

# Budget 2020



## A Crisp Analysis of Income Tax Provisions

Finance Bill'2020

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Title	Section	Changes proposed	Effective from
<b>Extension in period of deduction on loans taken for affordable houses</b>	80EEA	<ul style="list-style-type: none"> <li>In last budget, government had announced a new deduction of up to INR 1.5 Lacs on interest paid on loans taken for affordable houses up to 31.3.2020.</li> <li>Now, this period has been <b>extended up to 31<sup>st</sup> March' 2021.</b></li> </ul>	Assessment Year 2021-22
<b>Time period and turnover limit increased to claim 100% exemption for start-ups</b>	80-IAC	<ul style="list-style-type: none"> <li>Presently, 100% tax exemption is available to an eligible start-up for 3 consecutive Assessment Years <b>out of 7 years</b> beginning from the year of incorporation.</li> <li>Now, this limit has been <b>increased</b> from 7 years <b>to 10 years.</b></li> <li>Further, to cover maximum number of start ups under this benefit, the turnover limit has also been <b>increased</b> from INR 25 Crore to <b>INR 100 Crore.</b></li> <li>These incentives will boost the start-ups in Indian Economy.</li> </ul>	Assessment Year 2021-22

## ....contd. [1. Tax Benefits ]

Title	Section	Changes proposed	Effective from
<b>Extension in period of tax exemption for affordable housing projects</b>	80- IBA	<ul style="list-style-type: none"> <li>In line with the extension of loan sanction date, the government has also proposed to extend the date of approval of affordable housing projects for claiming tax deduction of profits or gains.</li> <li>Now, builders can claim the deduction on affordable housing projects approved up to 31.3.2021.</li> </ul>	Assessment Year 2021-22
<b>ESOP perquisite not to be taxed at the time of exercising of option at start-ups</b>	192	<ul style="list-style-type: none"> <li>As of now, ESOP's are taxable as perquisite at the time of exercising of option which results in cash out flow on account of tax for employees.</li> <li>To facilitate the employees of start ups, tax on exercising of Employee Stock Option Plan (ESOP) will be paid within 14 days: <ul style="list-style-type: none"> <li>after expiry of 48 months from end of relevant Assessment Year or</li> <li>from date of sale of such shares by employee or</li> <li>from date of leaving the job by employee</li> </ul> <i>whichever is earlier.</i> </li> </ul> <p><b>Note:</b> In budget speech, Hon'ble Finance Minister has announced the period of 48 months as 5 years but amendment in Finance Bill,2020 mentions this period as 48 months. Clarification regarding this is pending.</p>	1 <sup>st</sup> April' 2020

Title	Section	Changes proposed	Effective from
<b>Definition of “work” amended to extend the TDS applicability on job work from related parties</b>	194C	<ul style="list-style-type: none"> <li>As per the current definition of “work”, TDS is not applicable on any job work where in raw material is not supplied by the customer to the contract manufacturer.</li> <li>To avoid TDS and to comply with this exemption, contract manufacturer were made to procure the raw material from the related parties of customer.</li> <li>To plug this loop hole, definition of “work” has been amended which requires deduction of TDS if raw material is procured from customer or its <b>associate</b>.</li> <li>Definition of ‘associate’ will same as mentioned under Section 40(2)(b).</li> </ul>	1 <sup>st</sup> April’ 2020
<b>TDS rate on technical services reduced</b>	194J	<ul style="list-style-type: none"> <li>Currently, TDS rate is same on fee for technical or professional services i.e. 10%</li> <li>However, there are many technical services where in a lower TDS can be deducted under Section 194C.</li> <li>This has resulted in large number of litigations as revenue department started treating an assessee in default for short deduction of tax under Section 194J.</li> <li>To reduce the litigation, TDS rate on technical services has been reduced from 10% to 2%.</li> <li>However, TDS rate on fee for professional services will be 10%, as earlier.</li> </ul>	1 <sup>st</sup> April’ 2020



## ....contd. [2. TDS/TCS ]

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Title	Section	Changes proposed	Effective from
<b>Introduction of TDS on income from Mutual Funds</b>	194K <b>New Section</b>	<ul style="list-style-type: none"><li>▪ TDS @ <b>10 %</b> will be deducted on any income from:<ul style="list-style-type: none"><li>• units of a Mutual Fund</li><li>• units from administrator of aspecified undertaking</li><li>• units from specified companies</li></ul></li><li>▪ However, no TDS will be deducted if such income does not exceed INR 5,000.</li></ul>	1 <sup>st</sup> April' 2020
<b>Introduction of TDS on E-commerce transactions</b>	194O <b>New section</b>	<ul style="list-style-type: none"><li>▪ TDS @ <b>1 %</b> to be deducted by E-commerce operator on gross amount of <b>sale of Good / Services</b> through it's e-commerce platform.</li><li>▪ TDS @ 5% will be applicable if a seller doesn't furnish PAN or Aadhar number.</li><li>▪ <b>No TDS</b> to be deducted if a seller is an <b>Individual or HUF</b> and his <b>gross sale does not exceed INR 5 Lacs</b> during Previous Year on the e-commerce platform and he has furnished his PAN or Aadhar number.</li></ul>	1 <sup>st</sup> April' 2020



## ....contd. [2. TDS/TCS ]

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Title	Section	Changes proposed	Effective from
TCS scope widened	206C	<ul style="list-style-type: none"><li>▪ The scope of TCS has been extended to include the following services which involve money transactions in large amounts:<ul style="list-style-type: none"><li>• <b>TCS @ 5%</b> to be collected by authorised dealer if amount <b>exceeding INR 7 Lacs</b> has been remitted out of India <b>under Liberalised Remittance Scheme</b> (LRS). In case of no PAN or Aadhar number, TCS would be @ 10%.</li><li>• <b>TCS @ 5%</b> to be collected by seller of <b>overseas tour package</b> from the buyer. In case of no PAN or Aadhar number, TCS would be @ 10%.</li><li>• <b>TCS @ 0.1%</b> to be collected by seller of <b>goods</b> from buyer if <b>consideration</b> received during the year <b>exceeds INR 50 Lacs</b> from such buyer. In case of no PAN or Aadhar number, TCS would be @ 1%. Only sellers whose turnover exceeds INR 10 Crore during Financial Year shall be liable to collect such TCS.</li></ul></li></ul>	1 <sup>st</sup> April' 2020

### 3. International taxation

Title	Section	Changes proposed	Effective from
<b>Attribution of Profit to PE included in the scope of Safe Harbour Rules &amp; APA</b>	92CB & 92CC	<ul style="list-style-type: none"> <li>Section 92CB &amp; 92CC of Income Tax Act empowers CBDT to make Safe Harbour Rules (SHR) and to enter into Advance Pricing Agreement (APA) with any person determining the Arm's Length Price of international transactions.</li> <li>The SHR and APA provides certainty on case to case basis and is also successful in reducing litigation in determination of Arm's Length Price.</li> <li>To reduce the litigation further, scope of SHR and APA has been widened to include the attribution of profits to Permanent Establishment of a non-resident.</li> </ul>	Assessment Year 2020-21
<b>Scope of exemption from filing Income Tax Return widened for Non Resident</b>	115A	<ul style="list-style-type: none"> <li>As per the existing provisions, if total income of a non-resident consists of only dividend or interest and TDS has been deducted on this amount by the payer, then non-resident is not required to file the Income Tax Return.</li> <li>Now, this <b>exemption has been extended</b> to include income from <b>Royalty or Fees for technical services</b>.</li> <li>This will reduce the compliance burden on non-residents resulting in ease of doing business in India.</li> </ul>	Assessment Year 2020-21



## ....contd. [3. International Taxation]

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Title	Section	Changes proposed	Effective from
<b>Scope of DRP extended</b>	144C	<ul style="list-style-type: none"> <li>Dispute Resolution Panel (DRP) act as a mediator between non-resident and Assessing Officer (AO) of Income Tax department in case of any dispute in making assessment.</li> <li>An aggrieved assessee can approach to DRP if Assessing Officer makes any variation related to returned loss / income only, which is prejudicial to interest of the assessee.</li> <li>Now, this has been <b>extended to variation of other kind also</b>, not just limited to returned loss/ income.</li> <li>Further, the eligibility of assessee, who can go to DRP, has also been extended. Earlier only Foreign companies could apply in DRP but now <b>Non- Resident not being a company</b> can also go to DRP for quick resolution of cases.</li> </ul>	1 <sup>st</sup> April' 2020

Title	Section	Changes proposed	Effective from
<b>Tightening of residency provisions</b>	6 & 6(1)	<ul style="list-style-type: none"> <li>Presently, any Indian citizen or Person of Indian Origin can stay in India up to 182 days and still be a non-resident in India for taxation purpose.</li> <li>Now, this period has been <b>reduced to 120 days</b> i.e. a person can be non-resident only if he stays in India for less than 120 days.</li> <li>Further, one of the criteria for <b>"not ordinarily resident"</b> has also been amended. Now, a person will be "not ordinarily resident" if he is if a person is Non Resident in <b>7 out of 10</b> preceding years (earlier it was 9 out of 10 preceding years).</li> <li>An Indian citizen who is not liable to pay tax in any other country shall be deemed to be "resident of India".</li> <li>This measure has been taken to capture High Net Worth Individuals who may be Indian citizens but misusing the law and not being taxed anywhere in the world.</li> <li>A clarification has been issued by the CBDT after the Budget speech which clarifies that - "in case a person becomes resident under this Section 6(1A), no tax will be levied on foreign income unless it is derived from an Indian business or profession".</li> </ul>	Assessment Year 2021-22

## ....contd. [4. Other Amendments]

Title	Section	Changes proposed	Effective from
<b>Availment of deduction will be optional</b>	35AD	<ul style="list-style-type: none"> <li>100% deduction is provided for the capital expenditure incurred by a specified business.</li> <li>As per the current legal interpretation, such a business can not claim depreciation on such capital expenditure even if it does not claim deduction under this section once it opts for concessional rate of tax i.e 22% or 15% under Section 115BAA or 115BAB.</li> <li>This deduction has now <b>been made optional</b> and assessee can opt out of 35AD and claim normal depreciation u/s 32.</li> </ul>	Assessment Year 2020-21
<b>Increase in acceptable variation between Stamp duty value &amp; Actual consideration</b>	43CA, 50C & 56	<ul style="list-style-type: none"> <li>In case of transfer of immovable property, if the stamp duty value is higher than actual consideration up to 5%, then actual consideration will be taken as value of immovable property for tax purposes.</li> <li>However, in case stamp duty value exceeds 10% of actual consideration, then stamp duty value will be taken as value of immovable property.</li> <li>Now, this safe harbour limit has been <b>increased</b> from 5% <b>to 10%</b>.</li> </ul>	Assessment Year 2021-22

## ....contd. [4. Other Amendments]

Title	Section	Changes proposed	Effective from
<b>Tax Audit turnover limit amended</b>	44AB	<ul style="list-style-type: none"> <li>Tax audit exemption limit for audit of books of accounts for business entities has been increased five folds <b>from INR 1 Crore to INR 5 Crore</b> subject to <b>two conditions</b>: <ul style="list-style-type: none"> <li>All receipts in cash does not exceed 5% of total receipts and</li> <li>All payments in cash does not exceed 5% of total payments</li> </ul> </li> <li>This is an advantage given by the Government to the companies which runs on cashless transactions and helping in developing a cashless economy.</li> </ul>	Assessment Year 2020-21
<b>Statement of donation to be filed by Donee</b>	80G & 80GGA	<ul style="list-style-type: none"> <li>Entities receiving donations are now required to furnish a statement showing the donations received and also issue a certificate to donor. In the event of failure to do so, fees &amp; penalties will be levied.</li> <li>Just like TDS &amp; TCS, donor shall be allowed <b>the deduction in respect of donation only when such statement is filed by donee.</b></li> <li>Further, similar to 80G cash donations u/s 80GGA (donation for scientific research or rural development) shall also be restricted to INR 2,000.</li> </ul>	1 <sup>st</sup> June'2020

## ....contd. [4. Other Amendments]

Title	Section	Changes proposed	Effective from
<b>Removal of dividend distribution tax</b>	115-O	<ul style="list-style-type: none"> <li>So far, dividend was taxable in the hands of company or mutual funds through a special provision called dividend distribution tax or DDT.</li> <li>Now, dividend will be <b>taxable in the hands of the recipient as per their respective tax slabs</b>.</li> <li>This move will <b>benefit the small shareholders</b> who pays tax under the lowest tax slabs</li> <li>However, big investors <b>like promoters of company</b> having large shareholdings <b>will be at disadvantage</b> as they have to pay tax at higher slab rates instead of fixed rate of DDT deducted by domestic companies.</li> </ul>	Assessment Year 2021-22
<b>Introduction of Taxpayer's Charter</b>	<b>119A New Section</b>	<ul style="list-style-type: none"> <li>Hon'ble' Finance Minister mentioned in her budget speech that "<b>Wealth Creators will be respected in this country</b>".</li> <li>She has empowered CBDT to adopt &amp; declare a <b>Taxpayer's Charter</b> and issue orders / instructions for administration of such Charter.</li> <li>So far, only 3 countries have adopted such a charter– <b>Canada, USA &amp; Australia</b>.</li> <li>Taxpayer's Charter <b>will ensure the rights of the taxpayers</b> e.g. Australian Taxpayer Charter ensure these rights to taxpayers - right to be treated fairly &amp; reasonably, right of getting professional services from departments, right of privacy of taxpayer, right to review, right to make a complaint etc.</li> <li><b>India is going to be the 4<sup>th</sup> country</b> in the world to adopt the same.</li> </ul>	1 <sup>st</sup> April' 2020

## ....contd. [4. Other Amendments]

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Title	Section	Changes proposed	Effective from
<b>Tax Audit date of filing of return amended</b>	139(1)	<ul style="list-style-type: none"> <li>Due date of filing <b>return of income</b> in case of tax audits has been changed from <b>30<sup>th</sup> September to 31<sup>st</sup> October</b> with a view that there should be a gap of 1 month in uploading the Tax Audit Report and filing of Income Tax Return.</li> </ul>	Assessment Year 2020-21
<b>Scope of e-assessment extended</b>	143(3A)	<ul style="list-style-type: none"> <li>To impart greater efficiency, transparency and accountability in assessment proceedings, the scope of e-assessment scheme has been extended to <b>include Best Judgement (ex-parte)</b> Assessment under its scope.</li> </ul>	1 <sup>st</sup> April' 2020
<b>Introduction of e-appeal</b>	250	<ul style="list-style-type: none"> <li>To eliminate the personal interface between Assessing Officer and appellant, an e-appeal scheme will be notified for disposal of appeals by Commissioner Income Tax (Appeals).</li> <li>This is a move towards Digital India and transparency in governance of Income Tax Department.</li> </ul>	1 <sup>st</sup> April' 2020
<b>20% amount to be deposited for any stay from ITAT</b>	254	<ul style="list-style-type: none"> <li>As per the existing provisions, ITAT can grant stay without asking appellant to deposit any amount against the disputed liability.</li> <li>As per the amended provisions, now ITAT may grant the stay <b>only after the appellant has deposited at least 20% of the sum payable</b> including tax, interest, fee, penalty etc.</li> <li>An option of furnishing security has also been provided.</li> </ul>	1 <sup>st</sup> April' 2020

## ....contd. [4. Other Amendments]

Title	Section	Changes proposed	Effective from
<b>Imposition of penalty for fake invoice</b>	271AAD <b>New Section</b>	<ul style="list-style-type: none"> <li>A penalty will be levied if it is <b>found in books of accounts</b> that there is: <ul style="list-style-type: none"> <li>false entry or</li> <li>relevant entry has been omitted to be recorded to evade tax</li> </ul> </li> <li>To extend the scope of penalty, <b>any other person</b> who causes in any manner the false entry or omission of relevant entry shall also be liable to penalty.</li> <li>The amount of penalty will be equal to the aggregate amount of false entries or omitted entries.</li> <li>This penalty has introduced in the wake of rising cases of <b>fake</b> GST input credit claims.</li> </ul>	1 <sup>st</sup> April' 2020
<b>Introduction of e-penalty</b>	274	<ul style="list-style-type: none"> <li>In line with e-assessment, e-penalty scheme will be notified to eliminate the interface between Assessing officer and assessee in respect of penalty proceedings.</li> </ul>	1 <sup>st</sup> April' 2020
<b>Form 26AS abolished and a new format introduced</b>	285BB <b>New Section</b>	<ul style="list-style-type: none"> <li>With the advancement in technology, multiple information like sale or purchase of immovable property, share transactions, etc are being captured which can be made available to the assesses on the portal for filing of tax return.</li> <li>To give access of such information to an assessee, existing Form 26AS is being abolished and a New <b>Annual Financial Statement</b> is being introduced.</li> </ul>	1 <sup>st</sup> June' 2020

## 5. Personal taxation

Title	Section	Changes proposed	Effective from																																
<b>New Tax Regime (Optional)</b>	115BAC <b>New Section</b>	<ul style="list-style-type: none"> <li>Individuals or HUF can opt for new tax regime at following rates: <table border="1"> <thead> <tr> <th>Total Income (in INR)</th><th>Rate (Old)</th><th>Rate (New)</th><th>Reduction in Tax Rate</th></tr> </thead> <tbody> <tr> <td>Upto 2.5 Lacs</td><td>Nil</td><td>Nil</td><td>Nil</td></tr> <tr> <td>From 2.5 Lacs upto 5 Lacs</td><td>5%</td><td>5%</td><td>Same</td></tr> <tr> <td>From 5 Lacs upto 7.5 Lacs</td><td>20%</td><td>10%</td><td>10%</td></tr> <tr> <td>From 7.5 Lacs upto 10 Lacs</td><td>20%</td><td>15%</td><td>5%</td></tr> <tr> <td>From 10 Lacs upto 12.5 Lacs</td><td>30%</td><td>20%</td><td>10%</td></tr> <tr> <td>From 12.5 Lacs upto 15 Lacs</td><td>30%</td><td>25%</td><td>5%</td></tr> <tr> <td>Above 15 Lacs</td><td>30%</td><td>30%</td><td>Same</td></tr> </tbody> </table> </li> <li>No exemption, deduction, set off of losses, depreciation etc. will be allowed under this new regime.</li> <li>Option to choose any of the tax regime (old or new): <ul style="list-style-type: none"> <li>for a business income assessee - once opted cannot be changed in subsequent years.</li> <li>for other assessee- can be opted every year before filing income tax return.</li> </ul> </li> </ul>	Total Income (in INR)	Rate (Old)	Rate (New)	Reduction in Tax Rate	Upto 2.5 Lacs	Nil	Nil	Nil	From 2.5 Lacs upto 5 Lacs	5%	5%	Same	From 5 Lacs upto 7.5 Lacs	20%	10%	10%	From 7.5 Lacs upto 10 Lacs	20%	15%	5%	From 10 Lacs upto 12.5 Lacs	30%	20%	10%	From 12.5 Lacs upto 15 Lacs	30%	25%	5%	Above 15 Lacs	30%	30%	Same	Assessment Year 2021-22
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## ....contd. [5. Personal taxation]

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Title	Section	Changes proposed	Effective from
<b>Rationalization of tax treatment of employer's contribution</b>	17(2)	<ul style="list-style-type: none"><li>▪ A combined <b>upper limit of INR 7.5 Lacs</b> has been prescribed for employer's contribution to:<ul style="list-style-type: none"><li>• Recognized Provident Fund</li><li>• Superannuation Fund</li><li>• National Pension Scheme</li></ul></li><li>▪ Any contribution by an employer <b>in excess of limit prescribed shall be taxable</b> as perquisites in the hands of an employee.</li><li>▪ Any amount received by way of interest, dividend, etc. on such fund relating to employer's contribution shall also be taxable, only to the extent such fund is included in the computation of total income (i.e. beyond INR 7.5 lacs)</li></ul>	Assessment Year 2021-22

Title	Changes proposed		
Introduction	<ul style="list-style-type: none"><li>The name of the scheme is is “Direct Tax Vivad se Vishwas Act, 2020”.</li><li>It will be effective from the date of notification by Central Government.</li><li>It is being introduced for dispute resolution related to direct taxes.</li></ul>		
Benefits	<ul style="list-style-type: none"><li>Assessee can pay the disputed amount in the following ways:</li></ul>		
	Disputed Amount	Pay upto 31.03.2020	Pay after 31.03.2020 but before 30.06.2020
	Tax, Interest, Penalty, Fee etc.	Only tax amount	10% additional on tax amount
	Interest & Penalty	25% of interest & Penalty	30% of interest & Penalty
	<ul style="list-style-type: none"><li>Any payment after 30.06.2020 will not get any benefit under this scheme.</li><li>Scheme aims to resolve <b>4,83,000</b> direct tax related disputes pending on various appellate forums <b>involving INR 9.32 Lac Crore.</b></li></ul>		
Applicability	<ul style="list-style-type: none"><li>Scheme will apply to appeals filed by taxpayers or Government, which are pending with CIT(A), ITAT, HC or SC as on 31.01.2020 irrespective of whether demand in such cases is pending or has been paid.</li><li>The declaration under this scheme shall be filed by the declarant before the designated authority in prescribed form and manner.</li><li>The designated authority shall within 15 days of receipt of declaration, determine the amount of tax arrears payable in prescribed form and manner.</li></ul>		

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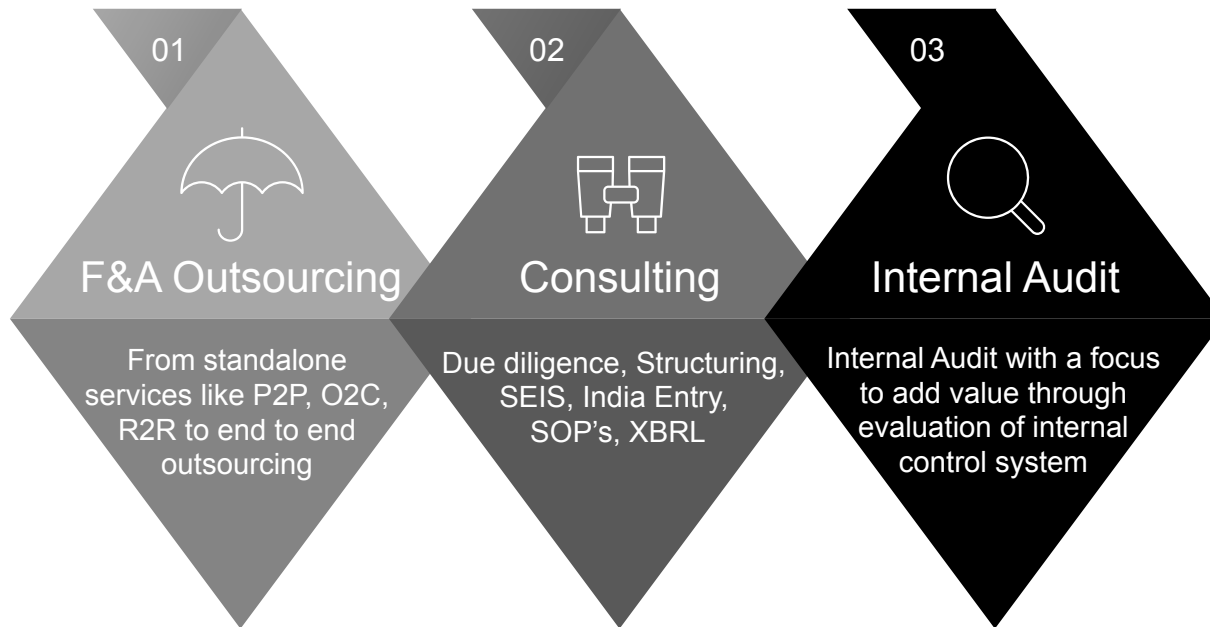
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