment does not exceed Rs. 5,000 during a year (Effective from 1<sup>st</sup> April, 2020).
5. Section 194LBA is amended for the deduction of tax at source at the rate of 10% on dividend income paid by a business trust to its unit holder being resident. For non-resident, it would be 5% for interest and 10% for dividend (Effective from 1<sup>st</sup> April, 2020).
6. Concessional withholding tax rate of 4% u/s 194LC to be applied on interest payable to NRIs in respect of borrowings raised through issues of long-term



bonds and RDB which are listed only on a recognised stock exchange in any IFSC on or after 1 April 2020 but before 1 July 2023. Further time limit for borrowing funds under section 194LC which are subject to withholding tax rate of 5% has been extended from 1 July 2020 to 1 July 2023 (Effective from 1<sup>st</sup> April, 2020).

7. The concessional withholding tax of 5% u/s 194LD on interest payable to FPIs on specified investments extended to interest payable before 1 July 2023. It is proposed to extend the benefit of interest payable to FII or QFI in respect of investment made in municipal debt security (Effective from 1<sup>st</sup> April, 2020).
8. The definition of 'work' for TDS u/s 194C in respect of contract manufacturing expanded to include provision of raw material from an associate of the customer as stipulated under the domestic related party defined u/s 40A(2)(b). (Effective from 1<sup>st</sup> April, 2020).
9. Section 194A, 194C, 194H, 194I, 194J & 206C have been amended 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 (Effective from 1<sup>st</sup> April, 2020).
10. There is an amendment in section 196C and 196D to remove exclusion provided to dividend under section 115-O. It is also proposed to substitute "in cash or by the issue of a cheque or draft or by any other mode" with "by any mode". (Effective from 1<sup>st</sup> April, 2020).
11. Co-operative society having gross receipts or turnover exceeding Rs.50 crore in the previous financial year is required to deduct TDS from interest (Section 194A) if it exceeds Rs. 50,000 in case of Senior Citizens and Rs. 40,000 in any other case. (Effective from 1<sup>st</sup> April, 2020).
12. Section 206C has been amended to levy TCS -
  - i. Taxes would be collected by the authorized dealer at the rate of 5% on receiving an amount or an aggregate of amounts of seven lakh rupees or more in a financial year for remittances out of India from buyer under LRS of RBI. In non-PAN/Aadhaar cases the rate shall be 10%.



- ii. Taxes would be collected by the seller at the rate of 5% who receives amount for overseas tour program package. In non-PAN/Aadhaar cases the rate shall be 10%.
- iii. A seller of goods shall be liable to collect TCS at 0.1% on consideration received from a buyer in a previous year in excess of fifty lakh rupees. Only those seller whose total sales/gross receipts exceeds ten crores rupees during the financial year, shall be liable to collect such TCS.
- iv. No 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.
- v. Requirement to furnish PAN of collectee u/s 206CC –In case of non-furnishing of PAN/Aadhaar rate of TCS is changed from 5 % to 1%.
- vi. These amendments will take effect from 1<sup>st</sup> April,2020.

### **B-11. Assessments & Related Provisions**

1. The scope of e-assessment is extended to best judgement assessment.
2. Faceless appeal scheme shall be launched to impart greater efficiency, transparency and accountability.
3. Expansion of scope of Dispute Resolution Panel (DRP) by defining eligible assessee and to include cases where AO proposes to make any variation which is prejudicial to the interest of such assessee.
4. The Appellate Tribunal may pass an order of stay in any proceedings relating to appeal filed for a period not exceeding 180 days from date of such order subject to the condition that the assessee deposits not less than twenty % 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. However, that the aggregate of the period of stay originally allowed and the period of stay so extended shall not exceed three hundred and sixty-five days and the Appellate Tribunal shall dispose of the appeal within the period or periods of stay so extended or allowed.



5. Due date for furnishing the return of income in case of Company, a person (other than company) whose accounts are required to be audited or Partner of a firm whose accounts are required to be audited shall be 31st day of October of the assessment year .

### **B-12. NO DISPUTE BUT TRUST SCHEME – ‘VIVAD SE VISHWAS’ SCHEME**

The Government of India has introduced new scheme for reducing the Direct Tax Litigation in the name of “Vivad Se Vishwas”. Tax Payers in whose cases, appeals are pending at any level can take the benefit from such scheme.

The salient features of scheme:

- This Act may be called Direct Tax Vivad se Vishwas Act, 2020
- Appellant means the person or the Income-Tax Authority or both who has filed appeal before the Appellate forum and such appeal is pending on the specified date.
- Appellate forum means the Supreme Court or the High Court or the Income Tax Appellate Tribunal or the Commissioner (Appeals).
- Specified date means the 31st day of January, 2020.
- Declarant has to file declaration in proper form to the designated authority may not be below CIT as designated by Pr. CCIT.
- Tax arrears means-
  - (i) the aggregate amount of disputed tax, interest chargeable or charged on such disputed tax, and penalty leviable or levied on such disputed tax; or
  - (ii) disputed interest; or
  - (iii) disputed penalty; or
  - (iv) disputed fee,
 as determined under the provisions of the Income-tax Act;
- Amount payable by declarant under the scheme:



Sl. No.	Nature of tax arrear	Amount payable under this Act on or before the 31st day of March, 2020.	Amount payable under this Act on or after the 1st day of April, 2020 but on or before the last date.

(a)	Where the tax arrears is the aggregate amount of disputed tax, interest chargeable or charged on such disputed tax and penalty leviable or levied on such disputed tax.	Amount of the disputed tax.	The aggregate of the amount of disputed tax and ten % of disputed tax: Provided that where the ten % of disputed tax exceeds the aggregate amount of interest chargeable or charged on such disputed tax and penalty leviable or levied on such disputed tax, the excess shall be ignored for the purpose of computation of amount payable under this Act.
(b)	Where the tax arrears relates to disputed interest or disputed penalty or disputed fee.	Twenty-five % of disputed interest or disputed penalty or disputed fee.	Thirty % of disputed interest or disputed penalty or disputed fee.

➤ **Calculation of Disputed Tax:**

Sl.No.	Cases	Disputed Tax means:
(a)	In cases where MAT or AMT provisions as contained in section 115JB or section 115JC are not applicable	<p>Amount of Tax on the Income in respect of which appeal has been filed</p> <p>Calculation to be made as per following formula:  <math>\text{Disputed Tax} = A - B</math></p> <p>Where</p> <p>A= an amount of tax on the total income as assessed</p> <p>B= an amount of tax that would have been chargeable had the total income as assessed been reduced by the amount of income in respect of which appeal has been filed by the appellant</p>
(b)	In cases where MAT or AMT provisions as contained in section 115JB or section 115JC are applicable	<p><math>\text{Disputed Tax} = (A - B) + (C - D)</math></p> <p>Where</p> <p>A= an amount of tax on the total income as assessed (as per General Provisions)</p> <p>B= an amount of tax that would have been</p>

		<p>chargeable had the total income as assessed as per general provisions been reduced by the amount of income in respect of which appeal has been filed by the appellant</p> <p>C= an amount of tax on the total income assessed as per MAT/ AMT provisions</p> <p>D= an amount of tax that would have been chargeable had the total income assessed as per MAT/ AMT provisions been reduced by the amount of income in respect of which appeal has been filed by the appellant.</p> <p>However in respect of those disputed income which has been considered under the general provisions as well as under MAT/ AMT Provisions, such disputed income shall not be reduced from total income assessed while calculating the amount under “D”.</p>
(c)	In a case where the amount of income, in respect of which appeal has been filed by the appellant, has the effect of reducing the loss declared in the return	<p>Disputed Tax= (A-B) + (C-D)</p> <p>Where (A-B) shall be the amount of tax that would have been chargeable on the income in respect of which appeal has been filed by the appellant had such income been the total income.</p>

➤ **Procedure :**

1. The declaration shall be filed by the declarant before the designated authority.
2. The Designated Authority shall within a period of 15 days from the date of receipt of declaration, by order, determined the amount payable by the declarant in accordance with provisions of this Act and grant the certificate with such details.
3. The Declarant shall pay the amount determined by designated authority within 15 days from receipts of above such said certificate and intimate to designated authority in prescribed form.
4. Any appeal pending before the Income Tax Appellate Tribunal or Commissioner (Appeals), in respect of the disputed income or disputed interest or disputed penalty or disputed fee and tax arrears shall be deemed to have been withdrawn.

5. Any appeal before the appellate forum or any writ petition before the High Court or the Supreme Court against any order in respect of tax arrears, he shall withdraw such appeal or writ petition.
6. In case the declarant has initiated any proceeding pending for arbitration, conciliation or mediation, or has given any notice thereof under any agreement entered into by India with any other country outside India he shall withdraw the claim,
7. the declarant shall furnish an undertaking waiving his right, whether direct or indirect, to seek or pursue any remedy or any claim in relation to the tax arrears, in equity, under any agreement entered into by India with any country outside India
8. The declaration made shall be presumed never to have been made if—
  - (a) Any material particular furnished in the declaration is found to be false at any stage;
  - (b) The declarant violates any of the conditions referred to in this Act;
  - (c) The declarant acts in any manner which is not in accordance with the undertaking given by him
9. In such cases, all the proceedings and claims which were withdrawn under section 4 and all the consequences under the Income-tax Act against the declarant shall be deemed to have been revived.
10. No appellate forum or arbitrator, conciliator or mediator shall proceed to decide any issue relating to the tax arrears mentioned in the declaration in respect of which an order has been made by the designated authority or the payment of sum determined under that section.
  - The scheme shall commence from the date it obtains assent from the President.
  - The scheme will remain open till 30th June, 2020.

**B-13. Penalty and Prosecution etc.**

11. Provision for imposing e- penalty has been made u/s 274 of the Act.

12. New section 234G is proposed to be inserted from 1<sup>st</sup> June, 2020 that provides for a fee of Rs. 200 for every day of failure to furnish newly prescribed statement or certificate required to be delivered by the assessee covered under section 35 and 80G.

13. Section 271AAD which has been recently introduced provides for the penalty in case of a false entry or omission of any entry in the books of accounts. The amount of penalty shall be equal to the amount of the false entry or omitted entry. False entry shall include forged or falsified documents such as false invoices; invoice issued for supply or receipt without actual supply or receipt invoice to or from who do not exist.

14. Section 271K has been inserted which proposes a penalty of Rs. 10,000 which may exceed to Rs. 1,00,000 may be imposed in case of failure of furnishing the statement or certificate which is required to be delivered as per section 35 and 80G of the Income Tax Act, 1961.

#### **B-14. Start Up**

1. To provide an impetus to start-ups, it is proposed to amend Section 80-IAC of the Act so as to provide that the tax holiday shall be available for three consecutive years, out of ten years beginning from the year of incorporation of such start-ups and the turnover threshold of twenty five Cr. rupees has been increased to one hundred Cr. rupees.
2. In order to ease the burden of tax payment on the employees of eligible startups, deduction of tax from perquisite arising on the allotment of shares, under ESOP to an employee of a Start-up, shall be made at the time of any of the following events:
  - a) On expiry of 4 year from the end of the Assessment year in which ESOP are exercised;
  - b) At the time the employee leaves the organization; or
  - c) At the time of sale of shares allotted under ESOP.

Whichever is earlier.

Note: That where no tax has been deducted similar amendments are made in section 191, 156 and 140A of Income Tax Act.



### **B-15. Corporates**

1. Removing dividend distribution tax (DDT) and moving to classical system of taxing dividend in the hands of shareholders/unit holders.
2. Amendment in section 115BAA which provides for concessional rate of tax at 22% (plus surcharge @ 10% and cess @ 4%) on income of domestic companies. Deduction under section 80M shall also be allowed while opting rate of tax as per the said section.
3. Amendment in section 115BAB which provides for concessional rate of tax at 15% (plus surcharge @ 10% and cess @ 4%) on income of certain manufacturing domestic companies. Business of generation of electricity is now included in the explanation of "manufacturing or production of an article or thing". Deduction under section 80M shall also be allowed while opting rate of tax as per the said section.

### **B-16. Transfer Pricing**

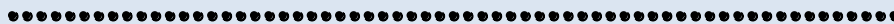
1. As per amended provisions, Form 3CEB filing date is 31st October 2020 for FY 2019-20.
2. Dispute Resolution Panel forum is now not limited to Transfer Pricing disputes only but also allowed to Non-residents for all disputes.
3. Provisions of interest limitation (Section 94B) would not apply to the interest paid to an Indian PE i.e. branch of a non-resident bank.
4. Advance Pricing Agreement (Section 92CC) and Safe Harbour Rules (Section 92CB) include the determination of attribution of profit to PE /business connection.

### **B-17. Others**

1. New clause (48C) inserted in Section 10 for providing Exemption of certain income of Indian Strategic Petroleum Reserves Ltd (ISPRL)
2. Section 10(45) stating that 'Any allowance or perquisite, as may be notified by the Central Government in the Official Gazette in this behalf, paid to the Chairman or a retired Chairman or any other member or retired member of the Union Public Service Commission (UPSC)' has been omitted.
3. Section 10A- Special provision in respect of newly established undertakings in free trade zone, etc.:- In order to claim exemption assessee has to furnish, one month prior to filing the return of income,

the report of an accountant certifying that the deduction has been correctly claimed in accordance with the provisions of this section.

4. Modification of the definition of “business Trust” so as to do away with the requirement of the units of business trust to be listed on recognised stock exchange.
5. The scope of Commodity Transaction Tax (CTT) has been widened to align the provisions of CTT with the changes in commodity derivative market.
6. Amendments in section 90 have been made for aligning purposes of entering into Double Taxation Avoidance Agreements (DTAA) with Multilateral Instrument (MLI)
7. Eligibility criteria has been expanded for appointment of member of Adjudicating Authority under the Prohibition of Benami Property Transaction Act, 1988.
8. Amendment in the provisions of Act relating to verification of the return of income and appearance of authorized representative of the assessee to appear before any income tax authorities or appellate tribunal in connection with any proceeding under this Act. A residuary category as ‘any other person, as may be prescribed’ has been inserted to remove/overcome practical difficulties.





# GOODS AND SERVICES TAX

## PART-C



**Caveat:** The Proposed amendments which are enumerated hereunder will be effective from the date to be notified unless otherwise specified.

**C-1. Union Territory to include 'Ladakh':**

➤ **Affected Provision:** Section 2(114) of the CGST Act, 2017 and 2(8) of the UTGST Act, 2017.

➤ **Outcome of above:**

- The definition of Union Territory now recognizes 'Ladakh' as a separate Union Territory in order to concur with Jammu and Kashmir Reorganisation Act, 2019.
- 'Dadra and Nagar Haveli and Daman and Diu' have been combined in the definition of Union Territory as they are now considered as part of the same Union Territory in order to concur with Dadra and Nagar Haveli and Daman and Diu (Merger of Union Territories) Act, 2019.



**C-2. Restriction for Composition dealers in Goods:**

➤ **Affected Provision:** Section 10(2) (b) (c) & (d) of the CGST Act, 2017.

➤ **Outcome of above:**

- The amendment is proposed to extend the restriction to supply of **services** as covered under clause (b), (c) and (d) of clause 2 of section 10(2) which will have the effect of excluding the following group of persons from opting the said scheme:
  - a. Persons engaged in making inter-state outward supply of services.
  - b. Persons engaged in making any supply of services which are not leviable to tax.
  - c. Persons engaged in making supply of services through electronic commerce operator required to collect TCS.

**C-3. Last date for availment of ITC in case of debit notes:**

➤ **Affected Provision:** Section 16(4) of the CGST Act, 2017.

➤ **Outcome of above:**

- Presently the time limit for taking ITC on debit note is linked to the date of invoice pertaining to such debit note.
- It is now proposed that time limit for claiming ITC in respect of debit note will be earlier of:
  - a. Due date of furnishing return for September month following the end of financial year to which such debit note pertains or
  - b. Date of filling the relevant annual return.

**C-4. Cancellation of Voluntary Registration:**

- **Affected Provision:** Section 29(1)(c) of the CGST Act, 2017 is deleted.
- **Outcome of above:**
  - Presently GST legislation does not allow those persons who are registered voluntarily, to apply for cancellation of registration.
  - It is now proposed to allow such person to apply for cancellation of registration.

**C-5. Extension of Time Period for filing application in order to revoke cancelled registration:**

- **Affected Provision:** Proviso to Section 30(1) of the CGST Act, 2017.
- **Outcome of above:**
  - Earlier the taxpayers were entitled to apply for revocation of cancellation of registration within 30 days from the date of service of the cancellation order.
  - It is now proposed to condone such delay in applying for revocation upon sufficient cause being shown and for the reasons to be recorded in writing, by the following:
    - a. Additional Commissioner or the Joint Commissioner - for a period not exceeding 30 days.
    - b. Commissioner for a **further** period not exceeding 30 days, beyond (a).

**C-6. Time for issuing Tax Invoice to be prescribed for certain category of services:**

- **Affected Provision:** Proviso to Section 31(2) of the CGST Act, 2017.
- **Outcome of above:**
  - Presently tax invoice for supply of services is to be raised within 30 days or 45 days from the date of supply.
  - It is now proposed to empower the Government to specify time limit within which the invoice is to be issued in respect of certain category of services or supplies.

**C-7. TDS Certificates:**

- **Affected Provision:** Section 51 of the CGST Act, 2017.
- **Outcome of above:**
  - The specific provision for issuing TDS certificate and the applicable late fees of Rs. 200 per day for the non-issuance of the said certificate by the deductor has been removed from the law.

- However, the form and manner of issuing the said TDS certificates will now be prescribed through Rules.

**C-8. Constitution of Appellate Tribunal in Jammu and Kashmir:**

- **Affected Provision:** Section 109(6) of the CGST Act, 2017.
- **Outcome of above:**
  - Government has now been empowered to constitute a bench of Appellate Tribunal for State of Jammu and Kashmir.

**C-9. Penalties on beneficiaries for certain offences:**

- **Affected Provision:** Section 122(1A) proposed to be inserted to CGST Act, 2017.
- **Outcome of above:**
  - In the cases of fake invoicing or circular trading, till date there was no provision to penalise the actual beneficiaries of the entire fraud since the penalty was only for the persons who committed such offence.
  - Now this penalty is being extended to the persons who have benefited from the specified contravention and at whose instance the specified contravention is undertaken.

**C-10. Fraudulent availment of ITC without tax invoice is now made cognizable and non-bailable offence:**

- **Affected Provision:** Section 132(1) of the CGST Act, 2017.
- **Outcome of above:**
  - It is proposed that the offence of fraudulent availment of ITC without invoice or bill to be made cognizable and non-bailable in addition to ITC on fake tax invoices or bills.
  - Furthermore, it is proposed to extend the said prosecution to the persons who have benefited from the specified contravention and at whose instance the specified contravention is undertaken.

**C-11. Retrospective Amendment to the Transitional Provisions:**

- **Affected Provision:** Section 140 of the CGST Act, 2017.
- **Outcome of above:**
  - Presently, the CGST Act do not have specific provision to define the time within which the Transition credits could be transferred from the erstwhile laws to the GST law. Since, the time limit was mentioned in the Rules and not in the Act, hence the same was challenged before the Hon'ble Gujarat High Court in the case of Siddhartha Enterprises and the court held that the said Rules prescribing the time limit

cannot override the Act, and as a result of which the transitional credits were allowed to be brought to the GST regime till date.

- Now, in order to nullify the said pronouncement of the Hon'ble Gujarat High Court, it is proposed that a retrospective amendment will be carried out in Section 140 in order to provide for the time limit therein.

**C-12. Enhancement of powers of the Jurisdictional Commissioner:**

- **Affected Provision:** Section 168(2) of the CGST Act, 2017.
- **Outcome of above:**
  - An amendment is proposed in the said section in order to enable the Commissioner to issue instructions or directions relating to the expense in case of special audit u/s 66 and extension of time limit in the case of inputs and capital goods sent for job work u/s 143, without requiring the Board approval.

**C-13. Time limit for passing Removal of Difficulty Orders extended:**

- **Affected Provision:** Section 172 of the CGST Act 2017, Section 25 of the IGST Act 2017, Section 26 of the UTGST Act, 2017 and Section 14 of the GST (Compensation to the States) Act.
- **Outcome of above:**
  - The time for issuance of removal of difficulty order is extended up to 5 years from 3 years.

**C-14. Schedule II supplies:**

- **Affected Provision:** Schedule II
- **Outcome of above:**
  - The clause 4 of Schedule II which provided that transfer of business asset would be treated as goods or services also included transfers where no consideration was involved. However, the same has now been removed with effect from 01.07.2017. Now clause 4 of Schedule II only includes transfer of business assets done for a consideration.

**C-15. Retrospective restrictions on claiming refund under Inverted structure to suppliers of tobacco products:**

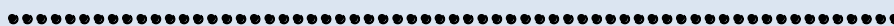
- **Affected Provision:** Section 54(3)(ii) of the CGST Act, 2017
- **Outcome of above:**
  - The Government has retrospectively restricted the supplier of tobacco products from claiming refund under inverted duty structure with effect from 01.07.2017.

**C-16. Retrospective provisions on rates and exemptions:**

- **Affected Provision:** Section 9(1) of the CGST Act, 2017 read with relevant rate notifications.
- **Outcome of above:**
  - Supply of fishmeal (2301) is exempted retrospectively for the period 01.07.2017 to 30.09.2019. However, no refund shall be granted of tax already paid.
  - Supply of pulley, wheels and other parts (8483) and used as parts of agricultural machinery (8432, 8433 and 8436) will be taxed at rate of 12% for the period 01.07.2017 to 31.12.2018. However, no refund shall be granted of tax already paid at higher rate.

**C-17. Miscellaneous:**

- Simplified return system (currently in pilot run) is proposed to be introduced from 01.04.2020.
- Aadhaar based verification of taxpayers for weeding out dummy and non-existing units.
- Implementation of e-invoicing system in phased manner, starting optionally from February 2020.
- Dynamic QR-code for consumer invoices and capturing of GST parameters while making payment through the QR-code.
- Cash rewards to incentivise customers to seek invoice.
- Usage of deep data analytics and AI tools for cracking down on ITC, refunds and other frauds.



# CUSTOM DUTY

## PART-D



**D-1. Retrospective provisions on rates and exemptions:**

- **Affected Provision:** Section 3 of Custom Act 1962 read with Custom Tariff Act, 1975.
- **Outcome of above:**
  - The Budget doubled basic custom duty from 10% to 20% on whole lot of imported products such as food grinder, juicer, shaver, epilator, geyser, room heater, hair dryer, electric iron, oven, coffee and tea maker, toaster and ceiling fan.
  - The custom duty on wall fan has been hiked from 7.5% to 20%.
  - Basic customs duty on imports of news print and light-weight coated paper from 10% to 5%.
  - Unless otherwise stated, all changes in rates of duty take effect from the midnight of 1st February/2nd February, 2020.



**D-2. Introduction of New Chapter & Sections:**

- New Chapter VAA (a new section 28DA) is being incorporated in the Customs Act to provide enabling provision for administering the preferential tariff treatment regime under Trade Agreements. The proposed new section seeks to specifically provide for certain obligations on importer and prescribe for time bound verification from exporting country in case of doubt. Pending verification preferential tariff treatment shall be suspended and goods shall be cleared only on furnishing security equal to differential duty. In certain cases, the preferential tax treatment may be denied without further verification.
- Clause (f) of the section 11(2) empowers the Central Government to prevent injury to the economy of the country by the uncontrolled import or export of gold or silver, to prohibit their import or export. This clause is being amended to include “any other goods” (in addition to gold and silver) in its ambit.
- A new section 51B is being inserted so as to provide for creation of an Electronic Duty Credit Ledger in the customs system. This will enable duty credit in lieu of duty remission to be given in respect of exports or other such benefit in electronic form for its usage, transfer etc. The provision for recovery of duties provided under Section 28AAA of



Customs Act, 1962 are also being expanded to include such electronic credit of duties.

**D-3. Introduction of Health Cess:**

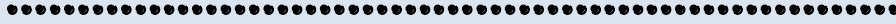
➤ **Outcome of above:**

- The introduction of an additional 'Health Cess' of 5 % on the import of medical devices which shall be used for financing the health infrastructure and service.
- The health cess has been introduced with twin objectives of giving further fillip to domestic manufacturing of medical equipment and generating resources for health services.

**D-4. Miscellaneous:**

- At present, there is no provision for investigation in case of circumvention of countervailing duties provision is being incorporated in the Customs Tariff (Identification, Assessment and Collection of Countervailing Duty on Subsidized Articles and for Determination of Injury) Rules, 1995 to enable investigation into case of circumvention of countervailing duty for enabling imposition of such duty.
- Basic Custom duty on Pure-bred breeding Horses falling under tariff item 0101 21 00 is being exempted by amending the **notification No. 50/2017-Customs dated 30th June 2017** videnotification **No. 1/2020-Customs dated 2nd February, 2020.**
- The introduction of stringent checks on rising imports under free trade agreements which include adherence to rules of origin requirements. This would ensure that no undue claims are made by the importers.
- Strengthening of the provisions regulating surges in the dumping of goods, and imports of subsidised goods and empowering the central government to apply safeguard measures such as the imposition of safeguard duty, application of tariff-rate quota or such other measures to check increased import of an article.
- The withdrawal of customs duty exemptions which have outlived their utility, with a further review in September 2020.

- A provision for recovery of duty from a person against the utilisation of instruments that have been obtained fraudulently under any other law or scheme of the central government, in addition to the Foreign Trade (Development and Regulation) Act.



# GLOSSARY

## PART E

<b>AMT</b>	Alternative Minimum Tax
<b>ADIA</b>	Abu Dhabi Investment Authority
<b>AO</b>	Assessing Officer
<b>AY</b>	Assessment Year
<b>BE</b>	Budget Estimate
<b>CBDT</b>	Central Board of Direct Taxes
<b>CGST</b>	Central Goods and Services Tax
<b>CIT</b>	Commissioner Of Income Tax
<b>CCIT</b>	Chief Commissioner Of Income Tax
<b>CPI</b>	Consumer Price Index
<b>CTT</b>	Commodity Transaction Tax
<b>DRP</b>	Dispute Resolution Panel
<b>DTAA</b>	Double Taxation Avoidance Agreement
<b>ESOP</b>	Employee Stock Option Plan
<b>FII</b>	Foreign Institutional Investor
<b>FDI</b>	Foreign Direct Investment
<b>FPI</b>	Foreign Portfolio Investment
<b>FY</b>	Financial Year
<b>GDP</b>	Gross Domestic Product
<b>GOI</b>	Government of India
<b>HUF</b>	Hindu Undivided Family
<b>H2</b>	Second-half
<b>HNW</b>	High Net Worth
<b>HRA</b>	House Rent Allowance
<b>IBC</b>	Insolvency and Bankruptcy Code
<b>IFSC</b>	International Financial Services Centre
<b>IGST</b>	Integrated Goods and Services Tax
<b>ITC</b>	Input Tax Credit
<b>ITR</b>	Income Tax Return
<b>LTA</b>	Leave Travel Allowance
<b>LRS</b>	Liberalised Remittance Scheme

<b>MAT</b>	Minimum Alternate Tax
<b>MP</b>	Member of Parliament
<b>MLA</b>	Member of Legislative Assembly
<b>MLI</b>	Multilateral Instrument
<b>NBFC</b>	Non-Banking Financial Company
<b>NPA</b>	Non-Performing Asset
<b>NPS</b>	National Pension Scheme
<b>NR</b>	Non-Resident
<b>NRI</b>	Non-Resident Indian
<b>OECD</b>	The Organisation for Economic Co-operation and Development
<b>PA</b>	Provisional Actuals
<b>PAN</b>	Permanent Account Number
<b>POI</b>	Person of India Origin
<b>Pr. CCIT</b>	Principal Chief Commissioner Of Income Tax
<b>QFI</b>	Qualified Foreign Investor
<b>RBI</b>	Reserve Bank of India
<b>RDB</b>	Rupee Denominated Bond
<b>RE</b>	Revised Estimate
<b>SEBI</b>	Securities and Exchange Board of India
<b>SEP</b>	Significant Economic Presence
<b>SEZ</b>	Special Economic Zone
<b>TCS</b>	Tax Collected At Source
<b>TDS</b>	Tax Deducted At Source
<b>U/S</b>	Under Section
<b>UTGST</b>	Union Territory Goods and Services Tax
<b>WDV</b>	Written Down Value

***Disclaimer: This publication contains information for general guidance only. It is not intended to address the circumstances of any particular individual or entity. Although the best of endeavour has been made to provide the provisions in a simpler and accurate form, there is no substitute to detailed research with regard to the specific situation of a particular individual or entity Mahendra K. Satya & Co. or any of its officials do not accept any responsibility for loss incurred by any person for acting or refraining to act as a result of any matter in this publication***

**- MKS Research Team**