

Budget 2020

Finance Bill, 2020 has been presented on 1st Feb, 2020 in the Parliament. Provisions of Finance Bill, 2020 relating to direct tax seek to amend the Income-Tax Act, 1961. The various proposals for amendments are placed before parliament. Let's have a look what is there as income tax aspects for every person.

Analysis of Budget 2020

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1. Rates of Income Tax

A. In case of Company

S No.	Particular	Existing Rate of tax	Amendment
1	Domestic Companies having Total Turnover/ Gross Receipt 400 crores or less in FY 2018-19	25% of Total Income	No Change
2	Domestic Companies having Total Turnover/ Gross Receipt More than 400 crores in FY 2018-19	30% of Total Income	No Change
3	Foreign Companies	30% of Total Income	No Change
4	Domestic company have opted for tax u/s 115BAA*	22%	No Change
5	Domestic Company have opted for tax u/s 115BAB*	15%	No Change

B. In case of Firms/LLPs/Local Authority

Existing Rate of tax	Amendment
30% of Total Income	No Change

C. In case of Co-operative Societies**

S No.	Particular	Existing Rate of tax	Amendment
1	where the total income does not exceed Rs.10,000	10% of Total Income	No Change
2	where the total income exceeds Rs.10,000 but does not exceed Rs.20,000	Rs.1000 + 20% of Total Income which exceeds Rs.10,000	No Change
3	where the total income exceeds Rs.20,000	Rs.3000 + 30% of Total Income which exceeds Rs.20,000	No Change

* Sec. 115BAA and 115BAB in the Act to provide domestic companies an option to be taxed at concessional rate. However, they do not allow to avail specified deduction and incentive. In this regards, If any company you choose to pay tax u/s 115BAA/115BAB then it **do not allow** to take deduction under any provision of **Chapter VI-A** “Deductions to made in computing total income” **other than** [Sec 80JJAA](#) “Deduction in respect of employment of new employees” **from AY 2020-21.**

**** Co-operative Society has an option to pay u/s 115BAD with certain conditions.**
(Discussed Below at Page: 9)

D. In case of Individuals/ HUF/ AOP or BOI/ AJP*

a. Resident Individual who is age of 80 Years or more

S No.	Particular	Existing Rate of tax	Amendment
1	where the total income does not exceed Rs.5,00,000	Nil	No Change
2	where the total income exceeds Rs.5,00,000 but does not exceed Rs.10,00,000	20% of Total Income which exceeds Rs.5,00,000	No Change
3	where the total income exceeds Rs.10,00,000	Rs.1,00,000 + 30% of Total Income which exceeds Rs.10,00,000	No Change

b. Resident Individual who is age of 60 Years or more but less than 80 Years

S No.	Particular	Existing Rate of tax	Amendment
1	where the total income does not exceed Rs.3,00,000	Nil	No Change
2	where the total income exceeds Rs.3,00,000 but does not exceed Rs.5,00,000	5% of Total Income which exceeds Rs.3,00,000	No Change
3	where the total income exceeds Rs.5,00,000 but does not exceed Rs.10,00,000	Rs.10,000 + 20% of Total Income which exceeds Rs.5,00,000	No Change
4	where the total income exceeds Rs.10,00,000	Rs.1,10,000 + 30% of Total Income which exceeds Rs.10,00,000	No Change

c. Individual/HUF other than above (i.e. Any Non-Resident Individual or Resident individual below 60 years or HUF)

S No.	Particular	Existing Rate of tax	Amendment
1	where the total income does not exceed Rs.2,50,000	Nil	No Change
2	where the total income exceeds Rs.2,50,000 but does not exceed Rs.5,00,000	5% of Total Income which exceeds Rs.2,50,000	No Change
3	where the total income exceeds Rs.5,00,000 but does not exceed Rs.10,00,000	Rs.12,500 + 20% of Total Income which exceeds Rs.5,00,000	No Change
4	where the total income exceeds Rs.10,00,000	Rs.1,12,500 + 30% of Total Income which exceeds Rs.10,00,000	No Change

*** From AY 2021-22 (FY 2020-21) individual or HUF have an option to pay tax under newly inserted scheme u/s 115BAC with certain conditions** (Discussed Below at Page:7)

Note: Rebate u/s 87A

- From 01/04/2020 (AY 2020-21), An Assessee, Being an Individual resident in India
- Whose Net total income Rs.5,00,000 or less
- Shall be entitle to deduction from income tax Rs.12,500 or 100% of amount of income tax whichever is less.

2. Surcharge

A. Surcharge for Company

S No.	Particular	Existing Surcharge	Amendment
1	Domestic Companies having Total Turnover/ Gross Receipt Rs.400 crores or less in FY 2018-19	Total Income: a. Upto 1 Cr. No Surcharge	No Change
2	Domestic Companies having Total Turnover/ Gross Receipt More than Rs.400 crores in FY 2018-19	b. More than 1 Cr. And upto 10 Cr. @ 7% of income tax	
		c. More than 10 Cr. @ 12% of income tax	
3	Foreign Companies	Total Income: a. Upto 1 Cr. No Surcharge b. More than 1 Cr. And upto 10 Cr. @ 2% of income tax c. More than 10 Cr. @ 5% of income tax	No Change
4	Domestic company have opted for tax u/s 115BAA*	Mandatory Surcharge @10%	
5	Domestic Company have opted for tax u/s 115BAB*	Mandatory Surcharge @10%	

B. Surcharge for Co-operative Societies/ Firms/ LLPs/ Local Authorities

S No.	Particular	Existing Surcharge	Amendment
1	where the total income does not exceed Rs.1,00,00,000	No Surcharge	No Change
2	where the total income exceeds Rs.1,00,00,000	Surcharge @ 12% of income tax	No Change

* Sec. 115BAA and 115BAB in the Act to provide domestic companies an option to be taxed at concessional rate. However, they do not allow to avail specified deduction and incentive. In this regards, If any company you choose to pay tax u/s 115BAA/115BAB then it **do not allow** to take deduction under any provision of **Chapter VI-A** "Deductions to made in computing total income" **other than [Sec 80JJAA](#)** "Deduction in respect of employment of new employees" **from AY 2020-21**.

C. Surcharge for Individuals/ HUF/ AOP or BOI/ AJP

S No.	Particular	Existing Rate of tax	Amendment
1	where the total income does not exceed Rs.50,00,000	Nil	No Change
2	where the total income exceeds Rs.50,00,000 but does not exceed Rs.1,00,00,000	Surcharge @ 10% of income tax	No Change
3	where the total income exceeds Rs.1,00,00,000 but does not exceed Rs.2,00,00,000	Surcharge @ 15% of income tax	No Change
4	where the total income (after deducting Capital Gain on sale of Equity shares on which STT Paid) exceeds Rs.2,00,00,000 but does not exceed Rs.5,00,00,000	Surcharge @ 25% of income tax	No Change
5	where the total income (after deducting Capital Gain on sale of Equity shares on which STT Paid) exceeds Rs.5,00,00,000	Surcharge @ 37% of income tax	No Change

Note: 25% of income tax will be Maximum Surcharge rate on Capital gain on sale equity share on which STT (Security Transaction Tax) have already been paid.

- “Health and Education cess on income-tax” shall be levied @4% on amount tax computed (Income tax + Surcharge).
- Marginal relief has also been provided in all cases where surcharge is applicable, as it was provided in earlier years.

3. Tax Incentives

a. Incentive for Startup Business

Existing Law	New Law
Sec. 80-IAC of the act provide for a deduction 100% of Profit from an eligible business by an eligible start-up Between 1/4/2016 to 1/04/2021 for 3 consecutive Assessment Year out of 7 Years at the option of assessee.	Deduction u/s 80-IAC shall be 100% for 3 Consecutive years out of 10 Years . And the deduction available to only those eligible start-up whose Turnover is not more than Rs.100Crores in any Financial Year.

Analysis:

Benefit of exemption is same and time duration of 3 years of benefit is also same; But Under existing law Exemption of 3 consecutive years to be taken with-in 7 years beginning from the year in which Start-up incorporated. Now, the period of 7 years changed to 10 years.

b. Extending time Limit for Approval u/s 80-IBA

In order to incentivise Building **Affordable Housing** to boost the supply of such houses, **100% Deduction of Total profit** from such activity extended from 31/03/2020 to 31/03/2021 u/s 80-IBA.

Analysis: It is just an ornamental amendment which comes every year depending upon the circumstances to extend the time limit of deduction.

c. Option to pay Tax @ 15% on Net Total Income of company u/s 115BAB

Eligible Businesses U/s 115BAB (Existing Law)	Eligible Businesses U/s 115BAB (Amended Law)
• Development of Computer Software • Mining • Conversion of Marble blocks or similar item into Slabs • Bottling of gas into cylinder • Printing of Books • Production of Cinematograph	Alongwith all existing business Central Government notified following business to eligible u/s 115BAB: • Generation of Electricity (It may also include Solar Energy)

Analysis:

After receiving various representations form various stakeholders requesting to provide benefit to business of electricity. So, government brought amendment in “Manufacturing or production of an article or thing” by including Generation of Electricity and provide benefit of concessional rate @ 15% to such business activity.

d. Modification u/s 115BAA and 115BAB

Existing Law	Amended law
An option provided to domestic company to pay tax at concessional rate u/s 115BAA and 115BAB. However cannot avail deduction under Chapter VIA (From section 80C to 80U) other than Section 80JJAA “Deduction in respect of employment of new employees”.	Assessee who opted to pay tax at concessional rate u/s 115BAA and 115BAB can not avail deduction under Chapter VIA (From section 80C to 80U) other than Section 80JJAA “Deduction in respect of employment of new employees” and 80M “Deduction in respect of certain inter-corporate dividends”

Analysis:

Section 115BBA and 115BAB inserted TLAA-2019 to provide domestic companies an option to be taxed at concessional rates. However, they cannot avail specified deductions and incentives like Sec 10AA, Sec 32(1)(iia), 32AD, 33AB, 33ABA, 35AD, 35CCC, 35CCD, 35(1)(iia), 35(1)(iii), 35(2AA), 35(2AB) or any provision of Chapter VI-A under the Heading “C.—Deductions in respect of certain incomes” except other than Sec 80JJAA.

It is Important to note that, *If assessee opted for section 115BAA/115BAB then deduction u/s 35AD will not be available but they are allowed to claim depreciation u/s 32 on such asset.*

Sec 80M was omitted by FA-2003; now it is reintroduced in FA-2020 (*Discussed at Page:16*). Deduction of 80M also provided to assessee who opted to pay tax at concessional rate u/s 115BAA and 115BAB.

e. Extending time Limit for loan for affordable housing u/s [80EEA](#)

Existing Law	Amended law
- Loan Sanctioned with in period from 1/04/2019 to 31/03/2020 only. - Registry Value of Residential House Property Less than 45 Lakh - Person should have only one house Property in his name. Amount of Deduction Rs.1,50,000/- or actual interest for which deduction not taken in House property head. (whichever is lower)	- Loan Sanctioned with in period from 1/04/2019 to 31/03/2021 only. - Registry Value of Residential House Property Less than 45 Lakh - Person should have only one house Property in his name. Amount of Deduction Rs.1,50,000/- or actual interest for which deduction not taken in House property head. (whichever is lower)

Analysis: It is just an ornamental amendment which comes every year depending upon the circumstances to extend the time limit for deduction from 31/03/2020 to 31/03/2021.

f. Incentive to Individual/HUF by giving an Option to pay tax under New scheme

New Section 115BAC introduced to provide Individual and HUF an option to pay tax under new scheme in respect of total income at following rate:

S No.	Particular	New Rate of tax
1	where the total income does not exceed Rs.2,50,000	Nil
2	where the total income exceeds Rs.2,50,000 but does not exceed Rs.5,00,000	5% of Total Income which exceeds Rs.2,50,000
3	where the total income exceeds Rs.5,00,000 but does not exceed Rs.7,50,000	Rs.12,500 + 10% of Total Income which exceeds Rs.5,00,000
4	where the total income exceeds Rs.7,50,000 but does not exceed Rs.10,00,000	Rs.37,500 + 15% of Total Income which exceeds Rs.7,50,000
5	where the total income exceeds Rs.10,00,000 but does not exceed Rs.12,50,000	Rs.75,000 + 15% of Total Income which exceeds Rs.10,00,000
6	where the total income exceeds Rs.12,50,000 but does not exceed Rs.15,00,000	Rs.1,25,000 + 15% of Total Income which exceeds Rs.10,00,000
7	where the total income exceeds Rs.15,00,000	Rs.1,87,500 + 15% of Total Income which exceeds Rs.10,00,000

- To avail the above mentioned concessional rate, deductions and incentives of following section will **not** be available:
 - Leave travel concession u/s 10(5)
 - House rent allowance (HRA) u/s 10(13A)
 - Special allowances u/s 10(14) except:
 - Transport allowance to Divyang Employee

- Conveyance allowance in performance of duties in office
 - Allowance for cost of travel on tour
 - Daily allowance when employee is at other place than is normal place of duty
- Allowances to MPs/MLAs u/s 10(17)
- Allowances for income of minor u/s 10(32)
- Exemption for SEZ unit u/s 10AA
- Standard deduction of Rs.50,000, deduction for entertainment allowance and professional tax u/s 16
- Deduction of interest in respect of self-occupied or vacant house property.
- Additional depreciation u/s 32(1)(iia)
- Deductions u/s 32AD, 33AB, 33ABA
- Various deduction for donation for or expenditure on scientific research u/s 35(1)(iia),(iii) or sec.35(2AA)
- Deduction u/s 35AD or sec. 35CCC
- Deduction from income in the nature of family pension out of which deduction of 33.33% of pension or 15,000 whichever is less u/s 57(iia)
- Any deduction under chapter VIA (like section 80C, 80CCC, 80CCD, 80D, 80DD, 80DDB, 80E, 80EE, 80EEA, 80EEB, 80G, 80GG, 80GGA, 80GGC, 80IA, 80-IAB, 80-IAC, 80-IB, 80-IBA, etc). However, deduction u/s 80CCD(2) “employer contribution on account of employee in notified pension scheme” and section 80JJAA “Deduction in respect of employment of new employees” can be claimed
- Allowance in respect of Free Food and beverage through vouchers provided to employee.
- The option shall be exercised for every previous year where the individual or HUF has on Business Income, and
- In other cases the option once exercised for a previous year shall be valid for that previous year and all subsequent year.
- The option shall become invalid for a previous year or previous years, as the case may be, if the individual or HUF fails to satisfy the conditions and other provisions of the act shall apply;
- Option to be exercised on or before the due date of filing of return of income u/s 139(1) for any previous year relevant to the previous year.

Analysis:

Now, Individual/ HUF have 2 options to pay tax either in Normal scheme (*discussed at page no. 3*) or in Concessional rate of tax under new scheme introduced in FA-2020.

For assessee who have no business income having option to opt new scheme of tax on year to year basis;

But person having business income choose once the new scheme of tax then he cannot go under normal scheme of tax.

If Assessee having business income fails to comply prescribed conditions in any Previous Year then he will no longer eligible to avail new scheme of tax for that Previous Year and subsequent previous years.

To pay tax under new scheme, one has to sacrifice huge amount of deductions which are available under normal scheme of tax. Therefore, any person who is planning to pay tax under new scheme then he should analysis in such a way that whether new scheme of tax is beneficial for him or not.

g. Incentive to Resident Co-operative by giving an Option to pay tax under New scheme

New Section 115BAD introduced to provide Individual and HUF an option to pay tax under new scheme @ **22%** on its Total Income.

Under said section, it was provided that,-

(a) Failure to satisfy specified conditions would disqualify it for the concessional rate and normal provisions of the Act shall apply.

(b) Deemed loss or depreciation arising out of amalgamation attributable to any incentive, deduction or exemption, shall not be allowed in computation of income.

(c) for FY 2020-21, where there is unabsorbed depreciation allowance in respect of a block of asset which has not been given full effect to in earlier FYs, corresponding adjustment shall be made to the written down value of such block of assets as on 1st April, 2020.

(d) It shall not be entitled to any deduction under chapter VI-A except section 80LA of the Act, subject to fulfilment of conditions contained therein, in respect of a Unit in the International Financial Services Centre, (if any).

(e) It shall not avail any deduction under section 10AA, 32(1)(iia), 32AD, 33AB, 33ABA, 35(1)(ii)/(iia)/(iii)/(2AA), 35AD and 35CCC, (if any).

(f) Once the option so exercised cannot be withdrawn

(g) The surcharge applicable to such co-operative society shall be levied @ 10%.

(h) AMT (Alternate Minimum Tax) u/s 115JC shall not be applicable. Consequently, AMT Credit u/s 115JD shall not apply to such co-operative society.

Analysis:

Now, Resident Co-operative Societies have 2 options to pay tax either in Normal scheme (*discussed at page no. 2*) or in Concessional rate of tax under new scheme introduced in FA-2020. Once the assessee opt under new scheme, then the option cannot be withdrawn. Effective tax rate under New Scheme will be **25.168%** (Tax + Surcharge + Cess). To pay tax under new scheme, one has to sacrifice huge amount of deductions which are available under normal scheme of tax.

4. Removing Tax Difficulties Faced by Taxpayers

- a. Increase the limit of deviation from 5% to 10% for value adopted by authority in case of transfer of land or building or both where consideration is less than value adopted by stamp valuation authority under section 43CA, 50C and 56 of the Act.

Analysis:

From AY 2021-22, the said consideration will be adopted for computation of profit on sale of land or building or both if difference between Sale consideration and Value adopted by stamp valuation authority is upto 10% of sale consideration u/s 43CA, 50C and 56 of the Act.

b. Deferment of TDS in case income from ESOP of start-ups u/s 192

Existing Law	Amended Law
U/s 17(2) taxation of ESOP Split into 2 Components. - Tax on perquisite as income from salary at the time exercise. - Tax on income from capital gain at the time of sale of shares. The tax on perquisite is required to be paid at the time of exercising of ESOP.	U/s 17(2) taxation of ESOP Split into 2 Components. - Tax on perquisite as income from salary at the time exercise. - Tax on income from capital gain at the time of sale of shares. The tax on perquisite is required to be paid at the time of exercising of ESOP. If Start-up being eligible u/s 80-IAC provide ESOP then tax in Financial Year on such income within 14 days: - After expiry of 48 months from the end of relevant Assessment Year; or - From the date of sale of such ESOP by assessee; or - From the date of which the assessee ceases to be the employee of the person Whichever is earliest @ rate in force in that Financial Year.

Analysis:

ESOPs have been a significant component of the compensation for the employees of start-ups, as it allows the founders and start-ups to employ highly talented employees at a relatively low salary amount with balance being made up via ESOPs.

Tax on Perquisite to be paid at the time of exercising the ESOP may lead to cash flow problem as the benefit of ESOP in kind.

In order to ease the burden of payment of taxes by the employees of the eligible start-ups or TDS by the start-up employer, this amendment has been proposed in Budget.

5. Amendment under TDS/ TCS

a. Amendment in Sec 194LC/194LD

Extend the date of Concessional rate of tax u/s 194LC on Interest paid to non-residents and FIIs u/s 194LC and 194LD respectively @5% from 01.07.2020 to **01.07.2023**.

b. New Section 194-O TDS on E-commerce transaction

- i. **Deductor/Payer:** E-commerce operator (Amazon, Flipkart)
- ii. **Deductee/ Payee:** E-commerce service recipient (Seller on E-commerce Website)
- iii. **Nature of Payment:** Amount of Sale or service or both
- iv. **Rate of TDS:** 1%
- v. **Time limit of Deduction:** Credit of amount to the account of E-commerce service recipient (Seller) **or** at the time of payment to such person by any mode **whichever is earlier**.
- vi. **Exemption:** Where payment is Rs.5,00,000 or less in a FY to an Individual/HUF E-commerce service recipient, TDS shall not be Deducted
- vii. **Further Clarification:** (i) If PAN or Aadhar is not provide to E-commerce operator than TDS shall be deducted @5% (Section 206AA).
(ii) If E-commerce service recipient receives directly amount from Customer then TDS is not required to deduct on such amount.

c. Amendment in Definition of “WORK” u/s 194C

Existing Law	Amended Law
U/s 194C Explanation (iv) Defines “Work”. Sub-clause (e) of the definition “manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer, But does not include manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from a person, other than such customer.”	U/s 194C Explanation (iv) Defines “Work”. Sub-clause (e) of the definition “(e) manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer or its associate, being a person placed similarly in relation to such customer as is the person placed in relation to the assessee under the provisions contained in clause (b) of sub-section (2) of section 40A”

Analysis:

Definition of “WORK” excludes manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from a person, other than such customer. It has been noted by Government that some assesseees are using the escape clause of the section by getting the contract manufacturer to procure the raw material supplied through its related parties. As a

result, a substantial amount of income escapes the tax net. Therefore, they amend the sub-clause (e) of definition of work.

d. Reducing the tax rate on Fees for technical service u/s 194J

Existing Law	Amended Law
>U/s 194J TDS is deducted on following nature of payment: - Fess for professional services - Royalty/ Fees for technical services - Non-compete fees u/s 28(va) - Remuneration/Fees/Commission to director (other than covered as salary) >Rate of TDS shall be: - If Payee is engaged in operation of CALL CENTER- 2% - For any other Payee- 10%	>U/s 194J TDS is deducted on following nature of payment: - Fess for professional services - Royalty/ Fees for technical services - Non-compete fees u/s 28(va) - Remuneration/Fees/Commission to director (other than covered as salary) >Rate of TDS shall be: For fees for “technical services other than Professional services” (For any payee) -2% - For other service, if Payee is engaged in operation of CALL CENTER- 2% - For other services, if any other Payee- 10%

Analysis:

Section 194C of the Act provides that any person responsible for paying any sum to a resident for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract shall at the time of payment or credit of such sum deduct an amount equal to 1% in case payment is made to an individual or a HUF and 2% in other cases.

It is noticed that there are large number of litigations on the issue of short deduction of tax treating assessee in default where the assessee deducts tax under section 194C, while the tax officers claim that tax should have been deducted under section 194J of the Act

Therefore to reduce litigation, reduce the tax rate u/s 194J for fees for “technical services other than Professional services” from 10% to 2%.

e. Introduction of New section 194K

- Deductor/Payer:** Any person
- Deductee/ Payee:** Any resident person
- Nature of Payment:** any income in respect of:
 - units of a Mutual Fund specified under clause (23D) of section 10; or
 - units from the Administrator of the specified undertaking; or
 - units from the specified company,
- Rate of TDS:** 10%

- v. **Time limit of Deduction:** Credit of amount in the account of payee **or** at the time of payment to such person by any mode **whichever is earlier.**
- vi. **Exemption:** Where payment is Rs.5,000 or less in a FY to a person, TDS shall not be Deducted

f. Amendment under TCS Section 206C

Existing Law	Amended Law
U/s 206C TCS to be collected on business of Tendu leaves, Forest produce including timber, scrap, alcoholic liquor for human consumption, Minerals being coal or lignite or iron ore and Leasing service of parking lot, toll plaza and mines & quarry. TCS also applicable on sale of motor car above Rs.10 Lacs.	Apart from applicable business and services, TCS levy is also applicable on overseas remittance, sale of foreign tour package and on sale of goods above specified limit as under: a. An authorised dealer receiving an amount or aggregate of amount of Rs.7Lacs or more in a financial year for remittance out of India. TCS to be collected from buyer @ 5%. TCS shall be @ 10% in case Aadhar/PAN not provided by buyer. b. A Seller of foreign tour package is required to collect TCS from ANY BUYER who purchases the tour package. TCS shall be collected @ 5%. TCS shall be @ 10% in case Aadhar/PAN not provided by buyer. c. A seller of goods whose total sales/ turnover, gross receipt more than Rs.10crore is required to collect TCS @ 0.1% on consideration received from buyer in excess of Rs.50 Lacs in a financial year. TCS shall be @ 1% in case Aadhar/PAN not provided by buyer.

Analysis:

In order to widen and deepen the tax net those amendments proposed by government.

6. Other Important Amendment

a. Removal of Dividend Distribution Tax (DDT)

Existing Law	Amended Law
U/s 115O in addition to income tax chargeable on total income, any amount declared, distributed or paid by domestic company by way of dividends @15%. Dividend is exempt in the hands of shareholders u/s 10(34). Similarly, u/s 115R specified companies and Mutual Funds are liable to pay additional income-tax at the specified rate on any amount of income distributed by them to its unit holders. Such, income is exempt in the hands of receiver u/s 10(35).	Now, Dividend or income from units are taxable in the hands of shareholder or unit holders @ applicable rate and Domestic companies or mutual funds are not required to pay any DDT. It is also allowed maximum 20% of dividend or income from units as deduction u/s 57.

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Analysis:

From the Finance Act, 2003 (AY 2004-05), DDT/IDT was introduced. The dividend income is exempt from tax in the hands of shareholders and it will be taxed in the hands of company while declaring, distributing or paying such amount to its shareholders. The tax so paid by company is treated as final payment tax. It was easier to collect tax at a single point than by collecting tax from each of the shareholder.

The dividend is the income in the hands of shareholders and not in the hands of company. Therefore, tax should be collected from shareholder and not from the company.

In the light of above CG amend the chunk of sections i.e. sec. 10(34), 10(35), 10(23FC), 10(23FD), 10(23D), 57, 195, 196A, 196C and 196D etc.

TDS u/s 194 has also amend and limit has been enhanced from 2,500 to 5,000.

TDS u/s 194LBA provide tax deduction by business trust on dividend @ 10% to Resident and @5% to non-resident.

Sec. 115O, 115R and 115BBDA has been removed from 01.04.2020

Sec. 80M has been re-introduced which was removed by FA-2003.

New Sec. 194K has been introduced to deduct TDS on distribution of income.

b. Amendment u/s 55 for computation of cost of acquisition

Existing Law	Amended Law
Computation of capital gain, an assessee shall be allowed deduction for cost of acquisition of assets and also cost of improvement. However, if any assets acquired before 01.04.2001, the assessee has been allowed an option either (a) to take the Fair Market Value, or (b) actual cost of assets as cost of acquisition.	In case of capital assets, being land or building or both, the fair market value of such asset on 01.04.2001 shall not exceed stamp duty value of such asset as on 01.04.2020.

Analysis:

In case of capital assets, being land or building or both, it was the not clear that how to calculate fair market value. So, to rationalize the provision now it is clear that fair market value of such asset shall not exceed stamp duty value adopted by stamp valuation authority for the purpose of payment of stamp duty.

c. Amendment regarding holding registration by trust

Existing Law	Amended Law
Where trust or an institution has obtained registration u/s 12AA; the said registration is in force for the life time of the trust or an institution subject to conditions have to be satisfied.	A registered trust or an institution shall be required to apply for approval or intimation regarding it being approved. Approval, registration shall be valid for period not exceeding 5 years at one time calculated from 01.04.2020

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Analysis:

It is felt by government that the approval or registration or notification for exemption should also be for a limited period, which would act as check to ensure that the conditions of approval or registration or notification are adhered to for want of continuance of exemption. This would in fact also be a reason for having a non-adversarial regime and not conducting roving inquiry in the affairs of the exempt entities on day to day basis, in general, as in any case they would be revisiting the concerned authorities for new registration before expiry of the period of exemption. This new process needs to be provided for both existing and new exempt entities.

d. Amendment in tax audit limit in certain cases u/s 44AB

Existing Law	Amended Law
Every person carrying business having turnover more than Rs.100 Lacs in a FY or carrying profession having gross receipt more than Rs.50 Lacs is required to get his accounts audited. However, person who is declaring his income u/s 44AD is required to get his account audited if turnover is more than Rs.200 Lacs in a Financial Year.	Every person carrying business having turnover more than Rs.100 Lacs in a FY is required to get his accounts audited. “Provided that in the case of a person whose— (a) aggregate of all receipts during the previous year, in cash, does not exceed 5% of the such amount; and (b) Aggregate of all payments, in cash, during the previous year does not exceed 5% of the such payment; Then tax audit limit for that assessee increased from Rs.100 Lacs to Rs.500 Lacs.”

Analysis:

In order to reduce compliance burden on small and medium enterprises, CG enhanced the tax audit limit from Rs.100lacs to Rs.500 Lacs subject to cash transaction of receipt and payment both should be less than 5% of such amount.

Consequently, it have effects on TDS/TCS provision contained in **sec. 194A, 194C, 194H, 194I, 194J and 206C** as these provisions fasten liability of TDS/TCS on certain categories of person, if the gross receipt or turnover from the business or profession carried on by them exceed the monetary limit specified in sec 44AB(a)/(b). Now, these section amended so that reference **to the monetary limit** specified in sec 44AB(a)/(b) of the Act is **substituted with Rs.100 Lacs in case of the business or Rs.50 Lacs in case of the profession**, as the case may be.

Further, the **due date for filing return** u/s 139(1) is amended by:-

- (A) Providing **31st October of the AY** (as against 30th September) as the due date for an assessee required to get his accounts audited;
- (B) Removing the difference between a working and a non-working partner of a firm with respect to the due date of filing of return. Now, due for both type of partner due date shall be same.

This amendment is **applicable from AY 2020-21**

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e. Specified the limit for employers contribution under recognized provident fund and changes made its taxability

Existing Law	Amended Law
As per Section 17(2) "perquisite" includes— (vii) The amount of any contribution to an approved superannuation fund by the employer in respect of the assessee, to the extent it exceeds Rs.1,50,000.	As per sec 17(2) "perquisite" includes— (vii) The amount or the aggregate of amounts of any contribution made to the account of the assessee by the employer— (a) in a recognised provident fund; (b) in the scheme referred to in sec 80CCD(1) contribution to NPS; and (c) in an approved superannuation fund, to the extent it exceeds Rs.7,50,000 in a previous year; (viiia) the annual accretion by way of interest, dividend or any other amount of similar nature during the previous year to the balance at the credit of the fund or scheme referred to in sub-clause (vii) to the extent it relates to the contribution referred to in the said sub-clause which is included in total income under the said sub-clause in any previous year computed in such manner as may be prescribed;

Analysis:

U/s 17(2)(vii) there was limit for contribution to an approved superannuation fund by the employer of Rs.1,50,000. However, there was no upper combine limit the purpose of deduction on the amount of contribution made by the employer in recognised provident fund, under NPS scheme and approved superannuation fund. This was giving undue benefit to employees earning high salary income. While an employee with low salary income is not able to let employer contribute a large part of his salary to all these three funds. Thus, this portion of salary did not suffer taxation at any point of time, since Exempt-Exempt-Exempt (EEE) regime was followed for these three funds.

Now, upper limit of Rs.7,50,000 has been introduced and annual accretion by way of interest or dividend is to be added in salary as perquisite.

f. Insert New Section 80M

- i. **Eligible assessee:** Domestic Company
- ii. **Eligible Income:** Dividend received from domestic company
- iii. **Quantum of deduction:** To the extent of amount has been repaid by receiving company to its shareholders by way of dividend.
- iv. **Additional Information:** To remove cascading effect, set off will be available only for dividend distributed by the domestic company for the dividend received from another domestic company one month prior to the due date of filing of return.

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g. Introduction of new section 271AAD Penalty for fake invoice

- i. **Default:** (a) Forged or falsified documents such as a false invoice or, in general, a false piece of documentary evidence; or
(b) Invoice in respect of supply or receipt of goods or services or both issued by the person or any other person without actual supply or receipt of such goods or services or both; or
(c) Invoice in respect of supply or receipt of goods or services or both to or from a person who do not exist; or
(d) An omission of any entry which is relevant for computation of total income of such person, to evade tax liability.
- ii. **Quantum of penalty:** 100% of aggregate of amount of false entries or omitted entry.
- iii. **Imposed by:** Assessing Officer (AO)
- iv. **Additional Information:** AO may also direct to pay penalty to such person who causes the person for defalcation.

h. Withdrawal of exemption on certain allowances or perquisites provided to UPSC Chairman and Members and Chief Election Commissioner and Election Commissioner

Existing Law	Amended Law
U/s 10(45) Central Government notified following allowances and perquisites shall be exempt from tax-tax: (i) Rent free official residence (ii) Conveyance Facilities including transport allowance (iii) Sumptuary allowance (iv) Leave Travel concession to member and his family	From AY 2021-22 (FY 2020-21) Sec. 10(45) deleted from the Act and delete the exemption from income tax on allowances or perquisite allowed.

Analysis:

Facilities to be provided to UPSC Members, Chairman, Chief Election Commissioner and Commissioner was exempted from 01/04/2008 by vide notification no 49/2011. But now, facilities are to be provided at **Free of cost but not free of Tax**. In this regards, facilities, perquisite or allowance are provided to officials will be added to their salary and chargeable to tax accordingly.

Disclaimer

Only significant amendments are covered above.. The information cited in the article has been drawn from Finance Bill-2020 and Income tax act. While every effort has been made to keep, the article error free, TAXUPDATES do not take the responsibility for any typographical or clerical error which may have crept in while compiling the information in article.

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