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2020 INDIA BUDGET

Sometimes silence speaks volumes. Sometimes it is just silence. Both are easy to comprehend. Mixed signals though, not so much.

While Budget 2020 is power packed with generics; a clutch of policy announcements, new calculus on tax rates, the usual tinkering and toying with the math of the system, there were no real specifics to talk about.

The collective breath of the business community will have to maintain holding pattern for now. There's no stimulus package or golden parachute coming your way. And if the economy has a war like climb ahead, consider yourself drafted.

It's fairly clear the government wants the market to kickstart and correct itself. With a not so subtle reminder to business leaders and owners that the economy of the country is more than the sum of its parts.

It's not just businesses; even individuals, the tax paying middle class, have been given choices that nudge them towards spending over saving. The eventual tax benefits are a matter of multiple metrics and combinations that are yet to reveal themselves.

The coded message here seems to be multi layered. At one level the Government seems to share the business community's concerns over the state of the economy. Our fears are not unfounded.

At another, it is asking us, businesses, citizens and overseas investors the ever provocative call to arms - what are YOU going to do about it?

Policy Measures

Direct Tax

Indirect Tax

POLICY MEASURES

The Budget announced by the Union Government from time to time showcases its various policies and manner in which it intends to pursue these policies. Various governments, depending upon their commitment to the public have different points in time pursued their own agendas. Despite this, the common thread amongst all of these has always been a thrust on rural development, defence and infrastructure.

This budget has focused on three themes viz. Aspirational India, Economic Development and a Caring Society.

Each of these have been further broken down into bite sized pieces and addressed individually.

Aspirational India

- Water management – quantitative and qualitative
- Solar energy – generation during non-crop seasons and for running pump-sets
- Encouragement of organic fertilisers and zero-based budget farming
- Agri-warehousing and cold storage
- Seamless cold supply chain using Railways
- Development of fisheries and encouragement of youth to fisheries
- Elimination of foot and mouth diseases amongst cattle and PPR in sheep goat
- Setting up District Hospitals in PPP mode
- Literacy focused on life skills and job skills – New Education Policy to be announced soon
- Enabling External Commercial Borrowings for educational institutions to deliver quality education
- Encourage study in India through Ind-SAT to be conducted in Asian and African countries
- Setting up a National Police University and National Forensic Science University
- Improve medical education by attaching colleges to District Hospitals and encourage large hospitals to offer post-graduate courses
- Bridge course for teachers, nurses, para-medical staff and caregivers to help them tap the foreign job market

Economic Development

- Encouragement of entrepreneurship through creation of an Investment Clearance Cell to provide 'end to end' facilitation and support
- Encouragement to domestically produce mobile phones, electronic equipment and semi-conductor through a package to be announced later. Similarly, an adapted scheme will also be announced for medical devices
- National Technical Textiles Mission will, over a period four years, focus on making India a world leader in Technical Textiles

- 6,500 projects with an outlay of over ₹ 103 Lakh Crores have been identified in the areas of infrastructure. This massive spend by the Government is expected to boost the economic growth
- Accelerated development of highways is planned
- Privatisation of one port and then listing it is also on the cards
- National Gas Grid will be increased to 27,000 km
- New Policy to enable the private sector to build Data Centre parks throughout the country

Caring Society

- ₹ 35,600 crores for Nutritional programs and ₹ 28,600 crores for women-specific programs
- ₹ 85,000 crores for welfare of Scheduled Castes and other Backward Classes
- ₹ 53,700 crores for welfare of Scheduled Tribes
- Five archaeological sites to be developed as iconic sites with onsite museums
- ₹ 4,400 crores towards clean air in large cities

Governance

- Decriminalisation of civil acts to be done in Companies Act as well as in other statutes
- A National Recruitment Agency with the remit to recruit for non-gazetted posts in Government and public sector banks will be set up
- Strengthening of the Contracts Act
- ₹ 30,757 crores for development of Jammu and Kashmir and ₹ 5,958 crores for development of Ladakh

Financial Sector

- Deposit insurance coverage to be increased from the present ₹ 1 Lakh to ₹ 5 Lakhs
- Scheme to provide subordinate debt to MSMEs to be evolved
- Certain Government securities to be opened domestic and non-resident investors
- New Debt-ETF primarily consisting of government securities to be floated soon
- Partial sale of government's stake in Life Insurance Corporation of India through an IPO

DIRECT TAX

Residential Status

- Indian citizens and Persons of Indian Origin who visit India will be treated as a tax resident if the stay in India is:
    - 182 days or more in the previous year; and
    - 365 days or more in the four years preceding the previous year.

From 1 April 2020, 182 days will be reduced to 120 days, thereby reducing abuse.

- Indian citizens who so arrange their affairs so as to be not liable to pay taxes in any country will, from 1 April 2020, be deemed to be resident in India and thus have to pay taxes in India.

- From 1 April 2020, a person would be treated Ordinary Resident of India if he is resident in India for more than 3 years out of 10 years preceding the previous year. HUFs, too, will have the same treatment if this condition is satisfied by its Manager.

Income deemed to accrue in India

- Significant Economic Presence test for establishing business connection in India is deferred to 1 April 2021.
- From 1 April 2020, income attributable to the operations carried out in India will include income from:
    - advertisement which targets Indian customers or customer who access the advertisement through an internet protocol address located in India;
    - sale of data collected from Indian persons or from a person who uses an internet protocol address located in India; and
    - sale of goods or services using data collected from Indian persons or from a person who uses an internet protocol address located in India.
- From 1 April 2020, royalty will include consideration received from sale, distribution or exhibition of cinematographic films.

Incentives to Financial Sector

- From 1 April 2020, a business trust:
    - would not be required to list the InvITs and REITs on a recognised stock exchange which is in line with SEBI's Regulations.
    - in case of segregation of portfolio of debt and money market instruments by Mutual Fund schemes:
        - the period of holding for segregated units shall also include period of holding of original units.
        - the cost of the units in the segregated portfolio would be in the same proportion as the Net Asset Value (NAV) of segregated portfolio bears to the NAV of the total portfolio immediately prior to such segregation.

- From 1 April 2020, for calculating aggregate participation or investment in a fund will not include any contribution made by the eligible fund manager during the first three years of operation of the fund up to Rs. 25 crores.

- From 1 April 2020, an investment fund established or incorporated in the previous year will have to maintain a corpus of ₹ 100 crores within 12 months of its establishment or incorporation.

- From1 April 2020, dividend, interest and capital gains earned by the subsidiary of the Abu Dhabi Investment Authority is exempt from tax if:
    - the investment is made before 31 March 2024, in specified infrastructure facilities and notified business;
    - the investment is held for at least three years and certain other specified conditions are fulfilled.

Charitable Institutions and Trust

From 1 June 2020

- New online procedure for registration of trust and institution will be introduced;
- Registration will be valid only for 5 years;
- New trusts and institutions will be provisionally registered for 3 years;
- Donor's donation deductions will be allowed only if a statement of donations received is filed by the recipient. Failure to do so will attract a fee and penalty.

Individuals and Business

- From 1 April 2020, if employers' contribution to a recognised provident fund, a notified pension scheme and an approved superannuation fund exceeds ₹ 7.5 Lakhs per year, the employee will have to pay tax. Accordingly, proportionate interest will also be taxable.
- From 1 June 2020, the tax payer can choose to opt for 100% deduction towards capital expenditure incurred by a specified business, provided certain conditions are satisfied.
- From 1 April 2019, electricity generation will be treated as manufacturing for availing concessional tax rate of 15%.
- From 1 April 2020, the tolerance limit of variation between the sale value of land and/or building and the stamp duty value is been raised from existing 5% to 10%. Thus, if variations are within tolerance limit, the actual sale consideration will be taken for tax computation.
- From 1 April 2020, if the cash receipts/payments are less than 5% of total receipts/payments then the tax audit turnover limit is enhanced to ₹ 5 crores.

Affordable housing

- Deduction for home loan interest under affordable housing scheme has been extended to home loans taken till 31 March 2021.
- Taxpayers developing and building affordable housing projects, approved before 31 March 2021, will get 100% deduction of profits from such projects.

International Tax

- India is a torch bearer in implementing the Base Erosion & Profit Shifting (BEPS) action plans and the Government plans to continue being so.
    - From 1 April 2020, Government power to enter into a Double Taxation Avoidance Agreement (DTAA) will include the preamble language of the Multilateral Instrument.
    - From April 01, 2020, Safe harbour rules and advance pricing provisions are extended to include determination of the profit attribution to the permanent establishment within its ambit.
- From 1 April 2020, thin capitalisation rules on interest paid to the PE of a non-resident engaged in the banking business will be relaxed.
- From 1 April 2019, non-residents earning only royalty or fee for technical services which has suffered prescribed with-holding tax need not file the return of income.
- From 1 April 2020, Central Board of Direct Taxes (CBDT) will be empowered to make rules for determining income of a non-resident tax-payer's operations in India. It will also prescribe rules for determination of non-resident tax-payer's transactions or activities from 1 April 2021.

Due Dates for Reports & Returns

- Due dates for furnishing annual tax certification/reports viz., tax audit, MAT, TP certificate etc., and filing tax returns have been proposed to be changed

Taxpayer	Due Dates	
	Old provision	New provision
Non-corporate taxpayer Not subject to audit No international transactions.	Tax return filing 31 July	Tax return filing 31 July
Corporate taxpayer Non-corporate taxpayer with audit ALL partners of firms with audit	Audit Reports, Certifications & Tax return filing 30 September	Audit Reports & Certifications 30 September; Tax Return filing 31 October
All taxpayers having international transactions	Audit Reports, Certifications & Tax return filing 30 November	Audit Reports & Certifications 31 October; Tax Return filing 30 November

Dividend

- From 1 April 2020, dividend distribution tax and tax on distributed income from mutual funds will be removed. Instead, they will be taxed in the recipients' hands.
    - Thus, taxation of dividend in excess of ₹ 10 Lakhs is removed
    - Only interest expense, up to 20% of such income, will be allowed as deduction from the dividend income or income from units.
    - Distribution in excess of ₹ 5,000 will be subject to withholding tax of 10 %.
    - Non-resident recipient of dividend can avail benefit of lower treaty rates.
    - Cascading effect of tax is removed by allowing the deduction of dividend received one month prior to the due date of filing the return by a domestic company from another domestic company.

Taxpayers' Charter

- From 1 April 2020, the Income Tax Act will contain a provision to empower the CBDT to adopt and declare a Taxpayers' Charter (outlining the tax payers rights) and issue such orders, instructions, directions or guidelines to other income tax authorities as it may deem fit for the administration of the Charter.

Start-ups

Start-ups get a special mention in this budget on two counts viz. employee retention and tax on profits. From 1 April 2020,

- Payment of perquisite tax on ESOPs has been deferred. Deduction and payment of tax on perquisite of its employees will have to be done within 14 days of the earliest of:
    - expiry of 48 months from the end of the assessment year relevant to the previous year in which the shares are allotted to the employee; or
    - date of sale of such shares by the employee; or
    - the date of ceasing to be employee of the employer who allotted such shares.
- If the employer fails to deduct the tax, then the employee can pay the tax directly.
- Start-ups enjoy a tax holiday, for 3 consecutive years, to be chosen from the first 7 years since incorporation. The time block is increased to 10 years.
- Turnover limit too, for such tax holiday has been increased to ₹ 100 crores.

Withholding and Collection of Tax from 1 April 2020

- Individuals or HUF, whose turnover or gross receipts is more than Rs. 1 crore (business) or ₹ 50 Lakhs (profession) in the previous year immediately preceding the year in which payment/receipt is made will have to withhold or collect tax at applicable rates for all such eligible payments/receipts.

- To control avoidance of withholding tax, the definition of job-work is being broad-based to include the purchases from related party of the contractee.
- Tax will be withheld at 2% on payment of the fees for technical services as against 10%. For payment of other professional fees, the withholding of tax will remain at 10%.
- Tax will be withheld at 10% on dividend to unit holder paid by the business trust.
- For availing concessional withholding tax rate on interest payment to Non-resident, the time limit for money borrowed under loan agreement, long term infrastructure bond and rupee denominated bond has been extended for further 3 years, i.e., 1 July 2023.
- Withholding tax rate of 4% is proposed for interest payable on money borrowed by issue of long-term bonds or rupee denominated bond listed on recognized stock exchange located in International Financial Service Centre (IFSC).
- Tax will be withheld at 5% on interest payment on municipal debt securities to Foreign Institutional Investor or a Qualified Foreign Investor.
- An e-commerce operator will be required to withhold tax at the rate of 1% on gross amount of sales or services or both paid to e-commerce participant.
    - e-commerce participant means an Indian resident selling goods or providing services or both through a digital or e-commerce facility;
    - Payee being Individuals or HUF are exempted from withholding up to ₹ 5 lakhs;
    - In case of non-availability of PAN or AADHAAR, the withholding tax will be at 5%;
    - The payee will also be eligible to apply for a lower deduction certificate.
- Tax on dividend paid to non-resident unitholders in respect of mutual funds, bonds, GDR, FII, rupee denominated bond and government securities tax will be withheld at the rate 20%.
- Non-residents who are liable to withhold tax and pay, will be compliant if the non-resident or his agent or any person authorized by such non-resident fulfils the compliance.
- Tax will be collected at 5% (or 10% without PAN/AADHAAR) by authorized dealer of RBI on aggregate amount of more than ₹ 7 Lakhs received for remittance out of India under the Liberalized Remittance Scheme.
- Tax will be collected by the seller of overseas tour package at 5% (or 10% without PAN/AADHAAR) on amount received from any buyer of such package.
- Sellers whose turnover or gross receipts exceed ₹ 10 crores will have to collect tax at 0.1% (or 1% without PAN/AADHAAR) from buyers if the sale is in excess of ₹ 50 Lakhs. But, this will not be required if tax has been or will be withheld on such payments.

Fines and penalties

- From 1 June 2020, research association, university, college or other institution or charitable institution etc. are required to file certain returns/forms in the specified formats. Failure to comply the same will attract:
    - fee of ₹ 200 for each day of default not exceeding the contributions and donations collected;
    - Returns can be filed only after the payment of such fees;
    - in case of non-furnishing of forms/returns or details sought by the assessing officer, he may levy penalty of not less than ₹ 10,000 and up to ₹ 100,000.
- Fradulent claims of input tax credit have been unearthed by the GST authorities. To further tighten the regulations, new penal provisions will be introduced from 1 April 2020. Penalties in such cases will be equal to the value of the falsified document or entry in the books.
- Penalty proceedings will also be carried out electronically (e-proceedings) from 1 April 2020.

Miscellaneous

- From 1 June 2020, the tax Authority will mandatorily provide an annual financial statement instead of Form 26AS to all the taxpayers which will include share transactions, sale of immovable property, etc.
- From 1 April 2019, return of income of a resident company and a Limited Liability Partnership (LLP) can be verified by a person specified by CBDT other than a Managing director/director or a designated partner/partner.
- From 1 April 2020, the cost of acquisition in case of land and/or building received by way of gift or inheritance etc. will be restricted to the stamp duty value of such property as on 1 April 2001, if the same is acquired before the said date either by the taxpayer or his predecessor.
- From 1 April 2020, the best judgment assessment will be carried out in a faceless manner in line with the scrutiny assessment. This will also be extended to the appeals before the Commissioner of Income Tax (Appeals).
- From 1 April 2020, Appellate Tribunals can grant stay only on payment of 20% of the disputed demand or furnishing a security of an equal amount.
- From 1 April 2020, the benefit of approaching the Dispute Resolution Panel has been extended to all the non-resident taxpayers.

Conditions For New Tax Regime

Conditions	Sec 115 BAA	Sec 115 BAB	Sec 115 BAC
Applicability	**Domestic Company**	**New Manufacturing Domestic Company**	**Individuals / HUF**
Tax Rate*	25.17%	17.16%	Slab Rates under new Regime
Computation Of Total Income after considering below exemptions/deductions-			
• Leave Travel Concession	-	-	X
• House Rent Allowance	-	-	X
• Other Prescribed Allowances	-	-	X
• Allowances to MPs/MLAs	-	-	X
• Allowance of Minor’s Income	-	-	X
• Tax Holiday for SEZ units	X	X	X
• Standard Deduction, Entertainment Allowance Deduction and Professional/Employment Tax	-	-	X
• Interest in respect of Self Occupied or Vacant House Property	-	-	X
• Additional Depreciation	X	X	X
• Additional deduction for investment in machinery	X	X	X
• Deduction for Tea Development Account	X	X	X
• Site Restoration Fund	X	X	X
• Expenditure on Scientific Research	X	X	X
• Capital expenditure for specified business	X	X	X
• Expenditure extension projects	X	X	X
• Skill development projects	X	X	-
• Family Pension	-	-	X
• Chapter VI-A except deduction on additional employment	X	X	X
• Employer Contribution to Pension Scheme	-	-	✓
• Inter Corporate Dividends	✓	✓	-
• Unabsorbed Depreciation Loss	✓	✓	✓
• Set off of any prior period loss carried forward related to above items	X	X	X
• Current Year House Property Loss Set off	-	-	X

*includes applicable Surcharge and Cess

Other Conditions:
- Once option is exercised, then it cannot be subsequently withdrawn for the same or any other tax year.
- The option is to be exercised in the prescribed manner on or before due date of filing the Tax Return.
- In case of Individuals/HUFs with business income who has once opted this scheme will have an option to opt out of the scheme only once in the subsequent year
- Provision of MAT/AMT is not applicable.

Tax Rate Chart For The Financial Year 2020-21 For Firms And Companies

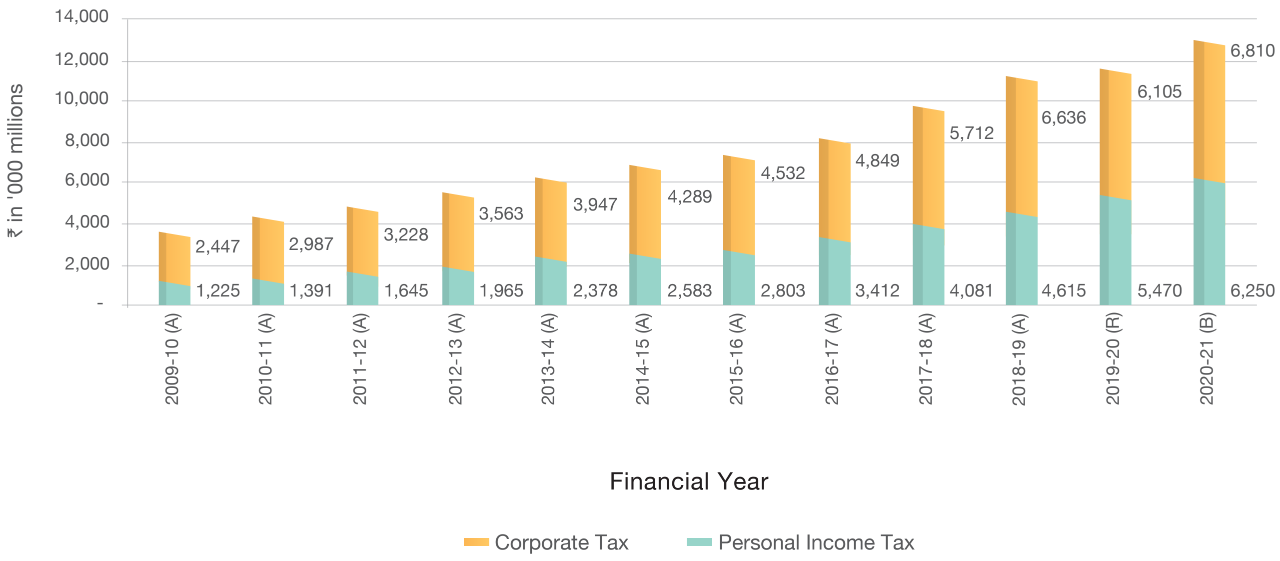
<table>
<tr><th colspan="3">Firms/LLP Tax</th></tr>
<tr><td>Step 1- Compute basic tax</td><td colspan="2">30% on Taxable income</td></tr>
<tr><td>Step 2- Compute surcharge</td><td>₹ 15 – ₹ 1,00,00,000
Above ₹ 1,00,00,000</td><td>Nil
12% of Tax Liability</td></tr>
<tr><td colspan="3">Step 3- Compute Health and education cess at 4% on the sum of Step 1 (Basic Tax) and Step 2 (Surcharge)</td></tr>
<tr><td colspan="3">Step 4- Total Tax: Sum of Step 1 (Basic Tax), Step 2 (Surcharge) and Step 3 (Cess)</td></tr>
<tr><th colspan="3">Corporate Income Tax</th></tr>
<tr><td colspan="3">Existing Rates/Old Regime (with applicable exemptions and deductions)</td></tr>
<tr><td colspan="3">Step-1 Compute basic tax as per below Category</td></tr>
<tr><td colspan="2">Domestic company having total turnover/receipts in financial year 2018-19 not exceeding ₹ 400 Crore</td><td>25% on Taxable income</td></tr>
<tr><td colspan="2">Domestic company other than above</td><td>30% on Taxable income</td></tr>
<tr><td colspan="2">Foreign company</td><td>40% on Taxable income</td></tr>
<tr><td colspan="3">Step 2- Compute surcharge as per below Category</td></tr>
<tr><td>Domestic company whose taxable income is</td><td>₹ 15 – ₹ 1,00,00,000
₹ 1,00,00,000 - ₹ 10,00,00,000
Above ₹ 10,00,00,000</td><td>Nil
7% of Tax Liability
12% on Tax Liability</td></tr>
<tr><td>Foreign company whose taxable income is</td><td>₹ 15 – ₹ 1,00,00,000
₹ 1,00,00,000 - ₹ 10,00,00,000
Above ₹ 10,00,00,000</td><td>Nil
2% of Tax Liability
5% on Tax Liability</td></tr>
<tr><td colspan="3">Step 3- Compute Health and education cess at 4% on the sum of Step 1 (Basic Tax) and Step 2 (Surcharge)</td></tr>
<tr><td colspan="3">Step 4- Total Tax: Sum of Step 1 (Basic Tax), Step 2 (Surcharge) and Step 3 (Cess)</td></tr>
<tr><td colspan="3">Or - New Regime (Optional- without exemptions and deductions)</td></tr>
<tr><td colspan="3">Step-1 Compute basic tax as per below category</td></tr>
<tr><td colspan="2">For manufacturing sector (setup after Oct 01, 2019) (Section 115BAB)</td><td>15% on Taxable income</td></tr>
<tr><td colspan="2">Other than manufacturing sector (Section 115BAA)</td><td>22% on Taxable income</td></tr>
<tr><td colspan="3">Step 2- Surcharge at 10% on above</td></tr>
<tr><td colspan="3">Step 3- Compute Health and education cess at 4% on the sum of Step 1 (Basic Tax) and Step 2 (Surcharge)</td></tr>
<tr><td colspan="3">Step 4- Total Tax: Sum of Step 1(Basic Tax), Step 2(Surcharge) and Step 3 (Cess)</td></tr>
</table>

The above rates are without considering the benefit of marginal relief (if any)

Minimum Alternate Tax	
Companies Opting for Existing Rates/Old Regime	15% of Book profit (Add applicable surcharge and cess as above)
Companies Opting for New Regime	Not Applicable
Alternate Minimum Tax	
Every Individual, Hindu undivided family, Association of person & Body of Individuals, Firm or co-operative society having adjusted total income exceeding ₹ 20,00,000 from business or profession and claiming deduction in respect of certain income or capital expenditure in case of specified business or claiming SEZ tax holiday.	18.50% of adjusted total income (Add applicable surcharge and cess as above)

The above rates are without considering the benefit of marginal relief (if any)

Direct Tax Collection Chart



Proposed Personal Tax Rate Chart For The Financial Year 2020-21

Step-1 Compute basic tax as per below slab		
Existing Rates/Old Regime (with applicable exemptions and deductions)		
Resident Individual who is of the age of 80 years or more	up to ₹ 5,00,000 ₹ 5,00,001- ₹ 10,00,000 ₹ 10,00,001 and above	Nil (Taxable income - ₹ 5,00,000)* 20% (Taxable income - ₹ 10,00,000)* 30% + ₹ 1,00,000
Resident Individual who is of the age or above 60 years and less than 80 years	up to ₹ 3,00,000 ₹ 3,00,001- ₹ 5,00,000 ₹ 5,00,001- ₹ 10,00,000 ₹ 10,00,001 and above	Nil (Taxable income - ₹ 3,00,000)* 5% (Taxable income - ₹ 5,00,000)* 20% + ₹ 10,000 (Taxable income - ₹ 10,00,000)* 30% + ₹ 1,10,000
Other Individual, Hindu undivided family, Association of person & Body of Individuals	up to ₹ 2,50,000 ₹ 2,50,001- ₹ 5,00,000 ₹ 5,00,001- ₹ 10,00,000 ₹ 10,00,001 and above	Nil (Taxable income - ₹ 2,50,000)* 5% (Taxable income - ₹ 5,00,000)* 20% + ₹ 12,500 (Taxable income - ₹ 10,00,000)* 30% + ₹ 1,12,500
Or New Regime (Optional- without exemptions and deductions)		
All Individuals and Hindu undivided family who opt for New Regime	up to ₹ 2,50,000 ₹ 2,50,001-₹ 5,00,000 ₹ 5,00,001- ₹ 7,50,000 ₹ 7,50,001- ₹ 10,00,000 ₹ 10,00,001- ₹ 12,50,000 ₹ 12,50,001- ₹ 15,00,000 ₹ 15,00,001 and above	Nil (Taxable income - ₹ 2,50,000)* 5% (Taxable income - ₹ 5,00,000)* 10% + ₹ 12,500 (Taxable income - ₹ 7,50,000)* 15% + ₹ 37,500 (Taxable income - ₹ 10,00,000)* 20% + ₹ 75,000 (Taxable income - ₹ 12,50,000)* 25% + ₹ 1,25,000 (Taxable income - ₹ 15,00,000)* 30% + ₹ 1,87,500
Step 2- Compute surcharge as per below slab		
Individual, HUF, AOP, BOI and Artificial Juridical Person	up to ₹ 50,00,000 ₹ 50,00,001- ₹ 1,00,00,000 ₹ 1,00,00,001- ₹ 2,00,00,000 ₹ 2,00,00,001- ₹ 5,00,00,000 ₹ 5,00,00,001 and above	Nil 10% of Basic Tax as per step 1 15% of Basic Tax as per step 1 25% of Basic Tax as per step 1 37% of Basic Tax as per step 1
Step 3- Compute Health and education cess at 4% on the sum of Step 1 (Basic Tax) and Step 2 (Surcharge)		
Step 4- Total Tax: Sum of Step 1 (Basic Tax), Step 2 (Surcharge) and Step 3 (Cess)		
Step 5- Resident Individuals can claim rebate of entire tax where the taxable income up-to ₹ 5,00,000		

The above rates are without considering the benefit of marginal relief (if any)
Also surcharge in case of income chargeable under section 111A or 112A shall not exceed 15%.

Proposed Withholding Tax Rates For The Payments To Non-residents In The Financial Year 2020-2021 Under Income Tax Act, 1961

All figures are in percentage

Section	Nature of payment	Recipient is a non-resident Individual				
		≤ ₹ 50 lakh (₹ 5 Million)	₹ 50 lakh to 1 crore (₹ 5 to10 million)	₹ 1 crore to 2 crore (₹ 10 Million to 20 Million)	₹ 2 crore to 5 crore (₹ 20 Million to 50 Million)	> ₹ 5 crore (₹ 50 Million)
194LB	Interest by infrastructure debt fund	5.20	5.72	5.98	6.5	7.12
	Interest by Indian company towards:					
194LC	(a) Foreign currency loan taken on or after July 1, 2012 but before July 1, 2023	5.20	5.72	5.98	6.5	7.12
	(b) Long Term bond issued on or after October 1, 2014 but before July 1, 2023	5.20	5.72	5.98	6.5	7.12
	(c) Rupee denominated bond issued on or after September 17, 2018 but before March 31, 2019	Nil	Nil	Nil	Nil	Nil
	(d) Any long term or rupee denominated bond listed on recognized stock exchange issued on or after April 01, 2020 but before July 01, 2023	4.16	4.576	4.78	5.20	5.70
	(e) Rupee denominated bond other than above before July 1, 2023	5.20	5.72	5.98	6.5	7.12
195	Other Interest	20.80	22.88	23.92	26.00	28.50
	Royalty	10.40	11.44	11.96	13.00	14.25
	Fee for technical services	10.40	11.44	11.96	13.00	14.25
	Dividend Income	20.80	22.88	23.92	26.00	28.50
	Any other income (other than capital gains)	31.20	34.32	35.88	39.00	42.74

Section	Nature of payment	Person to whom payment is made is a foreign company		
		≤ ₹ 1 crore (₹ 10 Million)	≤ ₹ 1 to 10 crore (₹ 10 to 100 Million)	> ₹ 10 crore (₹ 100 Million)
194LB	Interest by infrastructure debt fund	5.20	5.304	5.46
	Interest by Indian company towards:			
194LC	(a) Foreign currency loan taken on or after July 1, 2012 but before July 1, 2023	5.20	5.304	5.46
	(b) Long Term bond issued on or after October 1, 2014 but before July 1, 2023	5.20	5.304	5.46
	(c) Rupee denominated bond issued on or after September 17, 2018 but before March 31, 2019	Nil	Nil	Nil
	(d) Any long term or rupee denominated bond listed on recognized stock exchange issued on or after April 01, 2020 but before July 01, 2023	4.16	4.2432	4.368
	(e) Rupee denominated bond other than above before July 1, 2023	5.20	5.304	5.46
195	Other Interest	20.80	21.216	21.84
	Royalty	10.40	10.608	10.92
	Fee for technical services	10.40	10.608	10.92
	Dividend	20.80	21.216	21.84
	Any other income (other than capital gains)	41.60	42.432	43.68

The above rates are inclusive of surcharge, health and education cess, wherever applicable. The remitter may withhold the tax at the beneficial rate available, if any in the respective tax treaty, on production of tax residency certificate (TRC) & Form 10F.

Proposed Withholding Tax Rates For The Payments To Residents In The Financial Year 2020-2021 Under Income Tax Act, 1961

All figures are in percentage

Section	Nature of payment	Recipient is					
		Resident Individuals & HUF		Resident Firm / LLP		Resident Company	
		With PAN	Without PAN	With PAN	Without PAN	With PAN	Without PAN
192	Salary [1]	Individual tax rate		Not applicable		Not applicable	
193	Interest on securities	10.00	20.00	10.00	20.00	10.00	20.00
194	Dividends	10.00	20.00	10.00	20.00	10.00	20.00
194A	Interest other than 'interest on securities'[2]	10.00	20.00	10.00	20.00	10.00	20.00
194C	Payments to contractors:[2]						
	Contractors	1.00	20.00	2.00	20.00	2.00	20.00
	Contractors in transport business (not owning more than 10 goods carriage)	Nil	20.00	Nil	20.00	Nil	20.00
194D	Insurance commission	5.00	20.00	5.00	20.00	10.00	20.00
194H	Commission and brokerage[2]	5.00	20.00	5.00	20.00	5.00	20.00
194I	Rent:[2]						
	Plant / machinery / equipment	2.00	20.00	2.00	20.00	2.00	20.00
	Land / building / furniture / fittings	10.00	20.00	10.00	20.00	10.00	20.00
194J	Fee for professional services[2]	10.00	20.00	10.00	20.00	10.00	20.00
194J	Fee for technical services (not being a professional service)[2]	2.00	20.00	2.00	20.00	2.00	20.00
194J	To a Call Center	2.00	20.00	2.00	20.00	2.00	20.00
194K	Payment in respect of specified units[3]	10.00	20.00	10.00	20.00	10.00	20.00
194IA	Transfer of any immovable property other than agricultural land or statutory compulsory acquisition	1.00	20.00	1.00	20.00	1.00	20.00
194IB	Rent exceeding fifty thousand rupees for a month or part of month paid[4]	5.00	20.00	5.00	20.00	5.00	20.00
194M	Payment to Contractors or Fees for Professional services exceeding fifty lakh rupees in aggregate during previous year[4]	5.00	20.00	5.00	20.00	5.00	20.00
194N	Cash Withdrawal from bank account in excess of one crore rupees in aggregate during a previous year	2.00	20.00	2.00	20.00	2.00	20.00
194O	E- commerce transaction	1.00	5.00	1.00	5.00	1.00	5.00

1 Applicable to all types of Assessee
2 These above provisions are applicable to all types of assessee except individuals or Hindu Undivided Family, whose total sales, gross receipts or turnover from the business or profession does not exceed one crore rupees in case of business or fifty lakh rupees in case of profession in the previous year.
3 The above mentioned units are units of Mutual Fund specified under section 10(23D) or units from the Administrator defined under section 10(35) of the specified undertaking specified under section 2(i) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 or units from the specified company defined under section 10(35).
4 The above provisions are applicable to individuals or Hindu Undivided Family, except those whose total sales, gross receipts or turnover from the business or profession exceed one crore rupees in case of business or fifty lakh rupees in case of professional in the previous year, including personal purposes.

INDIRECT TAX

Before the advent of GST, the Union Budget was awaited with bated breath to see how much of transaction taxes would undergo a change. For after all, unlike Income Tax, changes in indirect taxes generally take effect the midnight of the Budget Day. All that seems in the past now. GST has essentially moved the tax rate adjustment exercise and policy changes to the meeting of the GST Council and subsequent notifications thereafter.
However, the Budget continues to be the mainstay as far as legislative amendments in Customs and GST go as well as rates of import duties.
This budget too, therefore focuses only on these two primary areas.

GST

- Amendments are proposed to the definition of 'Union Territory' consequent to formation of Union Territory of Ladakh and unification of Union Territories of 'Dadra and Nagar Haveli' with 'Daman and Diu' by Parliamentary Bill of 3 Dec 2019.
- Sunset clause of 3 years to remove difficulties, set in section 172, proposed to be extended by a further 2 years. This gives hope that though difficulties may come, Government will be able to alleviate those difficulties to make legislative changes without having to go to the legislature, thus enabling a faster response to industry woes.
- Retrospective amendment proposed to ensure Schedule II does not establish supply but only furnishes the 'treatment' to be afforded to supply in cases where there is a transfer of business in para 4.
- Dispute about classification of fishmeal (HSN 2301) that came to be resolved only by 30 Sept 2019 is proposed to be given same resolution for the past period but without any opportunity to claim refund, if taxes were already paid. Similar, retrospective resolution of classification dispute for pulley, wheels and parts (HSN 8483) used as part of agricultural machinery is also proposed.
- Inverted rate structure of cess in case of tobacco products is denied from 30 Sept 2019. This bar on refund proposed to be extended from inception of GST.
- Penalty was imposed on 'taxable persons' and not 'persons masterminding offence'. New category is proposed to render masterminds 'benefiting from specified offences' liable to equal amount of penalty. These changes are proposed in section 122.
- Prosecution now proposed to be widened not only to cover persons 'committing offence' but persons 'committing or masterminding offences'. Further, proposal to rearrange clauses to make 'fraudulent availing of credit' to come within the scope of non-bailable offence. All these changes are proposed in section 132.
- Credit in respect of belated 'debit notes' is now proposed to be linked to date of such debit note and not date of original tax invoice to which it relates.
- Suspension of registration obtained voluntarily proposed to be permitted; earlier this was not permitted for at least 6 months.

- Revocation of cancellation of registration proposed to be extended to 60 days from date of cancellation of registration by JC/ADC and extended to 90 days by Commissioner.
- Enabling amendments proposed for exempting specified categories of service providers from requirement or relaxing timelines for issuing tax invoice.

Key Judgements and their impact

Infirmities in transition credits cured

The Punjab & Haryana High Court ruled in Adfert Technologies that the 'time limit' to file transition declaration prescribed in rule 117 appears to restrict the benefit sought to be allowed by the Statute. For want of authority to impose such 'time limit', the High Court directed the Government to accept transition benefit claims of Petitioners. Decisions of Gujarat High Court in Siddharth Enterprise and Delhi High Court in Krish Automotors were relied upon. These decisions were then followed in Blue Bird also by Delhi High Court and Asiad Paints by the Karnataka High Court.

Now, the Finance Bill has proposed to introduce, with effect from 1 Jul 2017, an amendment conferring powers in the Statute to impose 'time limit' thereby upsetting the basis on which this decision was rendered. Such Machiavellian steps don't endear the Government much.

Construction credits left unaddressed

The Orissa High Court in Safari Retreats had read down provisions that blocked construction related - credits when they were immediately used in making taxable outward supplies. This decision had opened a pandora's box because of the oodles of credit that developers of commercial projects were giving up based on a plain reading of section 17(5)(c) and (d).

Conspicuous by the absence of any amending provision in this Finance Bill to overcome this decision, it is remarkable that Government could be this confident to secure a favourable review decision. But, then again, in case of an unfavourable decision, it could always fall back on the time-honoured mechanism of retrospective amendments to set 'right' uncomfortable judicial precedents.

Notices issued by HC in respect of credit restricted by Rule 36(4)

Union Budget 2020 seems unfazed by the spate of notices issued in Petitions filed against credit restriction imposed via the Rules when section 43A introduced in the statutes for this exact purpose, still remains to be notified. The Delhi High Court had issued notice to the Government in Himanshu Mohta and Associates and the Gujarat High Court in Society for Tax Analysis and Research matters.

Levy IGST on Ocean Freight quashed, but glossed over in Budget

The Gujarat High Court has quashed the demand for IGST on ocean freight from importers in Mohit Mineral's case. Although FOB and CIF imports were both referred by the Petitioners, the decision, in our view too, seems to be correctly rendered but only in cases of CIF imports. It appears Government would be resolved to impose IGST on FOB imports and let go of CIF imports. Now, it remains to be seen whether Government would seek a review of this decision, at least to the extent of FOB imports, in order to proceed with IGST demands in these cases.

Decision on cess, seems a non-issue

The Madras High Court in Sutherland Global Services took exception to the restriction forced upon taxpayers with respect of credit of cess (EC, SEC and KKC) as part of the GST transition procedure. Here too, the Finance Bill does not seem to make any amends. Retrospective amendments to section 140 shows Government's resolve not to entertain any more transition related changes. And this can only mean that Government is confident that retrospective amendment made in 2018 to the definition of 'eligible duties' is sufficient to cover cases of 'centralized registration' too.

A spate of decisions and an unmoved Government is an indicator of finality of law at policy level coupled with a determination to set right any gaffes, even if required to be done retrospectively.

Customs

- Standard rate of basic customs duty (BCD) remains unchanged at 10%
- But, to further strengthen "Make in India" initiative of the Government and to create level playing field particularly for the MSME sector, certain goods see an increase in BCD and on certain others, exemptions have been withdrawn. Few of such amendments are highlighted below:

  - BCD on footwear increased from 25% to 35%
  - Tableware, Kitchenware now would attract BCD rate of 20% as against earlier rate of 10%
  - BCD on compressors of Refrigerators and Air Conditioners is increased from 10% to 12.5%
  - BCD on Wall Fans increased to 20% from earlier rate of 7.5%
  - BCD rates on various furniture items increased from 20% to 25%
  - Toys and Dolls now would attract BCD rate of 60% as against earlier rate of 20%
  - IT Software now would attract 10% Social Welfare Surcharge which was exempted earlier

  Above changes will come into effect from 2 February 2020

  - BCD rates on imported electric vehicles have been increased as follows and the same would be effective from 1 April 2020:

Type of electric vehicle	Earlier rate	Earlier rate
CBUs of commercial vehicles	25%	40%
SKD forms of passenger vehicles, three wheelers	15%	30%
SKD forms of bus, trucks and two wheelers	15%	25%
CKD forms of passenger vehicles, bus, trucks, three wheelers and two wheelers	10%	15%

Health Cess on imported medical devices

From being a domestically manufactured to an exported one, medical equipment has come a long way. To achieve the twin objectives of giving impetus to the domestic industry and also to generate resource for health care, Health Cess at the rate of 5% is introduced on imports of medical equipment with effect from 2 February 2020. However, assistive devices, rehabilitation aids for disabled would be exempt from this new levy.

Effective date of import of goods

Taxable event under the Customs Act occurs when the goods are imported into India. India begins at the point of entry in territorial waters and extends all the way up to the point when the goods cease to be called ‘imported goods’.

Thus, goods brought into India become ‘imported goods’ once they enter territorial waters of India, but they remain so until they are cleared for home consumption.

To attract levy of tax, taxable event needs to be complete and it is not sufficient if it has merely commenced. Taxable event under the Customs Act occurs when the goods are cleared for home consumption, that is to say, when they cease to be ‘imported goods’.

And if bill of entry is filed before the date of ‘entry inwards’ of the ship/aircraft, then ‘arrival date’ or ‘entry inwards’ date would be considered for determination of taxable event.

Thus, medical equipment warehoused on 1 February 2020 would be liable to this new levy that is introduced.

Electronic Duty Credit Ledger

Soon export benefits in the form of duty remission or duty credit scrips would be replaced by way of credit of benefit amount to the Electronic Duty Credit Ledger of Exporter which would be maintained in the Customs automated system. Duty credit in this ledger can be used for payment of import duties or the same may also be transferred to another person as was done in case MEIS/SEIS duty credit scrips.

Review of “Rules of Origin” requirement for FTA benefit

India has inked Comprehensive Economic Partnership Agreements (CEPA) / Free Trade Agreements (FTA) with various countries for reduction or elimination of import duties on goods traded between them.
The Rules of Origin under CEPA/FTA provides for minimum processing or value addition that should happen in the Partner country. These Rules of Origin norms help in containing dumping of goods.

Considering that imports under CEPA/FTA are on the rise, it is proposed under Customs Law to review Rules of Origin requirements particularly for certain sensitive items.

Importer claiming concessional duty rate under CEPA/FTA is now required to carry out sufficient due diligence and possess such information that country of origin criteria including regional value addition conditions are complied with by the exporter of FTA country.

Further, just because Importer has furnished “Certificate of Origin’ that by itself now would not absolve the Importer of his responsibility to exercise reasonable care regarding satisfaction of value addition criteria in exporting country.

Automated Customs Clearance

With its thrust on “Ease of doing Business”, the Government is now set to bring a paradigm shift in the imports customs clearance process with the introduction of automation. While the automated e-clearance would be initially introduced on a pilot basis at Mumbai and Chennai ports, soon it would be extended on PAN India basis. It is also worthwhile to note that this facility would be available to all importers.

New Bonded Warehouse Scheme

With its continuous efforts to promote India as the manufacturing hub globally and the commitment towards “Ease of Doing Business”, the Government has launched a New Bonded Warehouse Scheme. Benefits under the scheme are as under:

- Bonded warehouse can be set-up anywhere in India
- Trading and / or manufacturing operations can be carried out from bonded warehouse

- Deferred payment of customs duties on import of capital goods and raw materials
- Customs duties on import to be paid only when imported goods / final product is sold domestically in India
- No customs duties payable when final product is exported
- Capital goods after use can be re-exported to the foreign supplier without having to pay any customs duty on import
- Other goods can be sourced domestically on payment of applicable GST
- No export obligation
- No time limit for storage of goods in bonded warehouse
- Simplified registration process

It is expected that this Scheme would bolster the ‘Make in India’ programme, encourage exports, create hubs for electronics assembly, repair & refurbishment operations, facilitate global e-commerce hubs etc.

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