

Clause By Clause
ANALYSIS OF UNION FINANCE BILL 2020

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Major Points Covered:

- Overall Rating of Union Budget
- Highlights of the Union Finance Budget 2020
- Budget Fiscals 2020-21
- GST Proposals
- Direct Tax Proposals

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Disclaimer:

Union Finance budget was presented by the Hon'ble Finance Minister of India on 01 February 2020. This document contains the views of the author on the analysis of the Union Finance Bill 2020 with budget highlights, which should not be relied upon for decision making and for giving advices. Though due care has been taken in the preparation however, the observations and comments are the personal opinion of the author. The observations are on the Budget 2020 as presented in the Parliament and are subject to amendments (if any).

The document captures the provisions which are of interest to a larger group of persons and do not cover all the provision of the said Act. This document should not be relied upon for decision making and for giving advices. In case the documents contains the information which is published by any earlier author, the same should be considered as a mere co incidence and not an infringement of copyright.

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About the Author:

Mohit Gupta is a Practicing Chartered Accountant in Delhi Since 2010. He is commerce Graduate from Rajdhani College, Delhi University in 2008. He is a fellow member of ICAI since 2010. He is also a Law Graduate from Law Faculty, Delhi University in 2015. He is currently pursuing PhD in GST. He is a regular blogger and used to write various articles on his blogging website www.etaxhelpline.com since 2011.

Overall Rating of Union Budget 2020:

Union Budget is rated as **6 out of 10** after considering the developments and acceleration in the macro factors, challenges before the Finance Minister and current situation of the Indian Economy.

Positive Features:

- More than 20,000 empanelled hospitals under PM Jan Arogya Yojana.
- About 150 higher educational institutions will start apprenticeship embedded courses.
- 100 more airports to be developed under UDAAN.
- Rs. 103 lakh crore National infrastructure Pipeline projects announced.

Negative Features:

- No transparency in the track record of implementation of government plans.
 - No discussion on Unemployment.
 - No discussion on Impact of Bankruptcy codes to the defaulters.
 - No such relief to the middle class society.
 - No Discussion on Economic Recession
-

Highlights of the Budget Speech of Union Finance Budget 2020:

- Agri-credit availability set at ₹15 lakh crore for 2020-21.
 - Provide 20 lakh farmers to set up standalone solar pumps. Help another 15 lakh farmers to solarise their power grid.
 - Bank deposit insurance cover had been increased from ₹1 lakh to ₹5 lakh per depositor.
 - Government plans to amend the Companies Act to decriminalise civil offences.
 - Government to sell part of its stake in LIC via public offering.
 - An allocation of ₹69,000 crore for the health sector.
 - A budget allocation of ₹2.83 lakh crore for the sector comprising agriculture and allied activities.
 - Comprehensive measures for 100 water stressed districts.
 - Village storage scheme proposed to be run by women SHGs.
 - Expand Jan Aushadhi scheme to provide for all hospitals under Ayushman Bharat by 2025.
 - Indian Railways to have refrigerated coaches capability in 'kisan trains' to carry perishables and milk.
 - Krishi UDAN on international and national routes.
 - ₹12,300 crore for Swachh Bharat this year.
 - Proposal to set up hospitals in Tier-II and Tier-III cities with the private sector using PPP.
 - ₹99,300 crore for education sector in 2021 and about ₹3,000 crore for skill development.
 - Urban local bodies to provide internship to young engineers for a year.
 - Degree-level full fledged online education programmes by institutions ranked in top 100 in NIRF rankings, especially to benefit underprivileged students.
 - A national police university and a national forensic science university is proposed to be setup.
 - Budget proposes to provide ₹1.7 lakh crore for transport infrastructure in 2021
 - National Logistics Policy to be released soon.
 - Aim to achieve electrification of 27,000 km of lines.
 - Plan to have a large solar power capacity for Indian Railways.
 - Govt to monetise 12 lots of national highways by 2024.
 - 100 more airports will be developed by 2024 to support UDAN.
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बजट का सार *Budget at a Glance*

(₹ करोड़) (In ₹ crore)

		2018-2019 वास्तविक Actuals	2019-2020 बजट अनुमान Budget Estimates	2019-2020 संशोधित अनुमान Revised Estimates	2020-2021 बजट अनुमान Budget Estimates
1. राजस्व प्राप्तियां	1. Revenue Receipts	1552916	1962761	1850101	2020926
2. कर राजस्व (केंद्र को निवल)	2. Tax Revenue (Net to Centre)	1317211	1649582	1504587	1635909
3. कर-भिन्न राजस्व	3. Non Tax Revenue	235705	313179	345514	385017
4. पूंजी प्राप्तियां ¹	4. Capital Receipts	762197	823588	848451	1021304
5. ऋणों की वसूली	5. Recovery of Loans	18052	14828	16605	14967
6. अन्य प्राप्तियां	6. Other Receipts	94727	105000	65000	210000
7. उधार और अन्य देयताएं ²	7. Borrowings and Other Liabilities ¹	649418	703760	766846	796337
8. कुल प्राप्तियां (1+4)	8. Total Receipts (1+4)	2315113	2786349	2698552	3042230
9. कुल व्यय (10+13)	9. Total Expenditure (10+13)	2315113	2786349	2698552	3042230
10. राजस्व खाते पर जिसमें से	10. On Revenue Account of which	2007399	2447780	2349645	2630145
11. ब्याज भुगतान	11. Interest Payments	582648	660471	625105	708203
12. पूंजी परिसंपत्तियों के सृजन हेतु सहायता अनुदान	12. Grants in Aid for creation of capital assests	191781	207333	191737	206500
13. पूंजी खाते पर	13. On Capital Account	307714	338569	348907	412085
14. राजस्व घाटा (10-1)	14. Revenue Deficit (10-1)	454483 (2.4)	485019 (2.3)	499544 (2.4)	609219 (2.7)
15. प्रभावी राजस्व घाटा (14-12)	15. Effective Revenue Deficit (14-12)	262702 (1.4)	277686 (1.3)	307807 (1.5)	402719 (1.8)
16. राजकोषीय घाटा [9-(1+5+6)]	16. Fiscal Deficit [9-(1+5+6)]	649418 (3.4)	703760 (3.3)	766846 (3.8)	796337 (3.5)
17. प्राथमिक घाटा (16-11)	17. Primary Deficit (16-11)	66770 (0.4)	43289 (0.2)	141741 (0.7)	88134 (0.4)

¹ इसमें नकदी शेष में आहरण द्वारा कमी शामिल है।

टिप्पणी :

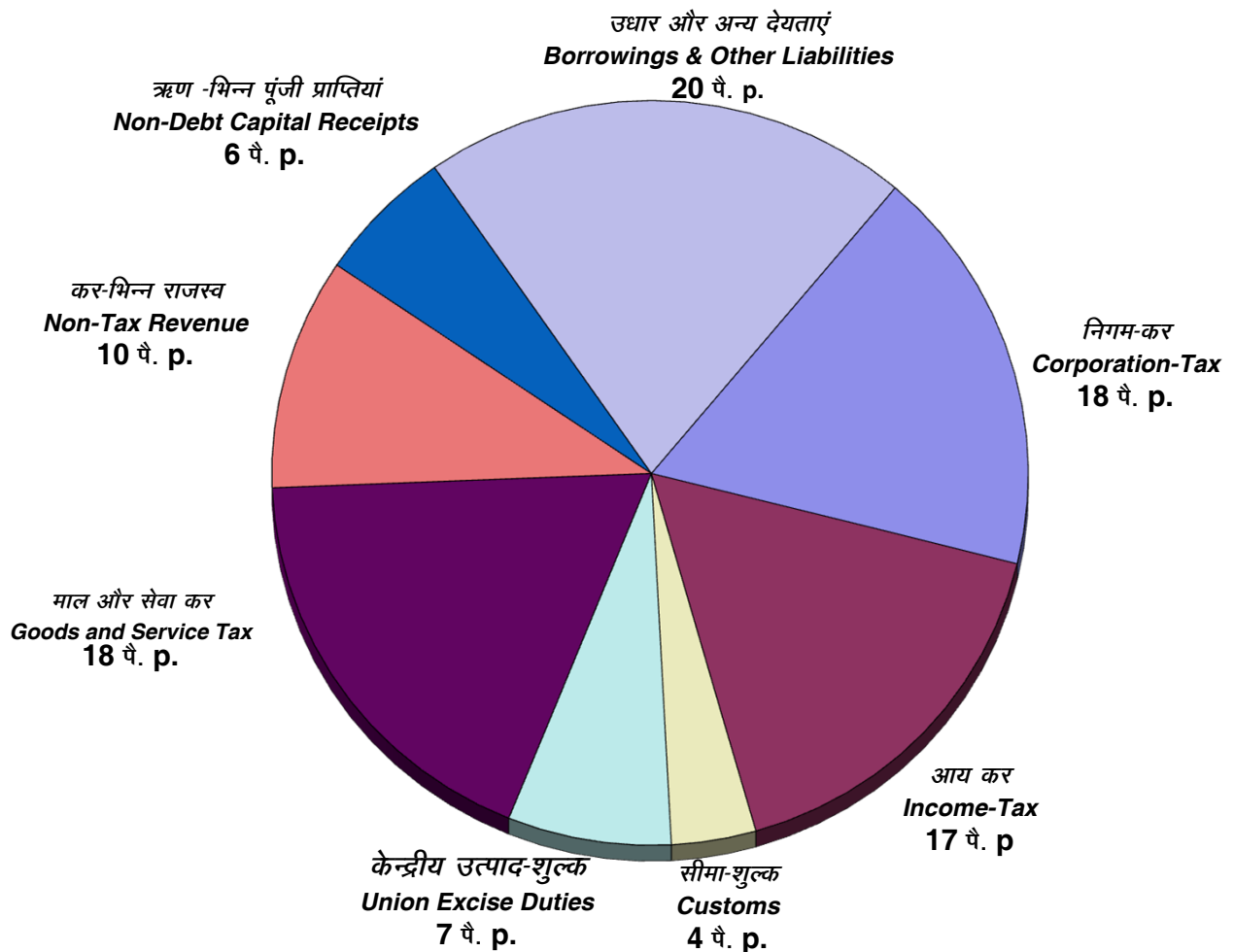
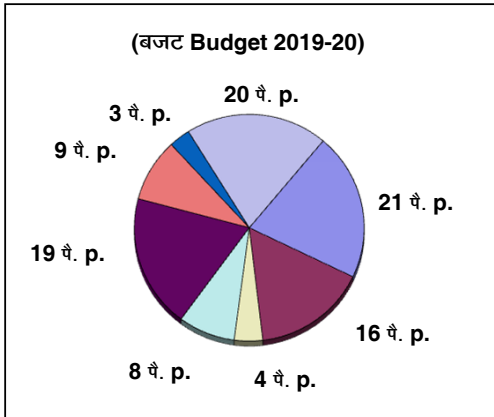
- (i) 2019-2020 के संशोधित अनुमान में ₹20442233 करोड़ के अनुमानित सघट की तुलना में 10.0% की वृद्धि दर मानते हुए 2020-2021 के बजट अनुमान में सघट बढ़कर ₹22489420 करोड़ होने का पूर्वानुमान है
- (ii) इस दस्तावेज की पृथक-पृथक मदें पूर्णांकन के कारण संभवतः जोड़ से मेल न खाएं
- (iii) कोष्ठक में दिये गए आंकड़े सघट के प्रतिशत के रूप में हैं

¹ Includes drawdown of cash Balance

Notes:

- (i) GDP for BE 2020-2021 has been projected at ₹22489420 crore assuming 10.0 % growth over the estimated GDP of ₹20442233 crore for 2019-2020 (RE).
- (ii) Individual items in this document may not sum up to the totals due to rounding off
- (iii) Figures in parenthesis are as a percentage of GDP

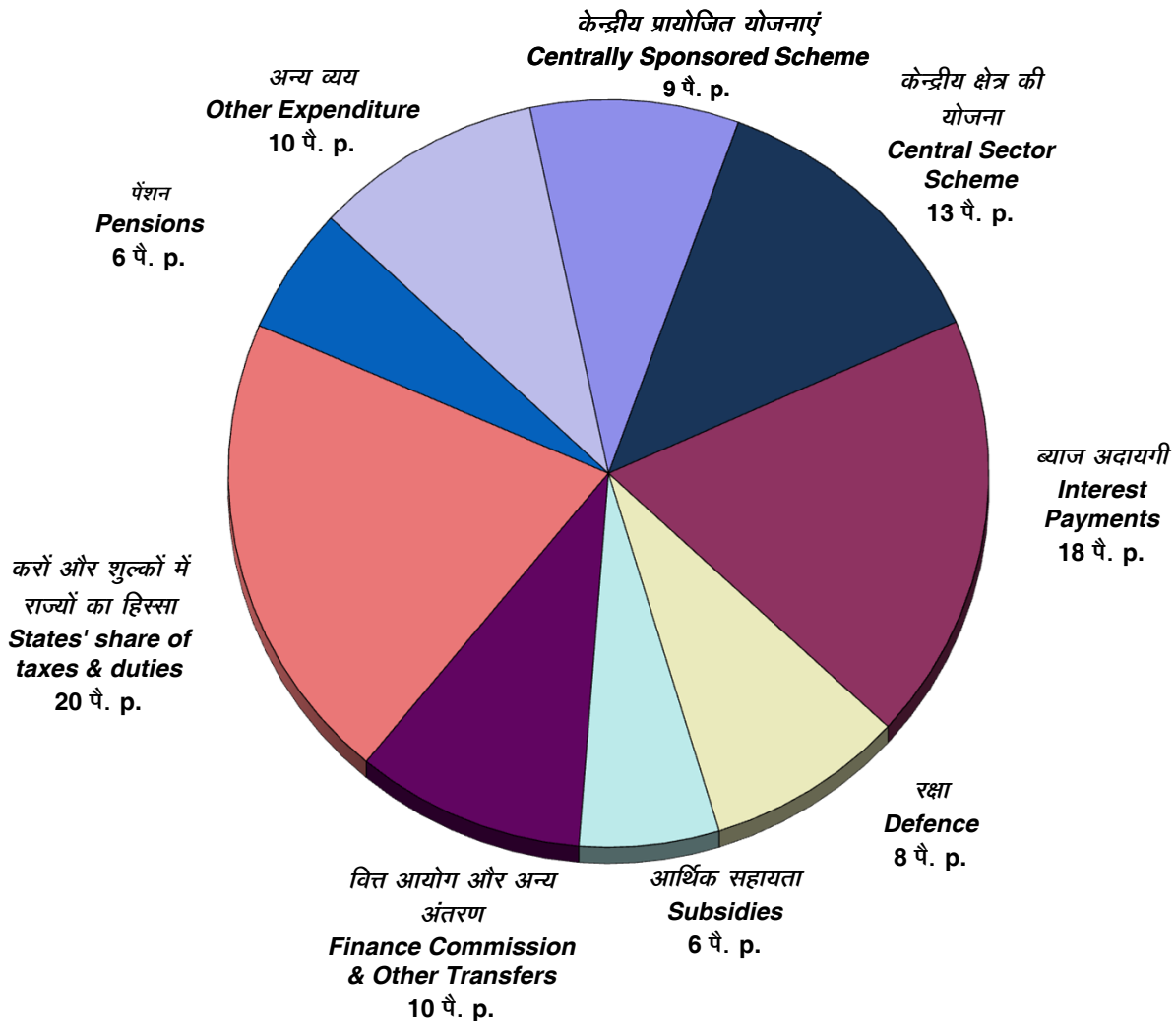
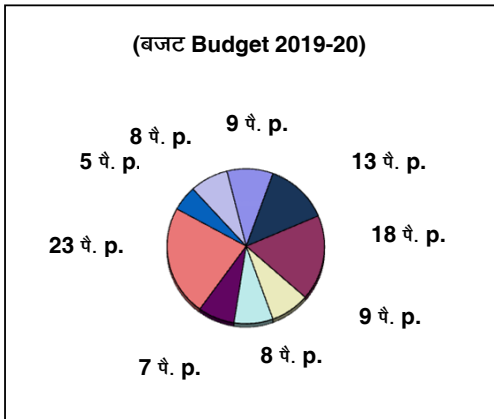
रुपया कहां से आता है Rupee Comes From (बजट Budget 2020-21)



- टिप्पणियां:-1. कुल प्राप्तियों में करों और शुल्कों में राज्यों का हिस्सा शामिल है, जिन्हें पृष्ठ 1 पर सारणी में घटा दिया गया है
2. आंकड़ों को पूर्णांकित किया गया है।

- Notes:-1. Total receipts are inclusive of States' share of taxes and duties which have been netted in the table on page1.
2. Figures have been rounded.

रुपया कहाँ जाता है Rupee Goes To (बजट Budget 2020-21)



टिप्पणी :-कुल व्यय में करों और शुल्कों में राज्यों का हिस्सा शामिल है, जिन्हें पृष्ठ 1 पर सारणी में प्राप्तियों में से घटा दिया गया है।

Note:- Total expenditure is inclusive of the States' share of taxes and duties which have been netted against receipts in the table on page 1.

प्राप्तियां Receipts

(₹ करोड़) (In ₹ crore)

		2018-19 वास्तविक Actuals	2019-2020 बजट अनुमान Budget Estimates	2019-2020 संशोधित अनुमान Revised Estimates	2020-21 बजट अनुमान Budget Estimates
राजस्व प्राप्तियां	REVENUE RECEIPTS				
1. कर राजस्व	1. Tax Revenue				
सकल कर-राजस्व	Gross Tax Revenue	2080465	2461195	2163423	2423020
क. निगम कर	a. Corporation Tax	663572	766000	610500	681000
ख. आय पर कर	b. Taxes on Income	473003	569000	559500	638000
ग. धन कर	c. Wealth Tax	41	..	..	..
घ. सीमा शुल्क	d. Customs	117813	155904	125000	138000
ड. केन्द्रीय उत्पाद शुल्क	e. Union Excise Duties	231982	300000	248012	267000
च. सेवा कर	f. Service Tax	6904	..	1200	1020
छ. जीएसटी	g. GST	581560	663343	612327	690500
- केंद्रीय जीएसटी	- CGST	457534	526000	514000	580000
- आइजीएसटी	- IGST	28945	28000		
- जीएसटी क्षतिपूर्ति उपकर	- GST Compensation Cess	95081	109343	98327	110500
ज. संघ राज्य क्षेत्रों पर कर	h. Taxes of Union Territories	5592	6948	6884	7500
घटाइए -राष्ट्रीय आपदा आकस्मिकता निधि/राष्ट्रीय आपदा अनुक्रिया निधि को अंतरित एनसीसीडी	Less - NCCD transferred to the NCCF/NDRF	1800	2480	2790	2930
घटाइए-राज्यों का हिस्सा	Less - State's share	761454	809133	656046	784181
1क केंद्र का निवल कर राजस्व	1a Centre's Net Tax Revenue	1317211	1649582	1504587	1635909
2. कर-भिन्न राजस्व	2. Non-Tax Revenue	235704	313179	345513	385017
ब्याज प्राप्तियां	Interest receipts	12145	13711	11027	11042
लाभांश और लाभ	Dividends and Profits	113420	163528	199893	155395
विदेशी अनुदान	External Grants	1063	1006	974	812
अन्य कर-भिन्न राजस्व	Other Non Tax Revenue	107187	132784	131525	215465
संघ राज्य क्षेत्रों की प्राप्तियां	Receipts of Union Territories	1889	2149	2094	2303
कुल राजस्व प्राप्तियां (1क+2)	Total- Revenue Receipts (1a + 2)	1552916	1962761	1850101	2020926
3. पूंजी प्राप्तियां	3. CAPITAL RECEIPTS				
क. ऋण-भिन्न प्राप्तियां	A. Non-debt Receipts	112779	119828	81605	224967
(i) ऋणों और अग्रिमों की वसूलियां@	(i) Recoveries of loans and advances@	18052	14828	16605	14967
(ii) विनिवेश प्राप्तियां	(ii) Disinvestment Receipts	94727	105000	65000	210000
ख. ऋण प्राप्तियां *	B. Debt Receipts*	650739	652702	766846	849340
जोड़ पूंजीगत प्राप्तियां (क+ख)	Total Capital Receipts (A+B)	763518	772529	848450	1074306
4. नकदी शेष का कम आहरण	4. Draw-Down of Cash Balance	-1321	51059		-53003
जोड़ प्राप्तियां (1क+2+3)	Total Receipts (1a+2+3)	2316434	2735290	2698552	3095233
एमएसएस के तहत प्राप्तियां (निवल)	Receipts under MSS (Net)	..	..	..	..

* प्राप्तियां भुगतान घटाकर हैं।

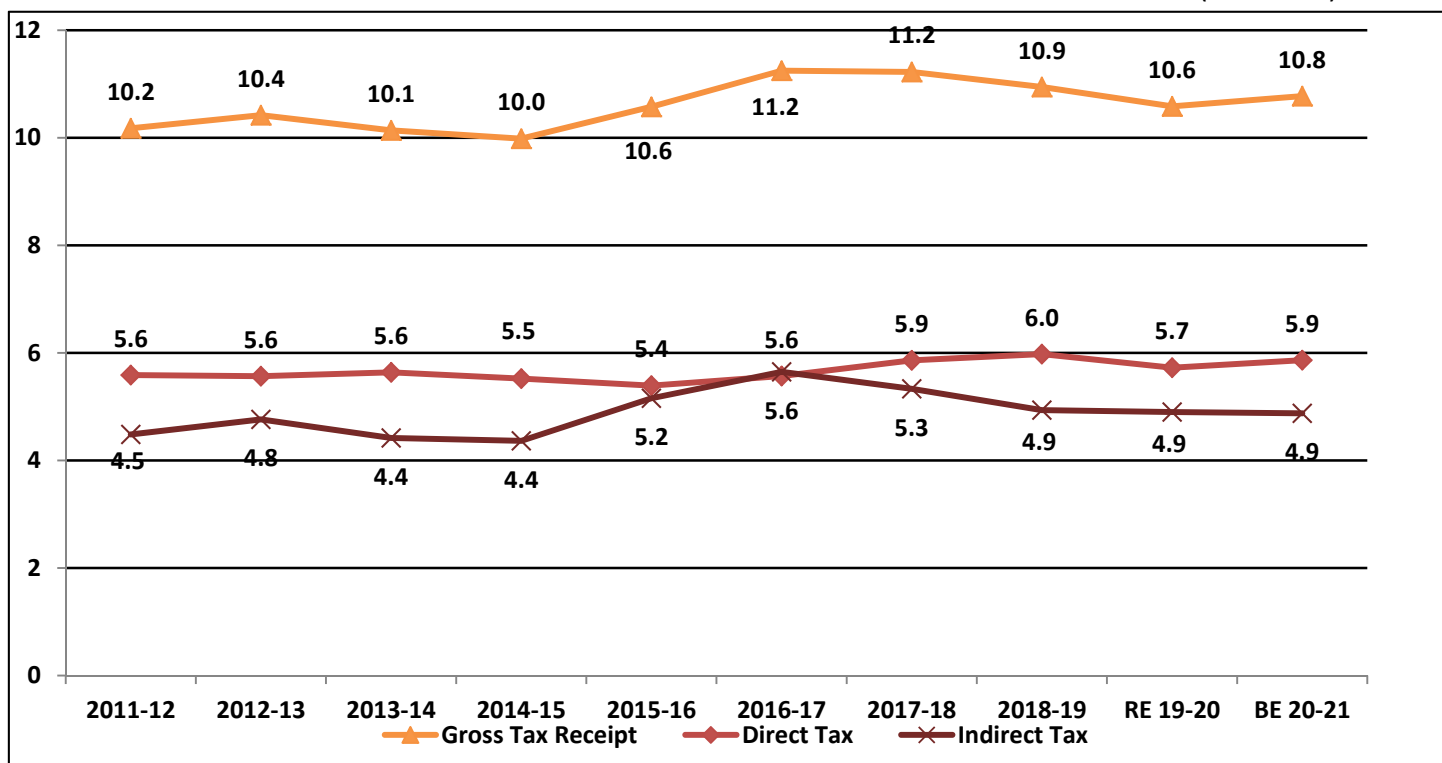
@ इसमें अल्पावधिक ऋण एवं अग्रिम की वसूली शामिल नहीं है।

* The receipts are net of payment.

@ Excludes recoveries of short term loans and advances.

कर प्राप्तियों में रुझान TREND IN TAX RECEIPTS

(% of GDP)

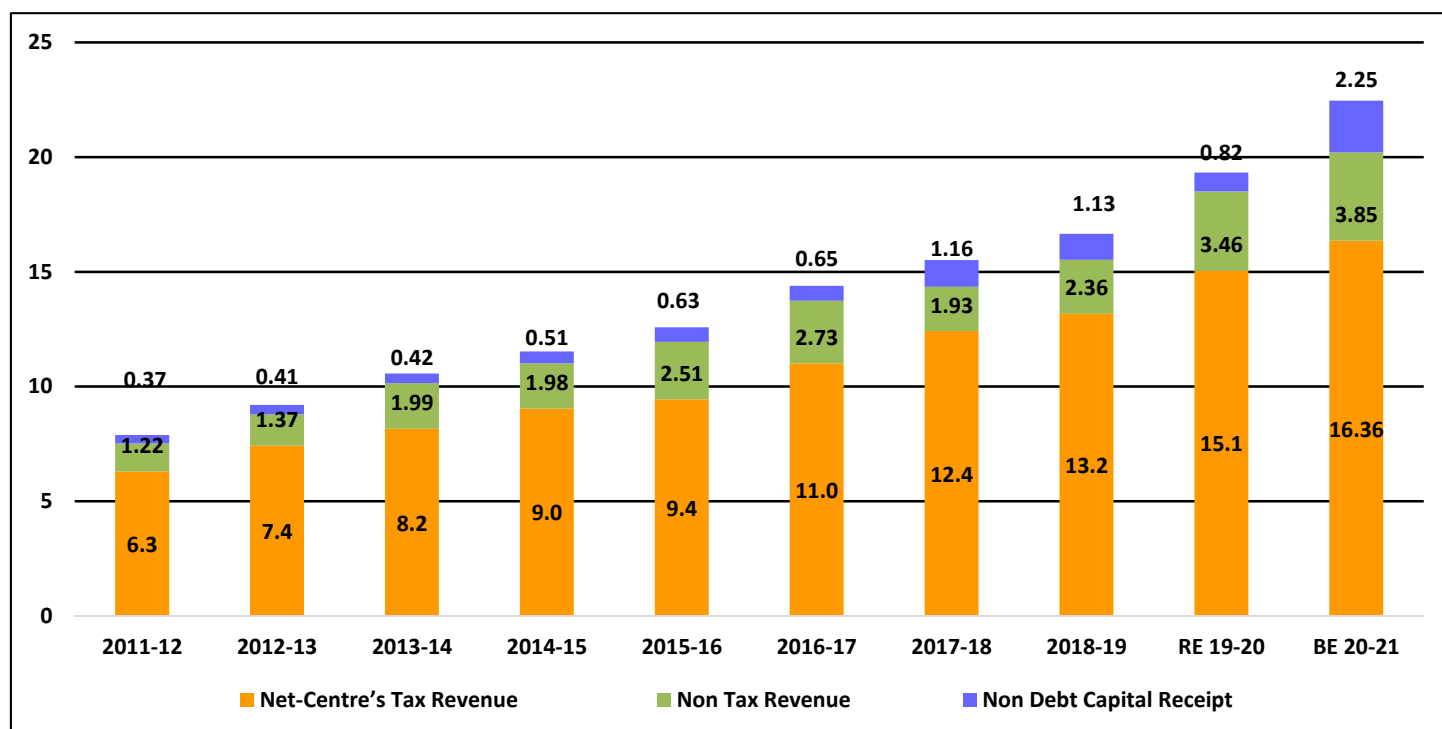


Note : GDP is as per the latest estimates published by CSO.

जीडीपी, केन्द्रीय सांख्यिकी कार्यालय द्वारा प्रकाशित नवीनतम अनुमानों के अनुसार है।

केंद्र की निवल प्राप्तियां NET RECEIPT OF THE CENTRE

(₹ in lakh crore)



भारत सरकार का व्यय *Expenditure of Government of India*

(₹ करोड़) (In ₹ crore)

		2018-2019 वास्तविक Actuals	2019-2020 बजट अनुमान Budget Estimates	2019-2020 संशोधित अनुमान Revised Estimates	2020-2021 बजट अनुमान Budget Estimates
क. केंद्र का व्यय	A. Centre's Expenditure				
I स्थापना व्यय	I Establishment Expenditure	521247	546296	567133	609585
II केंद्रीय क्षेत्र की योजनाएं/ परियोजनाएं	II Central Sector Schemes/ Projects	638495	870794	773196	831825
III केंद्रीय क्षेत्र का अन्य व्यय जिसमें से ब्याज भुगतान	III Other Central Sector Expenditure of which Interest Payments	677403 582648	772129 660471	741553 625105	887574 708203
ख. अंतरण	B. Transfers				
IV केंद्रीय प्रायोजित योजनाएं	IV Centrally Sponsored Schemes	296029	331610	316816	339894
V वित्त आयोग के अनुदान	V Finance Commission Grants	93704	120466	123710	149925
VI अन्य अनुदान/ऋण/अंतरण	VI Other Grants/Loans/Transfers	88235	145054	176144	223427
कुल जोड़	Grand Total	2315113	2786349	2698552	3042230

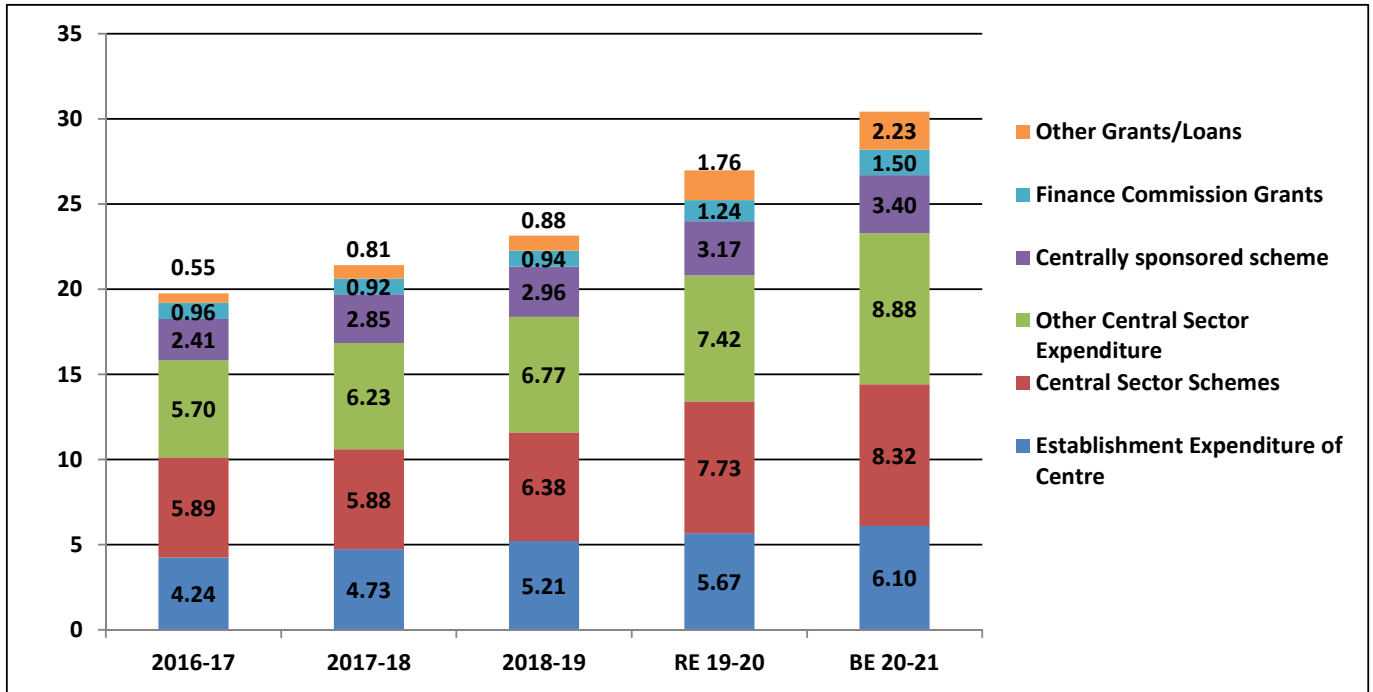
सरकार का पूंजीगत व्यय *Capital Expenditure of the Government*

(₹ करोड़) (In ₹ crore)

		2018-2019 वास्तविक Actuals	2019-2020 बजट अनुमान Budget Estimates	2019-2020 संशोधित अनुमान Revised Estimates	2020-2021 बजट अनुमान Budget Estimates
सकल बजटीय सहायता	Gross Budgetary Support	307714	338570	348907	412085
रेल मंत्रालय (आईईबीआर)	Ministry of Railways (IEBR)	80539	94071	88247	90792
आईईबीआर* (रेल मंत्रालय को छोड़कर)	IEBR (excluding Ministry of Railways)	527417	443568	622318	581871
जोड़	Total	915670	876209	1059472	1084748

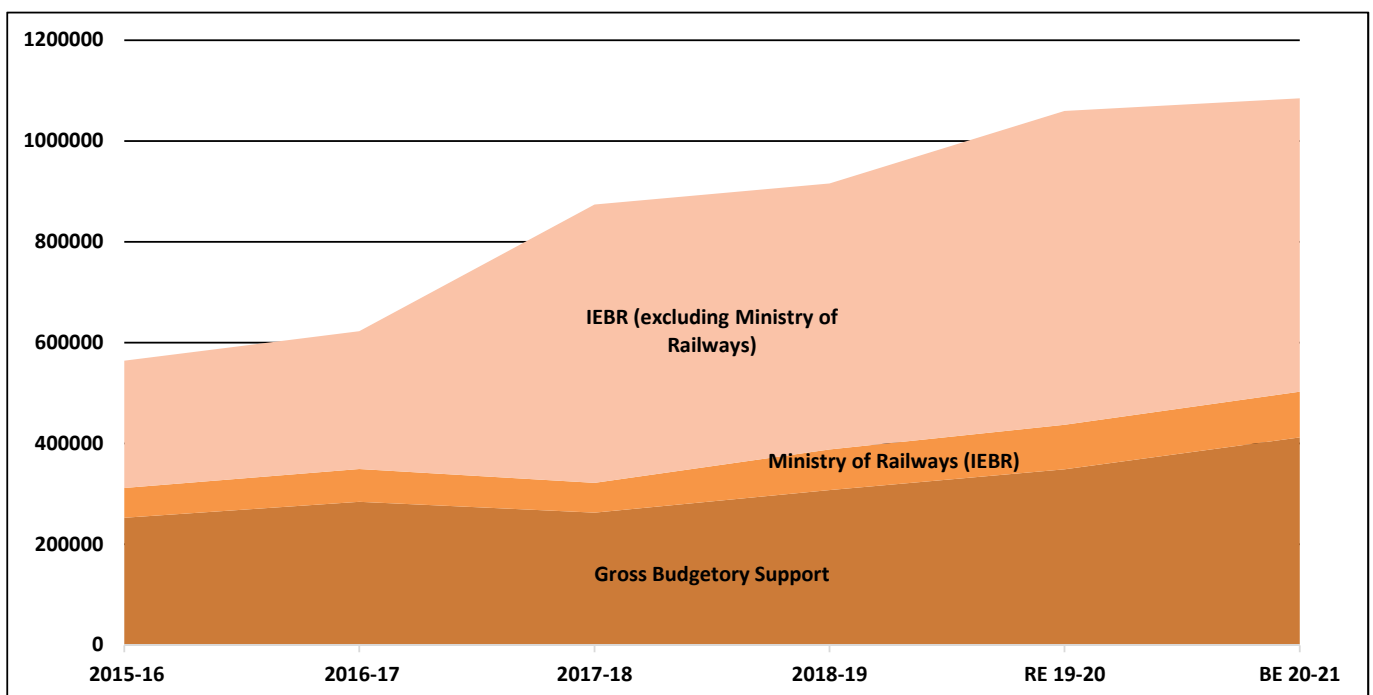
व्यय की संरचना COMPOSITION OF EXPENDITURE

(₹ in lakh crore)



पूंजीगत व्यय की प्रवृत्ति TREND OF CAPITAL EXPENDITURE

(₹ in crore)

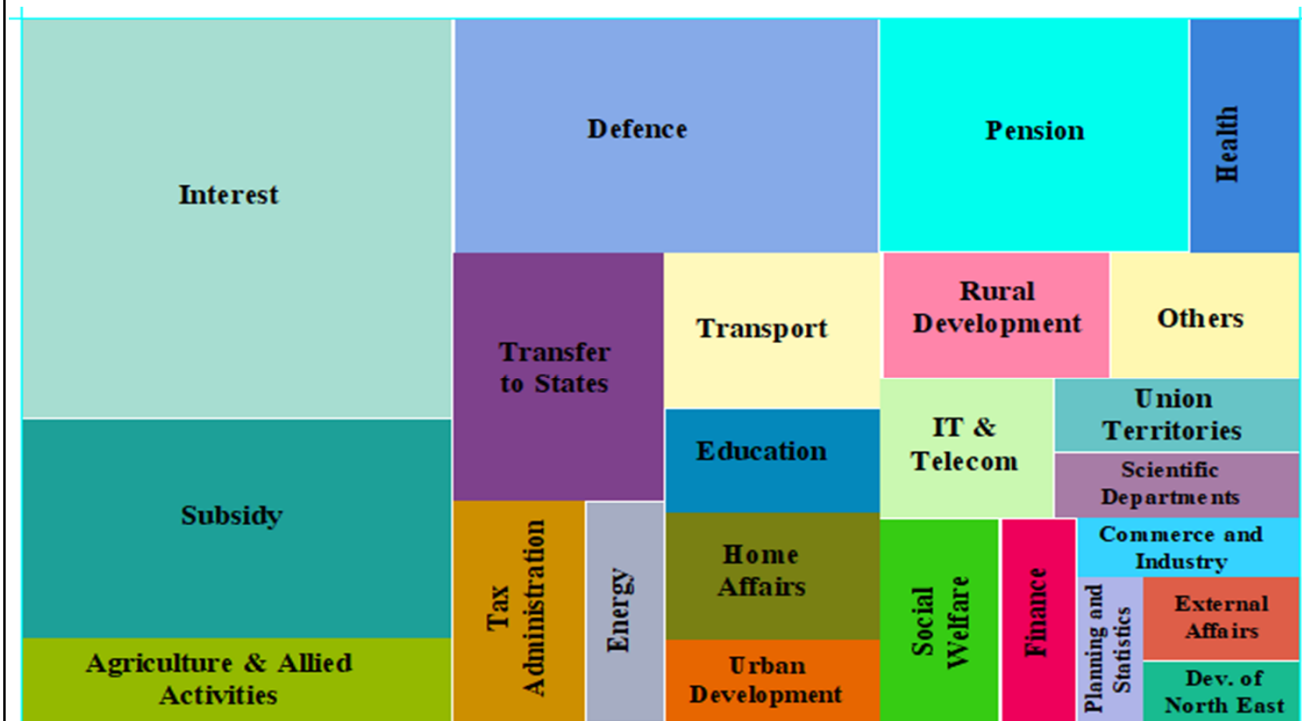


प्रमुख मदों का व्यय *Expenditure of Major Items*

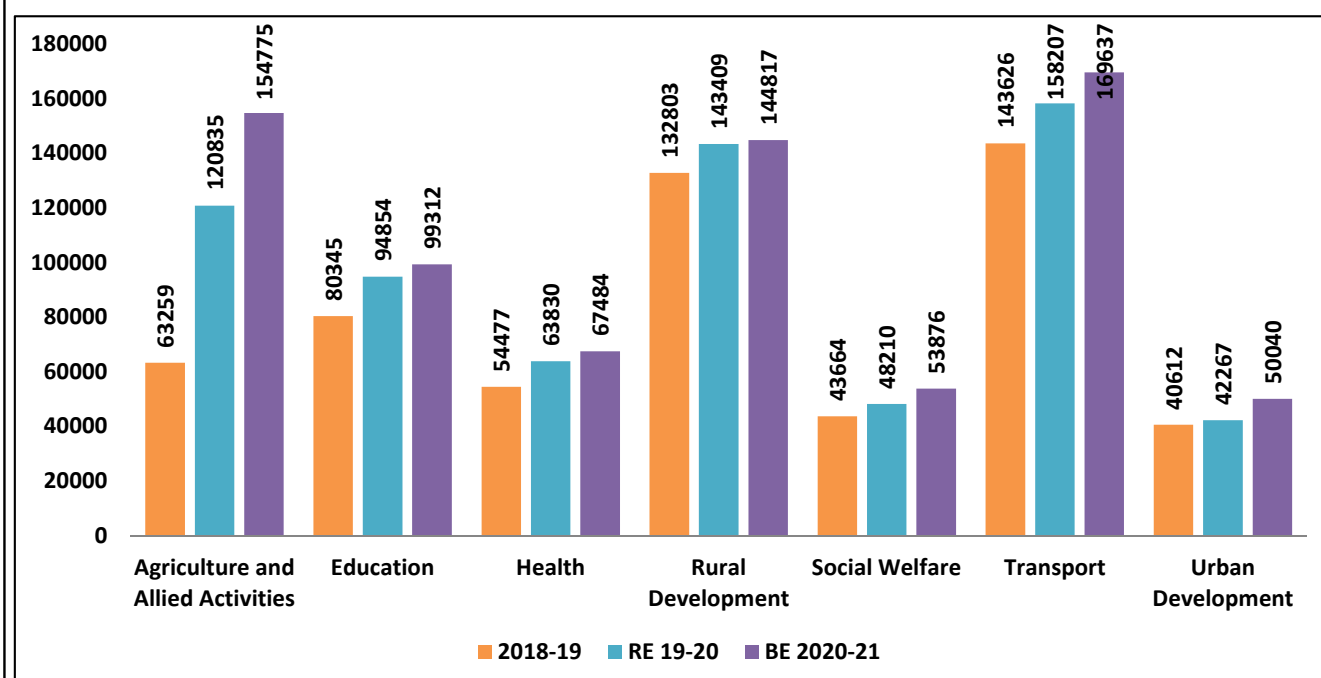
(₹ करोड़) (In ₹ crore)

		2018-2019 वास्तविक Actuals	2019-2020 बजट अनुमान Budget Estimates	2019-2020 संशोधित अनुमान Revised Estimates	2020-2021 बजट अनुमान Budget Estimates
पेंशन	Pension	160211	174300	184147	210682
रक्षा	Defence	290802	305296	316296	323053
सब्सिडी -	Subsidy -				
- उर्वरक	Fertiliser	70605	79996	79998	71309
- खाद्य	Food	101327	184220	108688	115570
- पेट्रोलियम	Petroleum	24837	37478	38569	40915
कृषि और संबद्ध कार्यकलाप	Agriculture and Allied Activities	63259	151518	120835	154775
वाणिज्य और उद्योग	Commerce and Industry	27851	27043	28608	27227
पूर्वोत्तर का विकास	Development of North East	1961	3000	2670	3049
शिक्षा	Education	80345	94854	94854	99312
ऊर्जा	Energy	45461	44638	42458	42725
विदेश	External Affairs	15514	17885	17372	17347
वित्त	Finance	14920	20121	24880	41829
स्वास्थ्य	Health	54477	64999	63830	67484
गृह	Home Affairs	98116	103927	124083	114387
ब्याज	Interest	582648	660471	625105	708203
आईटी और दूरसंचार	IT and Telecom	14868	21783	16000	59349
अन्य	Others	74497	76665	76782	84256
योजना और सांख्यिकी	Planning and Statistics	5322	5814	5811	6094
ग्रामीण विकास	Rural Development	132803	140762	143409	144817
वैज्ञानिक विभाग	Scientific Departments	24755	27431	27694	30023
सामाजिक कल्याण	Social Welfare	43664	50850	48210	53876
कर प्रशासन	Tax Administration	69416	117285	137307	152962
जिसमें से जीएसटी	of which Transfer to				
क्षतिपूर्ति निधि को अंतरण	GST Compensation Fund	54275	101200	121200	135368
राज्यों का अंतरण	Transfer to States	119144	155447	155447	200447
परिवहन	Transport	143626	157437	158207	169637
संघ राज्य क्षेत्र	Union Territories	14073	15098	15026	52864
शहरी विकास	Urban Development	40612	48032	42267	50040
कुल जोड़	Grand Total	2315113	2786349	2698552	3042230

व्यय की संरचना COMPOSITION OF EXPENDITURE



व्यय की प्रमुख मदों की प्रवृत्ति TREND OF MAJOR ITEMS OF EXPENDITURE



घाटे का सार *Deficit Statistics*

(₹ करोड़) (In ₹ crore)

		2018-2019 वास्तविक Actuals	2019-2020 बजट अनुमान Budget Estimates	2019-2020 संशोधित अनुमान Revised Estimates	2020-2021 बजट अनुमान Budget Estimates
1. राजकोषीय घाटा	1. Fiscal Deficit	649418 (3.4)	703760 (3.3)	766846 (3.8)	796337 (3.5)
2. राजस्व घाटा	2. Revenue Deficit	454483 (2.4)	485019 (2.3)	499544 (2.4)	609219 (2.7)
3. प्रभावी राजस्व घाटा	3. Effective Revenue Deficit	262702 (1.4)	277686 (1.3)	307807 (1.5)	402719 (1.8)
4. प्राथमिक घाटा	4. Primary Deficit	66770 (0.4)	43289 (0.2)	141741 (0.7)	88134 (0.4)

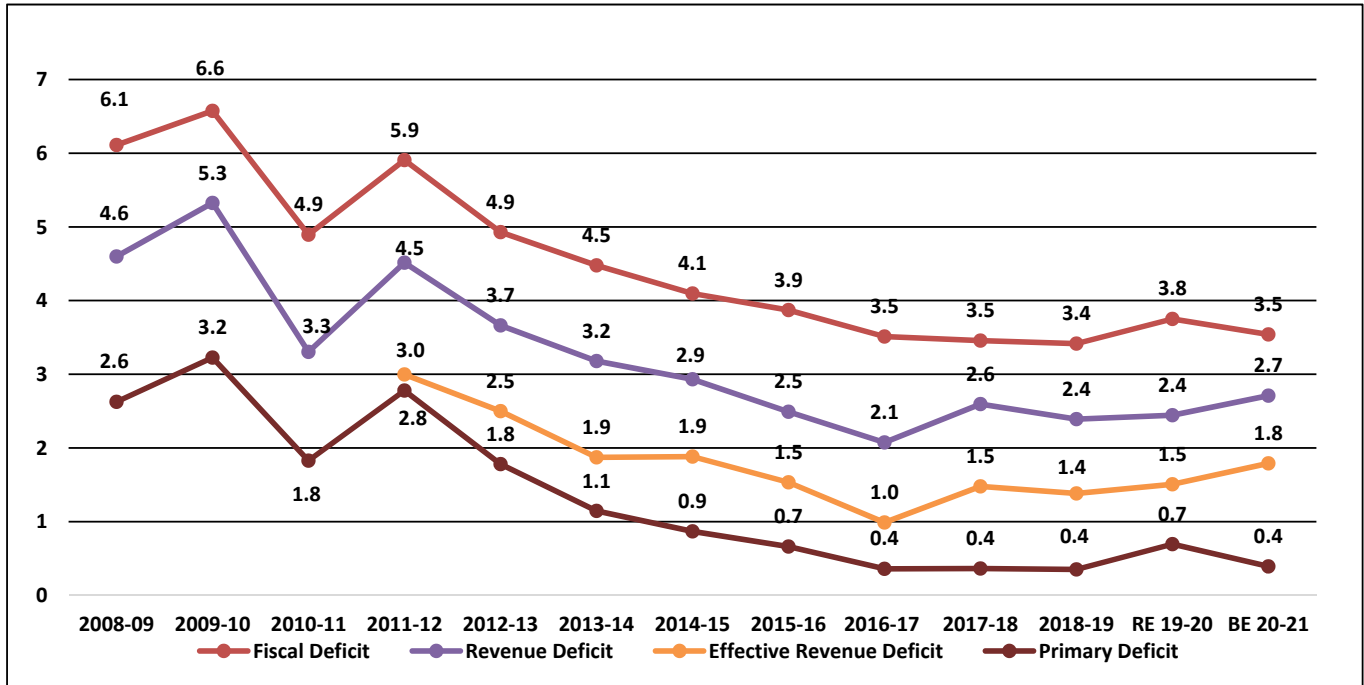
राजकोषीय घाटा वित्तपोषण के स्रोत *Sources of Financing Fiscal Deficit*

(₹ करोड़) (In ₹ crore)

		2018-2019 वास्तविक Actuals	2019-2020 बजट अनुमान Budget Estimates	2019-2020 संशोधित अनुमान Revised Estimates	2020-2021 बजट अनुमान Budget Estimates
1. ऋण प्राप्तियां (निवल)	1. Debt Receipts (Net)				
2. बाजार उधार (सरकारी प्रतिभूति+ राजकोषीय हंडी+ पीओएलआईएफ)	2. Market Borrowings (G-sec +T Bills+POLIF)	430164	448122	498972	535870
3. अल्प बचतों के बदले प्रतिभूतियां	3. Securities against Small Savings	125000	130000	240000	240000
4. राज्य भविष्य निधियां	4. State Provident Funds	16059	18000	18000	18000
5. अन्य प्राप्तियां (आंतरिक ऋण तथा लोक लेखा)	5. Other Receipts (Internal Debts and Public Account)	73997	59532	4941	50848
6. विदेशी ऋण	6. External Debt	5519	(-)2952	4933	4622
7. नकदी शेष का कम आहरण	7. Draw Down of Cash Balance	(-) 1321	51059	...	(-) 53003
8. कुल जोड़	8. Grand Total	649418	703760	766846	796337

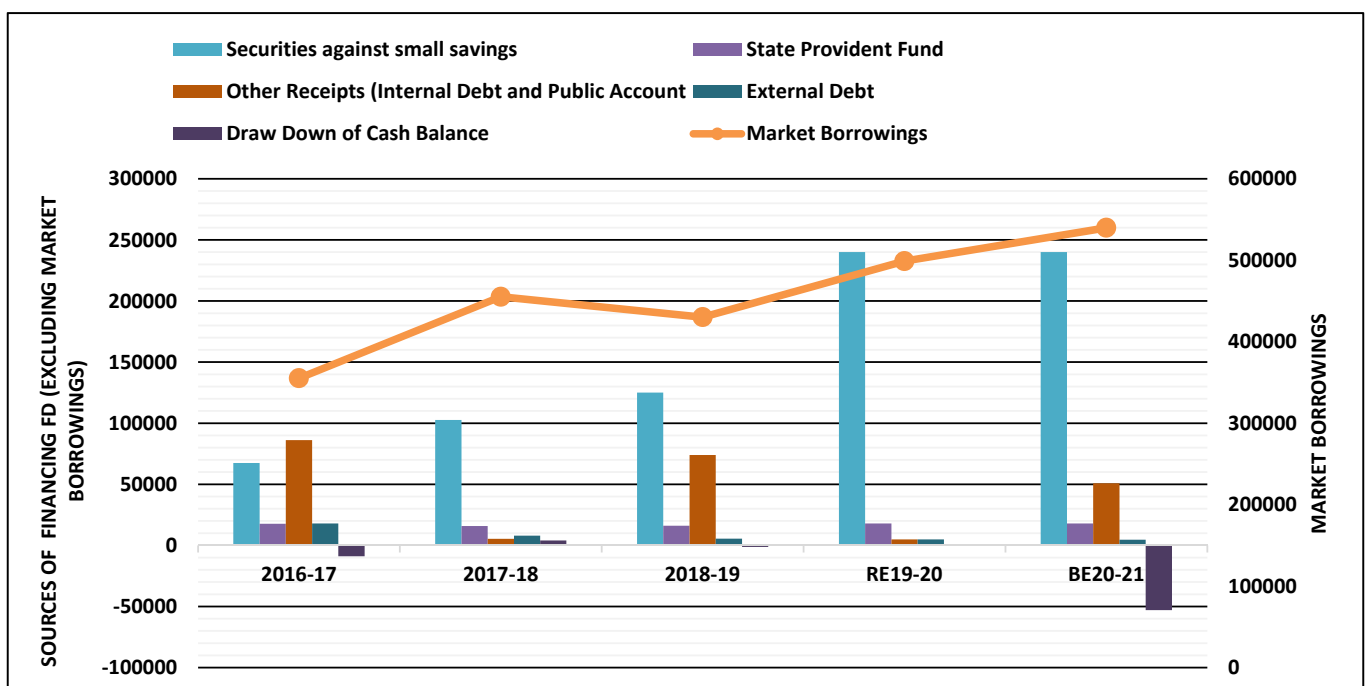
घाटे की प्रवृत्तियां DEFICIT TRENDS

(% of GDP)



घाटा वित्तपोषण के स्रोत SOURCES OF DEFICIT FINANCING

(₹ in crore)



प्रमुख योजनाओं पर परित्यय *Outlay on Major Schemes*

(₹ करोड़) (In ₹ crore)

		2018-2019 वास्तविक Actuals	2019-2020 बजट अनुमान Budget Estimates	2019-2020 संशोधित अनुमान Revised Estimates	2020-2021 बजट अनुमान Budget Estimates
(क) अति महत्वपूर्ण स्कीमें					
1	राष्ट्रीय सामाजिक सहायता कार्यक्रम				
2	महात्मा गांधी राष्ट्रीय ग्रामीण रोजगार गारंटी कार्यक्रम	8418	9200	9200	9197
3	अनुसूचित जाति के विकास के लिए अम्ब्रेला योजना	61815	60000	71002	61500
4	अनुसूचित जनजातियों के विकास के लिए अम्ब्रेला कार्यक्रम	7574	5445	5568	6242
5	अल्पसंख्यक विकास अम्ब्रेला कार्यक्रम	3781	3810	4194	4191
6	अन्य कमजोर वर्गों के विकास हेतु अम्ब्रेला कार्यक्रम	886	1590	1709	1820
6	अन्य कमजोर वर्गों के विकास हेतु अम्ब्रेला कार्यक्रम	1564	1818	1846	2210
(ख) महत्वपूर्ण स्कीमें					
7	हरित क्रांति	11758	12561	9965	13320
8	श्वेत क्रांति	2422	2240	1799	1805
9	नीली क्रांति	485	560	455	570
10	प्रधानमंत्री कृषि सिंचाई योजना	8143	9682	7896	11127
11	प्रधानमंत्री ग्राम सड़क योजना	15414	19000	14070	19500
12	प्रधानमंत्री आवास योजना (पीएमएवाई)	25443	25853	25328	27500
13	जल जीवन मिशन (जेजेएम)	5484	10001	10001	11500
14	स्वच्छ भारत मिशन (शहरी)	2462	2650	1300	2300
15	स्वच्छ भारत मिशन (ग्रामीण)	12913	9994	8338	9994
16	राष्ट्रीय स्वास्थ्य मिशन	31502	33651	34290	34115
17	राष्ट्रीय शिक्षा मिशन	30830	38547	37672	39161
18	राष्ट्रीय स्कूल मध्याह्न भोजन कार्यक्रम	9514	11000	9912	11000
19	अम्ब्रेला आई. सी. डी. एस.	21642	27584	24955	28557
20	महिलाओं का संरक्षण और सशक्तीकरण मिशन	1138	1330	961	1163
21	राष्ट्रीय आजीविका मिशन-आजीविका	6282	9774	9774	10005
22	कार्य एवं कौशल विकास	6126	7260	5749	5372
23	पर्यावरण, वानिकी और वन्य जीव	978	886	787	926
24	शहरी पुनरुज्जीवन अभियान : अमृत और स्मार्ट सिटी मिशन	12085	13750	9842	13750
25	पुलिस बल का आधुनिकीकरण	3260	3462	4155	3162
26	न्यायपालिका अवसंरचना सुविधाएं	657	720	990	762
27	सीमा क्षेत्र विकास कार्यक्रम	771	825	825	784
28	श्यामा प्रसाद मुखर्जी रूरन मिशन	433	800	300	600
29	राष्ट्रीय ग्राम स्वराज अभियान (आर.जी.एस.ए.)	649	822	465	858
30	पीएमजेएवाई आयुष्मान भारत	2602	6556	3314	6429
(ग) प्रमुख केन्द्रीय क्षेत्र की स्कीमें					
31	बाजार हस्तक्षेप योजना और मूल्य समर्थन योजना (एमआईएस-पीएसएस)	1400	3000	2010	2000
32	फसल बीमा योजना	11937	14000	13641	15695
33	किसानों को अल्पावधि ऋण के लिए ब्याज सब्सिडी	11496	18000	17863	21175
34	फसल अवशेष के स्वस्थाने प्रबंधन के लिए कृषि यांत्रिकीकरण का संवर्धन	584	600	594	600
35	कल्याण योजनाओं के लिए राज्य/संघ राज्य क्षेत्रों को दाल का वितरण	...	800	370	800
36	प्रधानमंत्री किसान सम्मान निधि (पीएम - किसान)	1241	75000	54370	75000
37	फसल विज्ञान	652	702	635	716
38	अनुसंधान एवं विकास मूलभूत विज्ञान एवं अभियांत्रिकी	1021	1320	1170	1250
39	एयर इंडिया परिसंपत्ति धारक लिमिटेड (एसपीवी)	1300	2600	2600	2205
(A) Core of the Core Schemes					
1	National Social Assistance Program	8418	9200	9200	9197
2	Mahatma Gandhi National Rural Employment Guarantee Program	61815	60000	71002	61500
3	Umbrella Scheme for Development of Schedule Castes	7574	5445	5568	6242
4	Umbrella Programme for Development of Scheduled Tribes	3781	3810	4194	4191
5	Umbrella Programme for Development of Minorities	886	1590	1709	1820
6	Umbrella Programme for Development of Other Vulnerable Groups	1564	1818	1846	2210
(B) Core Schemes					
7	Green Revolution	11758	12561	9965	13320
8	White Revolution	2422	2240	1799	1805
9	Blue Revolution	485	560	455	570
10	Pradhan Mantri Krishi Sinchai Yojna	8143	9682	7896	11127
11	Pradhan Mantri Gram Sadak Yojna	15414	19000	14070	19500
12	Pradhan Mantri Awas Yojna (PMAY)	25443	25853	25328	27500
13	Jal Jeevan Mission (JJM)	5484	10001	10001	11500
14	Swachh Bharat Mission (Urban)	2462	2650	1300	2300
15	Swachh Bharat Mission (Gramin)	12913	9994	8338	9994
16	National Health Mission	31502	33651	34290	34115
17	National Education Mission	30830	38547	37672	39161
18	National Programme of Mid Day Meal in Schools	9514	11000	9912	11000
19	Umbrella ICDS	21642	27584	24955	28557
20	Mission for Protection and Empowerment for Women	1138	1330	961	1163
21	National Livelihood Mission - Aajeevika	6282	9774	9774	10005
22	Jobs and Skill Development	6126	7260	5749	5372
23	Environment, Forestry and Wildlife	978	886	787	926
24	Urban Rejuvenation Mission: AMRUT and Smart Cities Mission	12085	13750	9842	13750
25	Modernisation of Police Forces	3260	3462	4155	3162
26	Infrastructure Facilities for Judiciary	657	720	990	762
27	Border Area Development Programme	771	825	825	784
28	Shyama Prasad Mukherjee Rurban Mission	433	800	300	600
29	Rashtriya Gram Swaraj Abhiyan (RGSA)	649	822	465	858
30	PMJAY-Ayushman Bharat	2602	6556	3314	6429
(C) Major Central Sector Schemes					
31	Market Intervention Scheme and Price Support Scheme (MIS-PSS)	1400	3000	2010	2000
32	Crop Insurance Scheme	11937	14000	13641	15695
33	Interest Subsidy for Short Term Credit to Farmers	11496	18000	17863	21175
34	Promotion of Agricultural Mechanization for in-situ Management of Crop Residue	584	600	594	600
35	Distribution of Pulses to State / Union Territories for Welfare Scheme	...	800	370	800
36	Pradhan Mantri Kisan Samman Nidhi (PM-Kisan)	1241	75000	54370	75000
37	Crop Science	652	702	635	716
38	R and D Basic Science and Engineering	1021	1320	1170	1250
39	Air India Asset Holding Limited (SPV)	1300	2600	2600	2205

प्रमुख योजनाओं पर परिव्यय *Outlay on Major Schemes*

(₹ करोड़) (In ₹ crore)

		2018-2019 वास्तविक Actuals	2019-2020 बजट अनुमान Budget Estimates	2019-2020 संशोधित अनुमान Revised Estimates	2020-2021 बजट अनुमान Budget Estimates
40	कोयला और लिग्नाइट का अन्वेषण	448	937	755	700
41	ई सी जी सी (निर्यात क्रेडिट गारंटी निगम) में निवेश	500	500	800	650
42	ब्याज समकरण स्कीम	2600	2910	2868	2300
43	राष्ट्रीय औद्योगिक कॉरीडोर विकास एवं कार्यान्वयन न्यास (एनआईसीडीआईटी)	1097	850	950	1200
44	निधियों का कोष	...	100	431	1055
45	पूर्वोत्तर क्षेत्र और हिमालयी राज्यों में औद्योगिक इकाइयों के लिए केंद्रीय और एकीकृत जीएसटी की वापसी	1500	1700	2100	1716
46	रक्षा सेवाओं के लिए ऑप्टिकल फाइबर केबल आधारित नेटवर्क	1927	4725	4725	5000
47	दूरसंचार अवसंरचना के सुजन एवं संवर्धन के लिए सेवा प्रदाताओं को क्षतिपूर्ति	4788	8350	3000	8000
48	मूल्य स्थिरीकरण कोष	1500	2000	1820	2000
49	पूर्वोत्तर परिषद की स्कीमें	378	580	385	606
50	पूर्वोत्तर एवं सिक्किम के लिए केंद्रीय संसाधन पूल	526	531	576	552
51	पूर्वोत्तर सड़क क्षेत्र विकास स्कीम	371	666	662	800
52	पूर्वोत्तर क्षेत्र विशेष अवसंरचना विकास स्कीम (एनईएसआईडीएस)	94	695	558	674
53	समुद्री सेवाएं, मॉडलिंग, अनुप्रयोग, संसाधन और प्रौद्योगिकी (ओ-स्मार्ट)	...	483	445	567
54	इलेक्ट्रॉनिक्स / आईटी हार्डवेयर विनिर्माण को प्रोत्साहन (एमएसआईपीएस, ईडीएफ और विनिर्माण क्लस्टर)	727	986	690	980
55	आईटी / इलेक्ट्रॉनिक्स / सीसीबीटी में अनुसंधान और विकास	179	416	435	763
56	एक्सिम बैंक	629	779	1153	779
57	राष्ट्रीय निवेश और अवसंरचना निधि (एनआईआईएफ)	1196	1000	2003	503
58	राष्ट्रीय कृषि और ग्रामीण विकास बैंक (नाबाई) की शेयर पूंजी में अभिदान	2000	1500	1500	1000
59	बीमा कम्पनियों का पुनः पूंजीकरण	...	0	2500	6950
60	भारत का एक्सिम बैंक की शेयर पूंजी में अभिदान	500	950	950	1300
61	खुरपका और मुंहपका रोग (एफ एम डी) और ब्रुसल्लोसिस के नियंत्रण हेतु राष्ट्रीय पशु रोग नियंत्रण कार्यक्रम	...	500	811	1300
62	प्रधान मंत्री किसान सम्पदा योजना	592	1101	889	1081
63	राष्ट्रीय एड्स एवं यौन संचारित रोग नियंत्रण कार्यक्रम	1803	2500	2956	2900
64	परिवार कल्याण योजनाएं	490	700	514	600
65	प्रधानमंत्री स्वास्थ्य सुरक्षा योजना	3797	4000	4733	6020
66	भारत में (हाइब्रिड और) इलेक्ट्रिक वाहनों के तीव्र अंगीकरण और विनिर्माण हेतु योजना-(फेम इंडिया)	145	500	500	693
67	महिलाओं की सुरक्षा हेतु योजना	50	50	50	855
68	मेट्रो परियोजनाएं	14265	17714	17612	17482
69	राष्ट्रीय राजधानी क्षेत्र परिवहन निगम	100	974	824	2487
70	उच्चतर शिक्षा निधियन अभिकरण (एचईएफए)	2263	2100	2100	2200

प्रमुख योजनाओं पर परित्यय Outlay on Major Schemes

(₹ करोड़) (In ₹ crore)

		2018-2019 वास्तविक Actuals	2019-2020 बजट अनुमान Budget Estimates	2019-2020 संशोधित अनुमान Revised Estimates	2020-2021 बजट अनुमान Budget Estimates
71 गारंटी निधि के लिए ब्याज सहायता तथा अंशदान	71 Interest Subsidy and contribution for Guarantee Funds	1575	1900	1900	1900
72 राष्ट्रीय गंगा योजना और घाट निर्माण कार्य	72 National Ganga Plan and Ghat Works	688	750	353	800
73 राष्ट्रीय नदी संरक्षण योजना	73 National River Conservation Plan	1620	1220	1200	840
74 कर्मचारी पेंशन स्कीम, 1995	74 Employees Pension Scheme, 1995	4900	4500	6076	7457
75 प्रधानमंत्री रोजगार सृजन कार्यक्रम (पीएमईजीपी)	75 Prime Minister Employment Generation Programme (PMEGP)	2119	2327	2464	2500
76 अवसंरचना विकास और क्षमता निर्माण	76 Infrastructure Development and Capacity Building	309	420	471	802
77 शिक्षा सशक्तिकरण	77 Education Empowerment	1986	2363	2249	2530
78 कौशल विकास और जीवन शैली	78 Skill Development and Livelihoods	482	557	582	602
79 पवन विद्युत	79 Wind Power	950	920	1026	1299
80 सौर विद्युत	80 Solar Power	1904	2480	1789	2150
81 किसान ऊर्जा सुरक्षा एवं उत्थान महाभियान (केयूएसयूएम)	81 Kisan Urja Suraksha evam Utthaan Mahabhiyan(KUSUM)	...	...	...	700
82 फुलपुर धामरा हलदिया पाइपलाइन परियोजना	82 Phulpur Dhamra Haldia Pipeline Project	1207	1552	1552	728
83 कच्चे तेल भंडार के लिए इंडियन स्ट्रेटेजिक पेट्रोलियम रिजर्व्स लिमिटेड (आईएसपीआरएल) को भुगतान	83 Payment to Indian Strategic Petroleum Reserve Limited (ISPRL) for Crude Oil Reserve	608	1	1	690
84 गरीब परिवारों को एलपीजी कनेक्शन (सौभाग्य)	84 LPG Connection to Poor Households (Saubhagya)	3200	2724	3724	1118
85 दीनदयाल उपाध्याय ग्राम ज्योति योजना	85 Deen Dayal Upadhyaya Gram Jyoti Yojna	3800	4066	4066	4500
86 एकीकृत विद्युत विकास योजना	86 Integrated Power Development Scheme	3897	5280	5663	5300
87 पावर सिस्टम्स का सुदृढीकरण	87 Strengthening of Power Systems	2802	1478	1860	1843
88 पावर सिस्टम डेवलपमेंट फंड	88 Power System Development Fund	544	1035	574	574
89 पुल संबंधी कार्य	89 Bridge Works	532	745	753	777
90 महानगर परिवहन परियोजनाएं	90 Metropolitan Transportation Projects	1164	1600	1580	1400
91 सड़क निर्माण कार्य	91 Road Works	37811	45880	45887	48759
92 भारतीय राष्ट्रीय राजमार्ग प्राधिकरण	92 National Highways Authority of India	39287	36691	36691	42500
93 विज्ञान और प्रौद्योगिकी संस्थागत एवं मानवीय क्षमता निर्माण	93 Science and Technology Institutional and Human Capacity Building	989	1085	1076	1163
94 अनुसंधान और विकास	94 Research and Development	472	611	589	718
95 नवोन्मेष, प्रौद्योगिकी विकास और परिनियोजन	95 Innovation, Technology Development and Deployment	773	872	812	1051
96 जैव प्रौद्योगिकी अनुसंधान और विकास	96 Biotechnology Research and Development	1329	1475	1315	1580
97 अंतरिक्ष प्रौद्योगिकी	97 Space Technology	6383	8408	8991	9762
98 अंतरिक्ष अनुप्रयोग	98 Space Applications	1811	1885	1863	1810
99 इन्सैट उपग्रह प्रणालियां	99 INSAT Satellite Systems	1593	884	1009	751
100 क्षमता का विकास (सीडी)	100 Capacity Development (CD)	216	529	529	706
101 सांसद स्थानीय क्षेत्र विकास योजना (एमपीएलएडी)	101 Member of Parliament Local Area Development Scheme (MPLAD)	3950	3960	3960	3960
102 संशोधित प्रौद्योगिकी उन्नयन निधि योजना	102 Amended Technology Upgradation Fund Scheme(ATUFS)	616	700	494	762
103 केन्द्रीय रेशम बोर्ड	103 Central Silk Board	601	730	765	800
104 विशिष्ट विषयों के आसपास पर्यटन सर्किट के समन्वित विकास (स्वदेश दर्शन)	104 Integrated Development of Tourist Circuits around specific themes (Swadesh Darshan)	1101	1106	566	1200
105 एकलव्य आदर्श आवासीय विद्यालय	105 Eklavya Model Residential School (EMRS)	...	0	16	1313
106 खेलो इण्डिया	106 Khelo India	342	500	578	890
107 स्वतंत्रता सेनानी (पेंशन एवं अन्य लाभ)	107 Freedom Fighters (pension and other benefits)	875	953	953	775
108 सीमा अवसंरचना एवं प्रबंधन	108 Border Infrastructure and Management	2030	2129	2128	1997
109 पुलिस अवसंरचना	109 Police Infrastructure	5085	4757	4479	4135
110 क्रेडिट संयुक्त पूंजीगत सब्सिडी एवं प्रौद्योगिकी उन्नयन योजना	110 Credit Linked Capital Subsidy and Technology Upgradation Scheme	1007	706	806	654
111 रेल मंत्रालय की योजनाओं को बजटीय सहायता	111 Budgetary Support to Schemes of Ministry of Railways	54913	68019	69967	72216
112 सागरमाला	112 Sagarmala	360	550	381	297
113 शताब्दियां एवं वर्षगांठ समारोह एवं योजनाएं	113 Centenaries and Anniversaries, Celebrations and Schemes	156	110	104	160
114 अवसंरचना पाइपलाइन को सहायता	114 Support to Infrastructure Pipeline	...	...	...	12500
115 प्रधानमंत्री मुद्रा योजना	115 Pradhan Mantri Mudra Yojana	500	500	500	500
116 निर्यात क्रेडिट के लिए प्रेरक पैकज निर्विक योजना	116 Stimulus Package for Export Credit-NIRVIK Yojna	...	...	...	95

GST Proposals

Date of Applicability: Applicable from the date of notification of Applicability by the GST Department.

Clause	Section	Existing	Amendment with Analysis
116	2	2 (114) "Union territory" means the territory of— (a) the Andaman and Nicobar Islands; (b) Lakshadweep; (c) Dadra and Nagar Haveli; (d) Daman and Diu; (e) Chandigarh; and (f) other territory.	<i>It is proposed to amend the said section to add Daman and Diu and Ladakh as Union Territory in the list.</i>
117	10	10 (2) The registered person shall be eligible to opt under sub-section (1), if: (a) he is not engaged in the supply of services other than supplies referred to in clause (b) of paragraph 6 of Schedule II; (b) he is not engaged in making any supply of goods which are not leviable to tax under this Act; (c) he is not engaged in making any inter-State outward supplies of goods; (d) he is not engaged in making any supply of goods through an electronic commerce operator who is required to collect tax at source under section 52;	<i>It is proposed to amend the said section to insert the services also along with goods in the composition scheme. The new Section 10(2) shall be read as below:</i> 10 (2) The registered person shall be eligible to opt under sub-section (1), if: (a) he is not engaged in the supply of services other than supplies referred to in clause (b) of paragraph 6 of Schedule II; (b) he is not engaged in making any supply of goods or services which are not leviable to tax under this Act; (c) he is not engaged in making any inter-State outward supplies of goods or services; (d) he is not engaged in making any supply of goods or services through an electronic commerce operator who is required to collect tax at source under section 52;
118	16	16 (4) A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing of the return under section 39 for the month of September following the end of financial year to which such invoice or invoice relating to such debit note pertains or furnishing of the relevant annual return, whichever is earlier.	<i>It is proposed to amend Section 16(4) to give effect that a consolidated Debit note can be issued instead of individual debit notes against each invoice.</i> <i>New Section 16(4) shall be read as below:</i> A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing of the return under section 39 for the month of September following the end of financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier.

119	29	29(1)(c) the taxable person, other than the person registered under sub-section (3) of section 25, is no longer liable to be registered under section 22 or section 24.	<i>Earlier, the voluntary registered taxpayer could not apply for the cancellation of registration and also the officer was not able to cancel his registration due to restriction in the section. Now with this amendment, the restriction has been removed and a proper officer can issue the cancellation notice even to a voluntary registered taxpayer and also he can suo moto apply for cancellation.</i> New Provision will be read as below: (c) the taxable person is no longer liable to be registered under section 22 or section 24 or intends to opt out of the registration voluntarily made under sub-section (3) of section 25.
120	30	30(1) Subject to such conditions as may be prescribed, any registered person, whose registration is cancelled by the proper officer on his own motion, may apply to such officer for revocation of cancellation of the registration in the prescribed manner within thirty days from the date of service of the cancellation order.	<i>Earlier, only 30 days time was available with taxpayer to get the cancellation revoked under GST law if the officer has cancelled his registration in Section 29. With the proposed amendment, additional 30 days time is available with the approval of AC and JC and further additional 30 days time with the approval of Commissioner. In summary, a total of 90 days time is available with the taxpayer.</i> 30.(1) Subject to such conditions as may be prescribed, any registered person, whose registration is cancelled by the proper officer on his own motion, may apply to such officer for revocation of cancellation of the registration in the prescribed manner within thirty days from the date of service of the cancellation order. Provided that such period may, on sufficient cause being shown, and for reasons to be recorded in writing, be extended: (a) by the Additional Commissioner or the Joint Commissioner, as the case may be, for a period not exceeding thirty days; (b) by the Commissioner, for a further period not exceeding thirty days, beyond the period specified in clause (a).
121	31	31(2) A registered person supplying taxable services shall, before or after the provision of service but within a prescribed period, issue a tax invoice, showing the description, value, tax charged thereon and such other particulars as may be prescribed: Provided that the Government may, on the recommendations of the Council, by notification and subject to such conditions as may be mentioned therein, specify the categories of services in respect of which: (a) any other document issued in relation to the supply shall be deemed to be a tax invoice; or (b) tax invoice may not be issued.	<i>Earlier, GST Council had power to specify the time and manner of issuance of invoices in case of provisioning of services. With the proposed amendment, council can now decide the type and category of services for which tax invoice need to be issued along with the manner and timelines.</i> 31(2) A registered person supplying taxable services shall, before or after the provision of service but within a prescribed period, issue a tax invoice, showing the description, value, tax charged thereon and such other particulars as may be prescribed: Provided that the Government may, on the recommendations of the Council, by notification: (a) specify the categories of services or supplies in respect of which a tax invoice shall be issued, within such time and in such manner as may be prescribed; (b) subject to the condition mentioned therein, specify the categories of services in respect of which: (i) any other document issued in relation to the

			supply shall be deemed to be a tax invoice; or (ii) tax invoice may not be issued.”.
122	51	51 (3) The deductor shall furnish to the deductee a certificate mentioning therein the contract value, rate of deduction, amount deducted, amount paid to the Government and such other particulars in such manner as may be prescribed. (4) If any deductor fails to furnish to the deductee the certificate, after deducting the tax at source, within five days of crediting the amount so deducted to the Government, the deductor shall pay, by way of a late fee, a sum of one hundred rupees per day from the day after the expiry of such five days period until the failure is rectified, subject to a maximum amount of five thousand rupees.	Earlier, the deductor need to issue the TDS Certificate to the deuctee with in 5 days of due date of filing of TDS Return and if TDS certificates are not issued with in due time then a fee of Rs. 200/- per day was imposed on the tax deductor with maximum penalty of Rs. 10,000/-. From the very first day of TDS Return implementation, GST portal was not supporting in generating TDS certificate and GST department was not able to remove this bug resulting to the omission of this provision. This provision shall be read as below: 51 (3) A certificate of tax deduction at source shall be issued in such form and in such manner as may be prescribed
124	122	New Clause Inserted	122 (1A) Any person who retains the benefit of a transaction covered under clauses (i), (ii), (vii) or clause (ix) of sub-section (1) and at whose instance such transaction is conducted, shall be liable to a penalty of an amount equivalent to the tax evaded or input tax credit availed of or passed on. Earlier the penalty for the following provision was Rs. 20,000/- or the amount of tax evaded which ever is higher, while now the penalty will be an amount equivalent to the tax evaded or input tax credit availed of or passed on. Further, the penalty was earlier imposed on either the person taking the benfir or the person on whose instance transaction was conducted, while now the penalty can be imposed on both simultaneously on a single transaction: (i) supplies any goods or services or both without issue of any invoice or issues an incorrect or false invoice with regard to any such supply; (earlier only supplier was penalized with old penalty provisions but now both supplier and recipient are penalized with new penalty provisions) (ii) issues any invoice or bill without supply of goods or services or both in violation of the provisions of this Act or the rules made thereunder; (earlier only supplier was penalized with old penalty provisions but now both supplier and recipient are penalized with new penalty provisions) (vii) takes or utilizes input tax credit without actual

			receipt of goods or services or both either fully or partially, in contravention of the provisions of this Act or the rules made thereunder; (earlier only recipient was penalized with old penalty provisions but now both supplier and recipient are penalized with new penalty provisions) (ix) takes or distributes input tax credit in contravention of section 20, or the rules made thereunder; (earlier only recipient was penalized with old penalty provisions but now both supplier and recipient are penalized with new penalty provisions)
125	132	132. (1) Whoever commits any of the following offences, namely: (a) supplies any goods or services or both without issue of any invoice, in violation of the provisions of this Act or the rules made thereunder, with the intention to evade tax; (b) issues any invoice or bill without supply of goods or services or both in violation of the provisions of this Act, or the rules made thereunder leading to wrongful availment or utilisation of input tax credit or refund of tax; (c) avails input tax credit using such invoice or bill referred to in clause (b); (d) collects any amount as tax but fails to pay the same to the Government beyond a period of three months from the date on which such payment becomes due; (e) evades tax, fraudulently avails input tax credit or fraudulently obtains refund and where such offence is not covered under clauses (a) to (d);	Earlier, the person who commits the offences was only punished in Section 132 while now with the amendment, not only the person commits the transaction but also the facilitator as well as the person who retains the benefits shall be punished. The scope of punishment has been enhanced. Further, scope of clause C is also enhanced. <i>New Section will be read as below:</i> 132. (1) Whoever commits, or causes to commit and retain the benefits arising out of, any of the following offences, namely: (a) supplies any goods or services or both without issue of any invoice, in violation of the provisions of this Act or the rules made thereunder, with the intention to evade tax; (b) issues any invoice or bill without supply of goods or services or both in violation of the provisions of this Act, or the rules made thereunder leading to wrongful availment or utilisation of input tax credit or refund of tax; (c) avails input tax credit using the invoice or bill referred to in clause (b) or fraudulently avails input tax credit without any invoice or bill; (d) collects any amount as tax but fails to pay the same to the Government beyond a period of three months from the date on which such payment becomes due; (e) evades tax, fraudulently obtains refund and where such offence is not covered under clauses (a) to (d);
126	140	Retrospective amendment in Section 140 with effect from 01.07.2017.	Clause 126 of the Bill seeks to amend section 140 of the Central Goods and Services Tax Act with retrospective effect to empower the Central Government to make rules to provide for the time limit and the manner for availing input tax credit against certain unveiled credit under the existing law.

Income Tax Proposals

1. RATES OF INCOME TAX FOR FY 2020-21 (AY 2021-22)

(a) For Individuals, Hindu Undivided Families, Associations of Persons & Body of Individuals

Total Income	General Tax Rates	Special Tax Rates*
Upto INR 2,50,000	NIL	NIL
INR 2,50,001 to INR 5,00,000	5%	5%
INR 5,00,001 to INR 7,50,000	20%	10%
INR 7,50,001 to INR 10,00,000	20%	15%
INR 10,00,001 to INR 12,50,000	30%	20%
INR 12,50,001 to INR 15,00,000	30%	25%
INR 15,00,001 and above	30%	30%

*** Option to choose any tax rates, provided that no exemption / deduction is allowable in new tax rates.**

- In case of resident individual of the age of 60 years, the basic exemption limit is INR 3,00,000
- In case of resident individual of the age of 80 years or above, the basic exemption limit is INR 5,00,000
- Rebate under section 87A of Rs. 12,500 if the total income of the assessee do not exceeds Rs. 5.00 lacs.

- Surcharge @ 10% Applicable, if Total Income exceeds Rs. 50 lakh rupees but do not exceeds Rs. 1 Crore.
- Surcharge @ 15% Applicable, if Total Income exceeds Rs. 1 Crore but do not exceeds Rs. 2 Crores.
- Surcharge @ 25% Applicable, if Total Income exceeds Rs. 2 Crores but do not exceeds Rs. 5 Crores.
- Surcharge @ 37% Applicable, if Total Income exceeds Rs. 5 Crores.
- Health & Education Cess @ 4% Applicable on Income Tax in all cases

(b) For Firms [Including LLP]

Total Income	Tax Rates
INR 1 and above	30%
• Surcharge @ 12% Applicable, if Total Income exceeds Rs. 1 Crore • Health & Education Cess @ 4% Applicable on Income Tax	

(c) For Domestic Companies

Total Income	Tax Rates
INR 1 and above (subject to the condition that turnover in F.Y. 2017-18 do not exceed Rs. 400 Crores)	25%
If the above condition is not satisfied	30%
• Surcharge @ 7% Applicable, if Total Income exceeds Rs. 1 Crore upto Rs. 10 Crores and @12%, if Total Income exceeds Rs. 10 Crores • Health & Education Cess @ 4% Applicable on Income Tax	

(d) For Co-operative Societies

Total Income	Tax Rates
Upto INR 10,000	10%
INR 10,001 to INR 20,000	20%
INR 20,001 and above	30%
• Surcharge @ 12% Applicable, if Total Income exceeds Rs. 1 Crore • Health & Education Cess @ 4% Applicable on Income Tax	

In the case of co-operative societies, the rates of income-tax have been specified in Paragraph B of Part III of the First Schedule to the Bill. These rates will continue to be the same as those specified for FY 2019-20. The amount of income-tax shall be increased by a surcharge at the rate of 12% of such income-tax in case of a co-operative society having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees. From the assessment year 2021-22, resident co-operative societies have an option to opt for taxation under newly inserted section 115BAD of the Act.

In other cases (including sections 115-O, 115QA, 115R, 115TA or 115TD) the surcharge shall continue to be levied at the rate of 12%.

For FY 2020-21, additional surcharge called the "Health and Education Cess on income-tax" shall be levied at the rate of 4% on the amount of tax computed, inclusive of surcharge (wherever applicable), in all cases. No marginal relief shall be available in respect of such cess.

2. Incentives to resident co-operative societies:

In case of the domestic company opting to pay tax at the rate of 22% 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 be entitled to deduction under 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.

It was also provided that such company shall not be subjected to Minimum Alternate Tax (MAT) under section 115JB of the Act and that, the carry forward and set off of MAT credit, if any, under section 115JAA of the Act would not be allowed.

Representations have been received from the stakeholders requesting to provide for concessional rate of tax in case of resident co-operative society on similar lines. In view of the above, it is proposed to insert a new section (115BAD) in the Act to provide that,-

- (i) notwithstanding anything contained in the Act but subject to the provisions of Chapter XII and satisfaction of certain conditions, a co-operative society resident in India shall have the option to pay tax at 22% for assessment year 2021-22 onwards in respect of its total income so however that if it fails to satisfy the conditions in any previous year, the option shall become invalid and other provisions of the Act shall apply;
- (ii) the condition for concessional rate shall be that the total income of the co-operative society is computed:
 - (a) without any deduction under the provisions of section 10AA or clause (iia) of sub-section (1) of section 32 or section 32AD or section 33AB or section 33ABA or sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) of section 35 or section 35AD or section 35CCC or under any provisions of Chapter VI-A;
 - (b) without set off of any loss carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred to in (a) above; and
 - (c) by claiming the depreciation, if any, under section 32, except clause (iia) of sub-section (1) thereof, determined in such manner as may be prescribed;
- (iii) the loss and depreciation referred to in (ii)(b) above shall be deemed to have been given full effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent year. However, where there is a depreciation allowance in respect of a block of asset which has not been given full effect to prior to the assessment year beginning on 1st April, 2021, corresponding adjustment shall be made to the written down value of such block of assets as on 1st April, 2020 in the prescribed manner, if the option is exercised for a previous year relevant to the assessment year beginning on 1st April, 2021;
- (iv) the concessional rate shall not apply unless option is exercised by the co-operative society in the prescribed manner on or before the due date specified under sub-section (1) of section 139 of the Act for furnishing the returns of income for any previous year relevant to the assessment year commencing on or after 1st April, 2021 and such option once exercised shall apply to subsequent assessment years;
- (v) if the person has a Unit in the International Financial Services Centre (IFSC), as referred to in sub-section (1A) of section 80LA, the deduction under section 80LA shall be available to such Unit subject to fulfilment of the conditions contained in that section; and
- (vi) the option so exercised cannot be withdrawn;

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

It is further proposed to amend section 115JC of the Act so as to provide that the provisions relating to Alternate Minimum Tax (AMT) shall not apply to such co-operative society.

It is also proposed to amend section 115JD of the Act so as to provide that the provisions relating to carry forward and set off of AMT credit, if any, shall not apply to such co-operative society.

This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

[Clauses 53, 57 & 58]

3. Incentives to Individual and HUF:

In line with options provided to domestic companies under the TLAA and proposed to be provided to resident co-operative societies under this Bill, it is also proposed to provide similar option to individual and HUF by insertion of section 115BAC in the Act, which provides the following:-

- (i) On satisfaction of certain conditions, an individual or HUF shall, from assessment year 2021-22 onwards, have the option to pay tax in respect of the total income at following rates:

Total Income (Rs)	Rate
Upto 2,50,000	Nil
From 2,50,001 to 5,00,000	5 %
From 5,00,001 to 7,50,000	10%
From 7,50,001 to 10,00,000	15%
From 10,00,001 to 12,50,000	20%
From 12,50,001 to 15,00,000	25%
Above 15,00,000	30%

- (ii) ***The option shall be exercised for every previous year where the individual or the HUF has no business income, and in other cases the option once exercised for a previous year shall be valid for that previous year and all subsequent years.***
- (iii) 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;
- (iv) the condition for concessional rate shall be that the total income of the individual or HUF is computed:
- (a) without any exemption or deduction under the provisions of clause (5) or clause (13A) or prescribed under clause (14) (other than those as may be prescribed for this purpose) or clause (17) or clause (32) of section 10 or section 10AA or section 16 or clause (b) of section 24 [in respect of property referred to in sub-section (2) of section 23] or clause (iia) of sub-section (1) of section 32 or section 32AD or section 33AB or section 33ABA or sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) of section 35 or section 35AD or section 35CCC or clause (iia) of section 57 or under any provisions of Chapter VI-A other than the provisions of sub-section (2) of section 80CCD or section 80JJAA;
- (b) without set off of any loss,-
- (i) carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred to in (a) above; or
- (ii) under the head house property with any other head of income;
- (c) by claiming the depreciation, if any, under section 32, except clause (iia) of sub-section (1) thereof, determined in such manner as may be prescribed; and
- (d) without any exemption or deduction for allowances or perquisite, by whatever name called, provided under any other law for the time being in force.
- (v) the loss and depreciation referred to in (ii)(b) above shall be deemed to have been given full effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent year so however, that where there is a depreciation allowance in respect of a block of asset which has not been given full effect to prior to the assessment year beginning on 1st April, 2021, corresponding adjustment shall be made to the written down value of such block of assets as on 1st April, 2020 in the prescribed manner, if the option is exercised for a previous year relevant to the assessment year beginning on 1st April, 2021;
- (vi) the concessional rate shall not apply unless option is exercised by the individual or HUF in the form and manner as may be prescribed:
- a. where such individual or HUF has no business income, along with the return of income to be furnished under sub-section (1) of section 139 of the Act; and

- b. in any other case, on or before the due date specified under sub-section (1) of section 139 of the Act for furnishing the return of income for any previous year relevant to the assessment year commencing on or after 1st April, 2021 and such option once exercised shall apply to subsequent assessment years;
- (vii) if the individual or HUF has a Unit in the International Financial Services Centre [clause (zc) of section 2 of the Special Economic Zones Act, 2005], as referred to in sub-section (1A) of section 80LA, the deduction under section 80LA shall be available to such Unit subject to fulfilment of the conditions contained in that section; and
- (viii) the option can be withdrawn only once where it was exercised by the individual or HUF having business income for a previous year other than the year in which it was exercised and thereafter, the individual or HUF shall never be eligible to exercise option under this section, except where such individual or HUF ceases to have any business income in which case, option under para (vi)(a) above shall be available.

It is further proposed to amend section 115JC of the Act so as to provide that the provisions relating to AMT shall not apply to such individual or HUF having business income.

It is also proposed to amend section 115JD of the Act so as to provide that the provisions relating to carry forward and set off of AMT credit, if any, shall not apply to such individual or HUF having business income.

The condition listed at (iva) above, means that the individual or HUF opting for taxation under the newly inserted section 115BAC of the Act shall not be entitled to the following exemptions/ deductions:

- (i) Leave travel concession as contained in clause (5) of section 10;
- (ii) House rent allowance as contained in clause (13A) of section 10;
- (iii) Some of the allowance as contained in clause (14) of section 10;
- (iv) Allowances to MPs/MLAs as contained in clause (17) of section 10;
- (v) Allowance for income of minor as contained in clause (32) of section 10;
- (vi) Exemption for SEZ unit contained in section 10AA;
- (vii) Standard deduction, deduction for entertainment allowance and employment/professional tax as contained in section 16;
- (viii) Interest under section 24 in respect of self-occupied or vacant property referred to in sub-section (2) of section 23. (Loss under the head income from house property for rented house shall not be allowed to be set off under any other head and would be allowed to be carried forward as per extant law);
- (ix) Additional depreciation under clause (iia) of sub-section (1) of section 32;
- (x) Deductions under section 32AD, 33AB, 33ABA;
- (xi) Various deduction for donation for or expenditure on scientific research contained in sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) of section 35;
- (xii) Deduction under section 35AD or section 35CCC;
- (xiii) Deduction from family pension under clause (iia) of section 57;
- (xiv) 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 under sub-section (2) of section 80CCD (employer contribution on account of employee in notified pension scheme) and section 80JJAA (for new employment) can be claimed.

As many allowances have been provided through notification of rules, it is proposed to carry out amendment of the Income-tax Rules, 1962 (the Rules) subsequently, so as to allow only following allowances notified under section 10(14) of the Act to the Individual or HUF exercising option under the proposed section:

- (a) Transport Allowance granted to a divyang employee to meet expenditure for the purpose of commuting between place of residence and place of duty
- (b) Conveyance Allowance granted to meet the expenditure on conveyance in performance of duties of an office;
- (c) Any Allowance granted to meet the cost of travel on tour or on transfer;
- (d) Daily Allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty.

It is also proposed to amend rule 3 of the Rules subsequently, so as to remove exemption in respect of free food and beverage through vouchers provided to the employee, being the person exercising option under the proposed section, by the employer.

This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

[Clauses 53, 57 & 58]

4. Modification of concessional tax schemes for domestic companies under section 115BAA and 115BAB

TLAA inserted section 115BAA and section 115BAB in the Act to provide domestic companies an option to be taxed at concessional tax rates provided they do not avail specified deductions and incentives. Some of the deductions prohibited are deductions under any provisions of Chapter VI-A under the heading "C. Deduction in respect of certain incomes" other than the provisions of section 80JJAA.

It is now proposed to amend the provisions of section 115BAA and section 115BAB to not allow deduction under any provisions of Chapter VI-A other than section 80JJAA or section 80M, in case of domestic companies opting for taxation under these sections.

These amendments will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years.

[Clauses 51 & 52]

5. Rationalization of provisions of start-ups.

The existing provisions of section 80-IAC of the Act provide for a deduction of an amount equal to 100% of the profits and gains derived from an eligible business by an eligible start-up for 3 consecutive assessment years out of 7 years, at the option of the assessee, subject to the condition that the eligible start-up is incorporated on or after 1st April, 2016 but before 1st April, 2021 and the total turnover of its business does not exceed Rs. 25 crore.

In order to further rationalise the provisions relating to start-ups, it is proposed to amend section 80-IAC of the Act so as to provide that-

- (i) the deduction under the said section 80-IAC shall be available to an eligible start-up for a period of 3 consecutive assessment years out of ten years beginning from the year in which it is incorporated;
- (ii) the deduction under the said section shall be available to an eligible start-up, if the total turnover of its business does not exceed 100 crore rupees in any of the previous years beginning from the year in which it is incorporated.

This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

[Clause 36]

6. Extending time limit for approval of affordable housing project for availing deduction under section 80-IBA of the Act:

The existing provisions of section 80-IBA of the Act, inter alia, provide that where the gross total income of an assessee includes any profits and gains derived from the business of developing and building affordable housing projects, there shall, subject to certain conditions specified therein, be allowed a deduction of an amount equal to one hundred % of the profits and gains derived from such business. The conditions contained in the section, inter alia, prescribe that the project is approved by the competent authority during the period from 1st June, 2016 to 31st March, 2020.

In order to incentivise building affordable housing to boost the supply of such houses, the period of approval of the project by the competent authority is proposed to be extended to 31st March, 2021.

This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

[Clause 38]

7. Extending time limit for sanctioning of loan for affordable housing for availing deduction under section 80EEA of the Act

The existing provisions of section 80EEA of the Act provide for a deduction in respect of interest on loan taken from any financial institution for acquisition of an affordable residential house property. The deduction allowed is up to one lakh fifty thousand rupees and is subject to certain conditions. One of the conditions is that loan has been sanctioned by the financial institution during the period from 1st April, 2019 to 31st March, 2020.

The said deduction is aimed to incentivise first time buyers to invest in residential house property whose stamp duty does not exceed Rs. 45 lakh. In order to continue promoting purchase of affordable housing, the period of sanctioning of loan by the financial institution is proposed to be extended to 31st March, 2021.

This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

[Clause 32]

8. Modification in conditions for offshore funds' exemption from "business connection":

Section 9A of the Act provides for a special regime in respect of offshore funds by providing them exemption from creating a "business connection" in India on fulfilment of certain conditions. It provides that in the case of an eligible investment fund, the fund management activity carried out through an eligible fund manager acting on behalf of such fund shall not constitute business connection in India of the said fund. Further, an eligible investment fund shall not be said to be resident in India merely because the eligible fund manager undertaking fund management activities on its behalf is located in India. The benefit under section 9A is available subject to the conditions as provided in sub-sections (3), (4) and (5) thereof. Sub-section (3) of section 9A provides the conditions for eligibility of the fund.

One of the conditions for eligibility of the fund provided under clause (c) of said sub-section (3) requires that the aggregate participation or investment in the fund, directly or indirectly, by persons resident in India does not exceed five % of the corpus of the fund. Representations have been received in this regard stating that this condition is difficult to comply with in the initial years for the reason that eligible fund manager, who is resident in India, is required to invest his money as "skin in the game" to create reputation to attract investment.

One other condition for eligibility of the fund provided under clause (j) of said sub-section (3) requires that the monthly average of the corpus of the fund shall not be less than one hundred crore rupees except where the fund has been established or incorporated in the previous year in which case, the corpus of fund shall not be less than one hundred crore rupees at the end of a period of six months from the last day of the month of its establishment or incorporation, or at the end of such previous year, whichever is later. This condition does not apply in a case where the fund has been wound up.

Representations have been received in this regard stating that as per this condition, the period for fulfilling the requirement of monthly average of the corpus of one hundred crore rupees ranges from six months to eighteen months, in so far as the fund established or incorporated on last day of the financial year would get six months and the fund established or incorporated on first day of the financial year would get eighteen months. It has been stated that this results in anomaly as certain funds due to its date of establishment and incorporation get favoured or discriminated against.

Accordingly, it is proposed to amend section 9A of the Act to relax these two conditions so as to provide that, -

- (i) for the purpose of calculation of the aggregate participation or investment in the fund, directly or indirectly, by Indian resident, contribution of the eligible fund manager during first three years up to twenty-five crore rupees shall not be accounted for; and
- (ii) if the fund has been established or incorporated in the previous year, the condition of monthly average of the corpus of the fund to be at one hundred crore rupees shall be fulfilled within twelve months from the last day of the month of its establishment or incorporation.

This amendment will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years.

[Clause 6]

9. Amendment of section 115BAB of the Act to include generation of electricity as manufacturing:

The TLAA, inter-alia, inserted section 115BAB in the Act. The newly inserted section provides that new manufacturing domestic companies set up on or after 1st October, 2019, which commence manufacturing or production by 31st March, 2023 and do not avail of any specified incentives or deductions, may opt to pay tax at a concessional rate of 15 %. Further, Explanation to clause (b) of sub-section (2) thereof provides that for the purposes of the said section, businesses engaged in development of computer software, mining, conversion of marble blocks or similar items into slabs, bottling of gas into cylinder, printing of books or production of cinematograph film or any other business as may be notified by the Central Government will not be considered as manufacturing or production.

Representations have been received from various stakeholders requesting to provide that the benefit of the concessional rate under section 115BAB of the Act may also be extended to business of generation of electricity, which otherwise may not amount to manufacturing or production of an article or thing. Accordingly, it is proposed to explain that, for the purposes of this section, manufacturing or production of an article or thing shall include generation of electricity.

This amendment will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years.

[Clause 52]

10. Amendment of section 194LC of the Act to extend the period of concessional rate of withholding tax and also to provide for the concessional rate to bonds listed in stock exchanges in IFSC.

Section 194LC of the Act, provided for a concessional rate of Tax Deductible at Source (TDS) at 5% by a specified company or a business trust, on interest paid to non-residents on the following forms of borrowings (approved by the Central Government) made in foreign currency from sources outside India:

- i. Monies borrowed under a loan agreement at any time on or after 1st July, 2012 and before 1st July, 2020;
- ii. Borrowings by way of issue of any long-term infrastructure bond at any time on or after 1st July, 2012 and before 1st July, 2014;

- iii. Borrowings by way of issue of long-term bond including long-term infrastructure bonds at any time on or after 1st of October 2014 and before 1st July, 2020;

The concessional rate of TDS of 5% is also applicable in respect of monies borrowed by a specified company or a business trust from a source outside India by way of issue of rupee denominated bond (RDB) before 1st July, 2020, to the extent such interest does not exceed the amount of interest calculated at the rate approved by the Central Government in this behalf. Representations have been received for extension of the time limit and also for a further concessional rate of TDS on interest payment against borrowings through issues of long-term bonds and RDB which are listed only on a recognised stock exchange in any IFSC.

In order to attract fresh investment, create jobs and stimulate the economy, it is proposed to:

- i. extend the period of said concessional rate of TDS of 5% to 1st July, 2023 from 1st July, 2020;
- ii. provide that the rate of TDS shall be 4% on the interest payable to a non-resident, in respect of monies borrowed in foreign currency from a source outside India, by way of issue of any long term bond or RDB on or after 1st April, 2020 but before 1st July, 2023 and which is listed only on a recognised stock exchange located in any IFSC.

This amendment will take effect from 1st April, 2020.

[Clause 82]

11. Amendment of section 194LD of the Act to extend the period of concessional rate of withholding tax and also to extend this concessional rate to municipal debt securities:

Section 194LD of the Act provides for lower TDS of 5% in case of interest payments to Foreign Institutional Investors (FII) and Qualified Foreign Investors (QFIs) on their investment in Government securities and RDB of an Indian company subject to the condition that the rate of interest does not exceed the rate notified by the Central Government in this regard. The section further provides that the interest should be payable at any time on or after 1st June, 2013 but before 1st July, 2020.

Representations have been received for extension of the time limit and also for a further concessional rate of TDS on interest payment on investment in municipal bonds, as Foreign Portfolio Investors (FPIs) have now been permitted to invest in municipal bonds by the Securities and Exchange Board of India (SEBI) and the Reserve Bank of India (RBI) under the limits available for FPI investments in State Development Loans (SDL).

In order to attract fresh investment, create jobs and stimulate the economy, it has been proposed to amend section 194LD to:

- (i) extend the period of rate of TDS of 5% under the said section to 1st July, 2023 from the existing 1st July, 2020;
- (ii) provide that the concessional rate of TDS of 5% under the said section shall also apply on the interest payable, on or after 1st April, 2020 but before 1st July, 2023, to a FII or QFI in respect of the investment made in municipal debt security.

This amendment will take effect from 1st April, 2020.

[Clause 83]

12. Excluding interest paid or payable to Permanent Establishment of a non-resident Bank for the purpose of disallowance of interest under section 94B:

Section 94B of the Act, inter alia, provides that deductible interest or similar expenses exceeding Rs. 1 crore of an Indian company, or a permanent establishment (PE) of a foreign company, paid to the associated enterprises (AE) shall be restricted to 30% of its earnings before interest, taxes, depreciation and amortisation (EBITDA) or interest paid or payable to AE, whichever is less. Further, a loan is deemed to be from an AE, if an AE provides implicit or explicit guarantee in respect of that loan. AE for the purposes of this section has the meaning assigned to it in section 92A of the Act. This section was inserted in the Act through the Finance Act, 2017 in order to implement the measures recommended in final report on Action Plan 4 of the Base Erosion and Profit Shifting (BEPS) project under the aegis of G-20-Organisation of Economic Co-operation and Development (OECD) countries to address the issue of base erosion and profit shifting by way of excess interest deductions.

Representations have been received to carve out interest paid or payable in respect of debt issued by a PE of a non-resident in India, being a person engaged in the business of banking for the reason that as per the existing provisions a branch of the foreign company in India is a non-resident in India. Further, the definition of the AE in section 92A, inter alia, deems two enterprises to be AE, if during the previous year a loan advanced by one enterprise to the other enterprise is at 50% or more of the book value of the total assets of the other enterprise. Thus, the interest paid or payable in respect of loan from the branch of a foreign bank may attract provisions of interest limitation provided for under this section.

It is, therefore, proposed to amend section 94B of the Act so as to provide that provisions of interest limitation would not apply to interest paid in respect of a debt issued by a lender which is a PE of a non-resident, being a person engaged in the business of banking, in India.

This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

[Clause 46]

13. Increase in safe harbour limit of 5% under section 43CA, 50C and 56 of the Act to 10%:

Section 43CA of the Act, inter alia, provides that where the consideration declared to be received or accruing as a result of the transfer of land or building or both, is less than the value adopted or assessed or assessable by any authority of a State Government (i.e. "stamp valuation authority") for the purpose of payment of stamp duty in respect of such transfer, the value so adopted or assessed or assessable shall for the purpose of computing profits and gains from transfer of such assets, be deemed to be the full value of consideration. The said section also provide that where the value adopted or assessed or assessable by the authority for the purpose of payment of stamp duty does not exceed 105% of the consideration received or accruing as a result of the transfer, the consideration so received or accruing as a result of the transfer shall, for the purposes of computing profits and gains from transfer of such asset, be deemed to be the full value of the consideration.

Section 50C of the Act provides that where the consideration declared to be received or accruing as a result of the transfer of land or building or both, is less than the value adopted or assessed or assessable by stamp valuation authority for the purpose of payment of stamp duty in respect of such transfer, the value so adopted or assessed or assessable shall be deemed to be the full value of the consideration and capital gains shall be computed on the basis of such consideration under section 48 of the Act. The said section also provides that where the value adopted or assessed or assessable by the stamp valuation authority does not exceed 105% of the consideration received or accruing as a result of the transfer, the consideration so received or accruing as a result of the transfer shall, for the purposes of section 48, be deemed to be the full value of the consideration.

Clause (x) of sub-section (2) of section 56 of the Act, inter alia, provides that where any person receives, in any previous year, from any person or persons on or after 1st April, 2017, any immovable property, for a consideration which is less than the stamp duty value of the property by an amount exceeding fifty thousand rupees, the stamp duty value of such property as exceeds such consideration shall be charged to tax under the head "income from other sources". It also provide that where the assessee receives any immovable property for a consideration and the stamp duty value of such property exceeds 5% of the consideration or Rs. 50000, whichever is higher, the stamp duty value of such property as exceeds such consideration shall be charged to tax under the head "Income from other sources".

Thus, the present provisions of section 43CA, 50C and 56 of the Act provide for safe harbour of 5%

Representations have been received in this regard requesting that the said safe harbour of 5% may be increased.

It is, therefore, proposed to increase the limit to 10%.

This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

[Clauses 22, 27 & 29]

14. Providing an option to the assessee for not availing deduction under section 35AD:

Section 35AD of the Act, relating to deduction in respect of expenditure on specified business, provides for 100% deduction on capital expenditure (other than expenditure on land, goodwill and financial assets) incurred by the assessee on certain specified businesses. Under sub-section (1) of section 35AD, the said deduction of 100% of the capital expenditure is allowable during the previous year in which such expenditure has been incurred. Further, sub-section (4) provides that no deduction is allowable under any other section in respect to the expenditure referred to in sub-section (1). At present, an assessee does not have any option of not availing the incentive under said section.

Due to this, a legal interpretation can be made that a domestic company opting for concessional tax rate under section 115BAA or section 115BAB of the Act, which does not claim deduction under section 35AD, would also be denied normal depreciation under section 32 due to operation of sub-section (4) of section 35AD. This has not been the intention of the statute.

Therefore, it is proposed to amend sub-section (1) of section 35AD to make the deduction thereunder optional. It is further proposed to amend sub-section (4) of section 35AD to provide that no deduction will be allowed in respect of expenditure incurred under sub-section (1) in any other section in any previous year or under this section in any other previous year, if the deduction has been claimed by the assessee and allowed to him under this section.

This amendment will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years.

[Clause 18]

15. Exempting non-resident from filing of Income-tax return in certain conditions:

Section 115A of the Act provides for the determination of tax for a non-resident whose total income consists of:

- (a) certain dividend or interest income;
- (b) royalty or fees for technical services (FTS) received from the Government or Indian concern in pursuance of an agreement made after 31st March 1976, and which is not effectively connected with a PE, if any, of the non-resident in India.

Sub-section (5) of said section provides that a non-resident is not required to furnish its return of income under sub-section (1) of section 139 of the Act, if its total income, consists only of certain dividend or interest income and the TDS on such income

has been deducted according to the provisions of Chapter XVII-B of the Act.

While, the current provisions of section 115A of the Act provide relief to non-residents from filing of return of income where the non-resident is not liable to pay tax other than the TDS which has been deducted on the dividend or interest income, the same relief has not been extended to non-residents whose total income consists only of the income by way of royalty or FTS of the nature as mentioned in point (b) above. Representations have been received to extend this benefit to royalty and FTS income as well.

Therefore, it is proposed to amend section 115A of the Act in order to provide that a non-resident, shall not be required to file return of income under sub-section (1) of section 139 of the Act if, -

- (i) his or its total income consists of only dividend or interest income as referred to in clause (a) of sub-section (1) of said section, or royalty or FTS income of the nature specified in clause (b) of sub-section (1) of section 115A; and
- (ii) the TDS on such income has been deducted under the provisions of Chapter XVII-B of the Act at the rates which are not lower than the prescribed rates under sub-section (1) of section 115A.

This amendment will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years.

[Clause 47]

16. Deferring TDS or tax payment in respect of income pertaining to Employee Stock Option Plan (ESOP) of start-ups:

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.

Currently ESOPs are taxed as perquisites under section 17(2) of the Act read with Rule 3(8)(iii) of the Rules. The taxation of ESOPs is split into two components:

- i. Tax on perquisite as income from salary at the time of exercise.
- ii. Tax on income from capital gain at the time of sale.

The tax on perquisite is required to be paid at the time of exercising of option which may lead to cash flow problem as this benefit of ESOP is 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, it is proposed to amend section 192 of the Act, and insert sub-section (1C) therein to clarify that for the purpose of deducting or paying tax under sub-sections (1) or (1A) thereof, as the case may be, a person, being an eligible start-up referred to in section 80-IAC, responsible for paying any income to the assessee being perquisite of the nature specified in clause (vi) of sub-section (2) of section 17 of the Act, in any previous year relevant to the assessment year 2021-22 or subsequent assessment year, deduct or pay, as the case may be, tax on such income within 14 days:

- (i) after the expiry of 48 months from the end of the relevant assessment year; or
- (ii) from the date of the sale of such specified security or sweat equity share by the assessee; or
- (iii) from the date of which the assessee ceases to be the employee of the person;

whichever is the earliest on the basis of rates in force of the financial year in which the said specified security or sweat equity share is allotted or transferred.

Similar amendments have been carried out in section 191 (for assessee to pay the tax direct in case of no TDS) and in section 156 (for notice of demand) and in section 140A (for calculating self-assessment).

These amendments will take effect from 1st April, 2020.

[Clauses 68, 71, 72 & 73]

17. Allowing carry forward of losses or depreciation in certain amalgamations:

Section 72AA of the Act provides for carry forward of accumulated losses and unabsorbed depreciation allowance in the case of amalgamation of banking company with any other banking institution under a scheme sanctioned and brought into force by the Central Government under sub-section (7) of section 45 of the Banking Regulation Act, 1949. This section operates notwithstanding anything contained in sub-clause (i) to (iii) of clause (1B) of section 2 or section 72A of the Act.

In order to address the issue faced by the amalgamated public sector banks and public sector General Insurance Companies, it is proposed to extend the benefit of this section to amalgamation of:

- (i) one or more corresponding new bank or banks with any other corresponding new bank under a scheme brought into force by the Central Government under section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 or under section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, or both, as the case may be, or
- (ii) One or more Government company or companies with any other Government company under a scheme

sanctioned and brought into force by the Central Government under section 16 of the General Insurance Business (Nationalisation) Act, 1972.

“Corresponding new bank” is proposed to be given the meaning as assigned to it in clause (d) of section 2 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 or clause (b) of section 2 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980.

“Government company” is proposed to be given the meaning assigned to it in section 2(45) of the Companies Act, 2013. In addition, it is to be engaged in the general insurance business and has come into existence by operation of section 4 or section 5 or section 16 of the General Insurance Business (Nationalisation) Act, 1972.

“General insurance business” is proposed to be given the meaning assigned to it in clause (g) of section 3 of the General Insurance Business (Nationalisation) Act, 1972.

This amendment will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years.

[Clause 31]

18. Allowing deduction for amount disallowed under section 43B, to insurance companies on payment basis:

Section 44 of the Act provides that computation of profits and gains of any business of insurance, including any such business carried on by a mutual insurance company or a co-operative society shall be computed in accordance with the rules contained in the First Schedule to the Act.

Section 43B of the Act provides for allowance of certain deductions, irrespective of the previous year in which the liability to pay such sum was incurred by the assessee according to the method of accounting regularly employed by the assessee, only in the previous year in which such sum is actually paid.

Rule 5 of the said Schedule provides for computation of profits and gains of other insurance business. It states that profits and gains of any business of insurance other than life insurance shall be taken to be the profit before tax and appropriations as disclosed in the profit and loss account prepared in accordance with the provisions of the Insurance Act, 1938 or the rule made thereunder or the provisions of the Insurance Regulatory and Development Authority Act, 1999 or the regulations made thereunder, subject to the condition that any expenditure debited to the profit and loss account which is not admissible under the provisions of sections 30 to 43B shall be added back; any gain or loss on realisation of investment shall be added or deducted, as the case may be, if the same is not credited or debited to the profit and loss account; any provision for diminution in the value of investment debited to the profit and loss account shall be added back. Thus, there is no specific provision, in this rule, in the case of other insurance companies, to allow deduction for any payment of certain expenses specified in section 43B if they are paid in subsequent previous year. There is a possibility that such sum may not be allowed as deduction in the previous year in which the payment is made. This has not been the intention of the legislature.

Therefore, it is proposed to insert a proviso after clause (c) of the said rule 5 to provide that any sum payable by the assessee which is added back under section 43B in accordance with clause (a) of the said rule shall be allowed as deduction in computing the income under the rule in the previous year in which such sum is actually paid.

This amendment will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years.

[Clause 104]

19. Reducing the rate of TDS on fees for technical services (other than professional services).

Section 194J of the Act provides that any person, not being an individual or a HUF, who is responsible for paying to a resident any sum by way of fees for professional services, or fees for technical services, or any remuneration or fees or commission by whatever name called (other than those on which tax is deductible under section 192 of the Act, to a director), or royalty or any sum referred to in clause (va) of section 28, shall, at the time of payment or credit of such sum to the account of the payee, deduct an amount equal to 10% as income-tax.

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, it is proposed to reduce rate for TDS in section 194J in case of fees for technical services (other than professional services) to 2% from existing 10%. The TDS rate in other cases under section 194J would remain same at 10%.

This amendment will take effect from 1st April, 2020.

[Clause 79]

20. Enlarging the scope for tax deduction on interest income under section 194A of the Act:

Section 194A of the Act governs interest other than interest on securities. Sub-section (1) thereof provides that any person not being individual or HUF who is responsible for paying to a resident any income by way of interest other than income by way of interest on securities, shall deduct income-tax at the rates in force.

Sub-section (3) of said section provides for circumstances in which the provisions of sub-section (1) shall not apply. Clause (i) thereof provides the circumstance where the amount of such income or, as the case may be, the aggregate of the amounts of such income credited or paid or likely to be credited or paid during the financial year by the person to the account of, or to, the payee, does not exceed a certain threshold. Clause (v) provides circumstance to be the income credited or paid by a co-operative society (other than a co-operative bank) to a member or to income credited or paid by a co-operative society to any other co-operative society. Clause (viiia) provides circumstance to be the income credited or paid in respect of deposits with a primary agricultural credit society or a primary credit society or a co-operative land mortgage bank or a co-operative land development bank and deposits (other than time deposits) with a co-operative bank other than a co-operative society or bank engaged in carrying on the business of banking.

In order to extend the scope of this section to interest paid by large co-operative society, it is proposed to amend sub-section (3) and insert proviso to provide that a co-operative society referred to in clause (v) or clause (viiia) of said sub-section (3) shall be liable to deduct income-tax in accordance with the provisions of sub-section (1), if-

- (a) the total sales, gross receipts or turnover of the co-operative society exceeds Rs. 50 crore during the financial year immediately preceding the financial year in which the interest referred to in sub-section (1) is credited or paid; and
- (b) the amount of interest, or the aggregate of the amount of such interest, credited or paid, or is likely to be credited or paid, during the financial year is more than Rs. 50,000/- in case of payee being a senior citizen and Rs. 40,000/-, in any other case.

This amendment will take effect from 1st April, 2020.

[Clause 75]

21. Widening the scope of TDS on E-commerce transactions through insertion of a new section

In order to widen and deepen the tax net by bringing participants of e-commerce within tax net, it is proposed to insert a new section 194-O in the Act so as to provide for a new levy of TDS at the rate of 1% with the following key points:

- The TDS is to be paid by e-commerce operator for sale of goods or provision of service facilitated by it through its digital or electronic facility or platform;
- E-commerce operator is required to deduct tax at the time of credit of amount of sale or service or both to the account of e-commerce participant or at the time of payment thereof to such participant by any mode, whichever is earlier.
- The tax at 1% is required to be deducted on the gross amount of such sales or service or both.
- Any payment made by a purchaser of goods or recipient of services directly to an e-commerce participant shall be deemed to be amount credited or paid by the e-commerce operator to the e-commerce participant and shall be included in the gross amount of such sales or services for the purpose of deduction of income-tax.
- The sum credited or paid to an e-commerce participant (being an individual or HUF) by the e-commerce operator shall not be subjected to provision of this section, if the gross amount of sales or services or both of such individual or HUF, through e-commerce operator, during the previous year does not exceed Rs. 5 Lakh and such e-commerce participant has furnished his Permanent Account Number (PAN) or Aadhaar number to the e-commerce operator.
- A transaction in respect of which tax has been deducted by the e-commerce operator under this section or which is not liable to deduction under the exemption discussed in the previous bullet, there shall not be further liability on that transaction for TDS under any other provision of Chapter XVII-B of the Act. This is to provide clarity so that same transaction is not subjected to TDS more than once. However, it has been clarified that this exemption will not apply to any amount received or receivable by an e-commerce operator for hosting advertisements or providing any other services which are not in connection with the sale of goods or services referred to in sub-section (1) of the proposed section.
- "e-commerce operator" is defined to mean any person who owns, operates or manages digital or electronic facility or platform for electronic commerce and is a person responsible for paying to e-commerce participant.
- "e-commerce participant" is defined to mean a person resident in India selling goods or providing services or both, including digital products, through digital or electronic facility or platform for electronic commerce.
- "electronic commerce" is defined to mean the supply of goods or services or both, including digital products, over digital or electronic network.
- "services" is defined to include fees for technical services and fees for professional services, as defined in section 194J.
- Consequential amendments are being proposed in section 197 (for lower TDS), in section 204 (to define person responsible for paying any sum) and in section 206AA (to provide for tax deduction at 5% in non-PAN/ Aadhaar cases).

This amendment will take effect from 1st April, 2020.

[Clause 84]

22. Widening the scope of section 206C to include TCS on foreign remittance through Liberalised Remittance Scheme (LRS) and on selling of overseas tour package as well as TCS on sale of goods over a limit.

Section 206C of the Act provides for the collection of tax at source (TCS) on business of trading in alcohol, liquor, forest produce, scrap etc. Sub-section (1) of the said section, inter-alia, provides that every person, being a seller shall, at the time of debiting of the amount payable by the buyer to the account of the buyer or at the time of receipt of such amount from the said buyer in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, collect from the buyer of certain goods a sum equal to specified percentage, of such amount as income-tax.

In order to widen and deepen the tax net, it is proposed to amend section 206C to levy TCS on overseas remittance and for sale of overseas tour package, as under:

- An authorised dealer receiving an amount or an aggregate of amounts of Rs. 7 Lakh or more in a financial year for remittance out of India under the LRS of RBI, shall be liable to collect TCS, if he receives sum in excess of said amount from a buyer being a person remitting such amount out of India, at the rate of 5% In non- PAN/Aadhaar cases the rate shall be 10%
- A seller of an overseas tour program package who receives any amount from any buyer, being a person who purchases such package, shall be liable to collect TCS at the rate of 5%. In non-PAN/ Aadhaar cases the rate shall be 10%.
- The above TCS provision shall not apply if the buyer is,-
 - a. liable to deduct tax at source under any other provision of the Act and he has deducted such amount.
 - b. the Central Government, a State Government , an embassy, a High Commission, legation, commission, consulate, the trade representation of a foreign State, a local authority as defined in Explanation to clause (20) of section 10 or any other person notified by the Central Government in the Official Gazette for this purpose subject to such conditions as specified in that notification.
- “authorised dealer” is proposed to be defined to mean a person authorised by the Reserve Bank of India under sub-section (1) of section 10 of Foreign Exchange Management Act, 1999 to deal in foreign exchange or foreign security.
- “Overseas tour program package” is proposed to be defined to mean any tour package which offers visit to a country or countries or territory or territories outside India and includes expenses for travel or hotel stay or boarding or lodging or any other expense of similar nature or in relation thereto.

Further, in order to widen and deepen the tax net, it is proposed to amend section 206C to levy TCS on sale of goods above specified limit, as under:

- A seller of goods is liable to collect TCS at the rate of 0.1% on consideration received from a buyer in a previous year in excess of Rs. 50 lakh. In non-PAN/ Aadhaar cases the rate shall be 1%.
- Only those seller whose total sales, gross receipts or turnover from the business carried on by it exceed Rs. 10 crore during the financial year immediately preceding the financial year, shall be liable to collect such TCS.
- Central Government may notify person, subject to conditions contained in such notification, who shall not be liable to collect such TCS.
- No TCS is to be collected from the Central Government, a State Government and an embassy, a High Commission, legation, commission, consulate, the trade representation of a foreign State, a local authority as defined in Explanation to clause (20) of section 10 or any other person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to conditions as prescribed in such notification.
- No such TCS is to be collected, if the seller is liable to collect TCS under other provision of section 206C or the buyer is liable to deduct TDS under any provision of the Act and has deducted such amount.

These amendments will take effect from 1st April, 2020.

[Clause 93]

23. Rationalization of tax treatment of employer's contribution to recognized provident funds, superannuation funds and national pension scheme:

Under the existing provisions of the Act, the contribution by the employer to the account of an employee in a recognized provident fund exceeding 12% of salary is taxable. Further, the amount of any contribution to an approved superannuation fund by the employer exceeding Rs. 1.50 lakh is treated as perquisite in the hands of the employee. Similarly, the assessee is allowed a deduction under NPS for the 14% of the salary contributed by the Central Government and 10% of the salary contributed by any other employer. However, there is no combined upper limit for the purpose of deduction on the amount of contribution made by the employer. This is 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, employees with high salary income are able to design their salary package in a manner where a large part of their salary is paid by the employer

in these 3 funds. Thus, this portion of salary does not suffer taxation at any point of time, since Exempt-Exempt-Exempt (EEE) regime is followed for these three funds. Thus, not having a combined upper cap is iniquitous and hence, not desirable.

Therefore, it is proposed to provide a combined upper limit of Rs. 7.50 lakh in respect of employer's contribution in a year to NPS, superannuation fund and recognised provident fund and any excess contribution is proposed to be taxable. Consequently, it is also proposed that any 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 may be treated as perquisite to the extent it relates to the employer's contribution which is included in total income.

This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

[Clause 13]

24. Widening the scope of Commodity Transaction Tax (CTT):

The Finance Act, 2013 had introduced Commodities Transaction Tax (CTT) on the sale of commodity derivatives based on non-agricultural commodities traded in recognised associations. The intention behind introducing CTT was to bring parity between the derivative trading in the securities market and the commodity market. The CTT was levied at the rate of 0.01 %, which was also the rate of Securities Transaction Tax (STT) levied on sale of 'futures' (a contract, which derives its value from an underlying asset and is settled by physical delivery) in securities. Subsequently, the scope of CTT was expanded vide the Finance Act, 2018 by also including the sale of options on commodity derivatives as taxable commodity transactions.

Trading in derivatives including commodity derivatives is regulated by the Securities Contract (Regulation) Act, 1956 (SCRA). Prior to 2015, derivative trading in commodities was regulated by the Forward Markets Commission (FMC) under the Forward Contracts (Regulation) Act, 1952 (FCRA). In 2015, the FCRA was repealed and the FMC was merged with the SEBI. As a result, the recognised associations defined in the FCRA were replaced by the recognised stock exchange defined in the SCRA. Subsequently, the scope of "commodity derivatives" was expanded vide notification dated 27th September, 2016, which notified a number of goods for the purpose of its definition in clause (bc) of section 2 of the SCRA. These goods included cereals and pulses, oil seeds/ oil cakes and oils, spices, metals, precious metals, gem and stones, fibres, energy, sweeteners, plantation, dry fruits and others.

Presently, as per SCRA regulations, derivative trading in commodities is limited only to commodity 'futures' and 'option on commodity futures'. The underlying asset in the 'option on commodity futures' is a 'commodity future'. This means that upon expiry, if the 'option' is exercised, the option-holder gets a right to buy or sell a 'commodity future' and not the right to buy or sell the goods directly. However, vide notification dated 18th October, 2019, 'option in goods' has also been included in the definition of 'derivatives' in clause (ac) of section 2 of the SCRA. This has paved the way for new derivative product 'options in goods' with goods notified on 27.09.2016 directly as the underlying asset. Moreover, 'commodity futures' based on prices or indices of prices of 'commodity futures' is also likely to be introduced as a new product in the commodity derivative market.

Necessary changes are, therefore, proposed in Chapter VII of the Finance Act, 2013, to align the provisions of CTT with the changes in commodity derivative market. Moreover, in order to encourage the commodity transactions, settled by physical or actual delivery of goods, it is proposed to charge CTT on the new commodity derivative products at following rates: –

- Sale of a commodity derivative based on prices or indices of prices of commodity derivatives at the rate of 0.01 % payable by the seller, which is the same rate at which CTT is currently charged on a transaction of sale of a commodity derivative;
- Sale of an option in goods, where option is exercised resulting in actual delivery of goods at the rate of 0.0001 % payable by purchaser;
- Sale of an option in goods, where option is exercised resulting in a settlement otherwise than by the actual delivery of goods at the rate of 0.125 % payable by purchaser, which is also the rate at which securities transaction tax is levied on a transaction of sale of an option in securities, where the option is exercised.

Further, the following changes are also proposed in the Finance Act, 2013–

- (a) The definition of taxable commodities transaction in clause (7) of section 116 is proposed to be amended to –
 - (i) include the transactions of "sale of option in goods" and "sale of commodity derivatives based on prices or indices of prices of commodity derivatives" and
 - (ii) substitute "recognised stock exchange" in place of "recognised association".
- (b) The reference to FCRA in clause (8) of section 116 is proposed to be changed to SCRA.
- (c) The table in section 117 to be amended to incorporate the taxable commodities transactions referred to in (a) above, specify the rate of CTT and specify the person by whom CTT is payable.

- (d) The value of taxable commodities transactions defined in section 118 is proposed to be amended to incorporate the taxable commodities transaction referred to in para (a) (i) above.

This amendment will take effect from 1st April, 2020.

[Clause 147]

25. Modification of e-assessment scheme:

Section 143 of the Act provides the manner for processing and assessment of return of income (ITR) where a return has been made under section 139, or in response to a notice under sub-section (1) of section 142 of the Act.

2. Sub-section (3A) of section 143 provides that the Central Government may make a scheme, by notification in the Official Gazette, for the purposes of making assessment of total income or loss of the assessee under sub-section (3) of section 143 so as to impart greater efficiency, transparency and accountability by certain means specified therein. Accordingly, E-assessment Scheme, 2019 was notified under sub-section (3A) of Section 143 of the Act.

3. It is proposed to amend sub-section (3A) of section 143 of the Act to,-

- (i) expand the scope so as to include the reference of section 144 of the Act relating to best judgement assessment in the said sub-section;
- (ii) provide that Central Government may issue any direction under sub-section (3B) of the said section upto 31st March, 2022.

This amendment will take effect from 1st April, 2020.

[Clause 69]

26. Amendment in Dispute Resolution Panel (DRP).

Section 144C of the Act provides that in case of certain eligible assessee, viz., foreign companies and any person in whose case transfer pricing adjustments have been made under sub-section (3) of section 92CA of the Act, the Assessing Officer (AO) is required to forward a draft assessment order to the eligible assessee, if he proposes to make any variation in the income or loss returned which is prejudicial to the interest of such assessee. Such eligible assessee with respect to such variation may file his objection to the DRP, a collegium of three Principal Commissioners or Commissioners of Income-tax. DRP has nine months to pass directions which are binding on the AO.

It is proposed that the provisions of section 144C of the Act may be suitably amended to:-

- (A) include cases, where the AO proposes to make any variation which is prejudicial to the interest of the assessee, within the ambit of section 144C;
- (B) expand the scope of the said section by defining eligible assessee as a non-resident not being a company, or a foreign company.

This amendment will take effect from 1st April, 2020. Thus, if the AO proposes to make any variation after this date, in case of eligible assessee, which is prejudicial to the interest of the assessee, the above provision shall be applicable.

[Clause 70]

27. Provision for e-appeal:

In order to impart greater efficiency, transparency and accountability to the assessment process under the Act a new e-assessment scheme has already been introduced. With the advent of the e-assessment scheme, most of the functions/ processes under the Act, including of filing of return, processing of returns, issuance of refunds or demand notices and assessment, which used to require person-to-person contact between the taxpayer and the Income-tax Department, are now in the electronic mode. This is a result of efforts by the Department to harness the power of technology in reforming the system. All these processes are now not only faceless but also very taxpayer-friendly. Now a taxpayer can manage to comply with most of his obligations under the Act without any requirement for physical attendance in the offices of the Department.

The filing of appeals before Commissioner (Appeals) has already been enabled in an electronic mode. However, the first appeal process under the Commissioner (Appeals), which is one of the major functions/ processes that is not yet in full electronic mode. A taxpayer can file appeal through his registered account on the e-filing portal. However, the process that follows after filing of appeal is neither electronic nor faceless. In order to ensure that the reforms initiated by the Department to eliminate human interface from the system reach the next level, it is imperative that an e-appeal scheme be launched on the lines of e-assessment scheme.

Accordingly, it is proposed to insert sub-section (6A) in section 250 of the Act to provide for the following: —

- Empowering Central Government to notify an e-appeal scheme for disposal of appeal so as to impart greater efficiency, transparency and accountability.

- Eliminating the interface between the Commissioner (Appeals) and the appellant in the course of appellate proceedings to the extent technologically feasible.
- Optimizing utilization of the resources through economies of scale and functional specialisation.
- Introducing an appellate system with dynamic jurisdiction in which appeal shall be disposed of by one or more Commissioner (Appeals).

It is also proposed to empower the Central Government, for the purpose of giving effect to the scheme made under the proposed sub-section, by notification in the Official Gazette, to direct that any of the provisions of this Act relating to jurisdiction and procedure of disposal of appeal shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification. Such directions are to be issued on or before 31st March 2022. It is proposed that every notification issued shall be required to be laid before each House of Parliament.

This amendment will take effect from 1st April, 2020.

[Clause 95]

28. Providing check on survey operations under section 133A of the Act:

Under the existing provisions of section 133A of the Act, an income-tax authority as defined therein is empowered to conduct survey at the business premises of the assessee under his jurisdiction. To prevent the possible misuse of such powers, vide Finance Act 2003, a proviso to sub-section (6) in the said section was inserted to provide that no income-tax authority below the rank of Joint Director or Joint Commissioner, shall conduct any survey under the said section without prior approval of the Joint Director or the Joint Commissioner, as the case may be.

It is proposed to substitute the proviso to sub-section (6) of section 133A to provide that,-

- (A) in a case where the information has been received from the prescribed authority, no income-tax authority below the rank of Joint Director or Joint Commissioner, shall conduct any survey under the said section without prior approval of the Joint Director or the Joint Commissioner, as the case may be; and
- (B) in any other case, no income-tax authority below the rank of Commissioner or Director, shall conduct any survey under the said section without prior approval of the Commissioner or the Director, as the case may be.

This amendment will take effect from 1st April, 2020.

[Clause 65]

29. Clarity on stay by the Income Tax Appellate Tribunal (ITAT):

The existing provisions of the first proviso to sub-section (2A) of section 254 of the Act, inter-alia, provides that the ITAT may, after considering the merits of the application made by the assessee pass an order of stay for a maximum period of 180 days in any proceedings against the order of the Commissioner of Income-tax (Appeal). Second proviso to the said sub-section prescribes that where the appeal is not so disposed of, the ITAT on being satisfied that the delay is not attributable to the assessee, extend the stay for a further period subject to the restriction that the aggregate of the periods originally allowed and the period so extended shall not, in any case, exceed 365 days and the Appellate Tribunal shall dispose of the appeal within the period or periods of stay so extended or allowed. The third proviso of the said sub-section also provides that if such appeal is not so disposed of within the period allowed under the first proviso or the period or periods extended or allowed under the second proviso, which shall not, in any case, exceed 365 days, the order of stay shall stand vacated after the expiry of such period or periods, even if the delay in disposing of the appeal is not attributable to the assessee.

It is proposed to provide that ITAT may grant stay under the first proviso subject to the condition that the assessee deposits not less than 20% of the amount of tax, interest, fee, penalty, or any other sum payable under the provisions of this Act, or furnish security of equal amount in respect thereof.

It is also proposed to substitute second proviso to provide that no extension of stay shall be granted by ITAT, where such appeal is not so disposed of which the said period of stay as specified in the order of stay. However, on an application made by the assessee, a further stay can be granted, if the delay in not disposing of the appeal is not attributable to the assessee and the assessee has deposited not less than twenty % of the amount of tax, interest, fee, penalty, or any other sum payable under the provisions of this Act, or furnish security of equal amount in respect thereof. The total stay granted by ITAT cannot exceed 365 days.

This amendment will take effect from 1st April, 2020.

[Clause 97]

30. Provision for e-penalty:

In order to impart greater efficiency, transparency and accountability to the assessment process under the Act a new e-assessment scheme has already been introduced.

Section 274 of the Act provides for the procedure for imposing penalty under Chapter XXI of the Act. In response to a show cause notice issued by the Assessing Officer (AO), assessee or his authorised representative is still required to visit the office of the Assessing Officer. With the advent of the E-Assessment Scheme-2019 and in order to ensure that the reforms initiated by the Department to eliminate human interface from the system reaches the next level, it is imperative that an e-penalty scheme be launched on the lines of E-assessment Scheme-2019.

Therefore, it is proposed to insert a new sub-section (2A) in the said section so as to provide that the Central Government may notify an e-scheme for the purposes of imposing penalty so as to impart greater efficiency, transparency and accountability by,—

- (a) eliminating the interface between the Assessing Officer and the assessee in the course of proceedings to the extent technologically feasible;
- (b) optimising utilisation of the resources through economies of scale and functional specialisation;
- (c) introducing a mechanism for imposing of penalty with dynamic jurisdiction in which penalty shall be imposed by one or more income-tax authorities.

It is also proposed to empower the Central Government, for the purpose of giving effect to the scheme made under the proposed sub-section, for issuing notification in the Official Gazette, to direct that any of the provisions of this Act relating to jurisdiction and procedure of imposing penalty shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification. Such directions are to be issued on or before 31st March, 2022. It is proposed that every notification issued shall be required to be laid before each House of Parliament.

This amendment will take effect from 1st April, 2020.

[Clause 100]

31. Insertion of Taxpayer's Charter in the Act:

It is proposed to insert a new section 119A in the Act to empower the Board to adopt and declare a Taxpayer's Charter and issue such orders, instructions, directions or guidelines to other income-tax authorities as it may deem fit for the administration of Charter.

This amendment will take effect from 1st April, 2020.

[Clause 64]

31. Modification of residency provisions:

Sub-section (1) of section 6 of the Act provide for situations in which an individual shall be resident in India in a previous year. Clause (c) thereof provides that the individual shall be Indian resident in a year, if he,-

- (i) has been in India for an overall period of 365 days or more within four years preceding that year, and
- (ii) is in India for an overall period of 60 days or more in that year.

Clause (b) of Explanation 1 of said sub-section provides that an Indian citizen or a person of Indian origin shall be Indian resident if he is in India for 182 days instead of 60 days in that year. This provision provides relaxation to an Indian citizen or a person of Indian origin allowing them to visit India for longer duration without becoming resident of India.

Instances have come to notice where period of 182 days specified in respect of an Indian citizen or person of Indian origin visiting India during the year, is being misused. Individuals, who are actually carrying out substantial economic activities from India, manage their period of stay in India, so as to remain a non-resident in perpetuity and not be required to declare their global income in India.

Sub-section (6) of the said section provides for situations in which a person shall be "not ordinarily resident" in a previous year. Clause (a) thereof provides that if the person is an individual who has been non-resident in nine out of the ten previous years preceding that year, or has during the seven previous years preceding that year been in India for an overall period of 729 days or less. Clause (b) thereof contains similar provision for the HUF.

This category of persons has been carved out essentially to ensure that a non-resident is not suddenly faced with the compliance requirement of a resident, merely because he spends more than specified number of days in India during a particular year. The conditions specified in the present law in respect of this carve out have been the subject matter of disputes, amendments and further disputes. Further, due to reduction in number of days, as proposed, for visiting Indian citizen or person of Indian origin, there would be need for relaxation in the conditions.

The issue of stateless persons has been bothering the tax world for quite some time. It is entirely possible for an individual to arrange his affairs in such a fashion that he is not liable to tax in any country or jurisdiction during a year. This arrangement is typically employed by high net worth individuals (HNWI) to avoid paying taxes to any country/ jurisdiction on income they earn. Tax laws should not encourage a situation where a person is not liable to tax in any country. The current rules governing

tax residence make it possible for HNWI's and other individuals, who may be Indian citizen to not to be liable for tax anywhere in the world. Such a circumstance is certainly not desirable; particularly in the light of current development in the global tax environment where avenues for double non-taxation are being systematically closed.

In the light of above, it is proposed that-

- (i) the exception provided in clause (b) of Explanation 1 of sub-section (1) to section 6 for visiting India in that year be decreased to 120 days from existing 182 days.
- (ii) an individual or an HUF shall be said to be "not ordinarily resident" in India in a previous year, if the individual or the manager of the HUF has been a non-resident in India in 7 out of 10 previous years preceding that year. This new condition to replace the existing conditions in clauses (a) and (b) of sub-section (6) of section 6.
- (iii) an Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India. This amendment

will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

[Clause 4]

32. Amending definition of "work" in section 194C of the Act:

Section 194C of the Act provides for the deduction of tax on payments made to contractors. The section 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 such credit or at the time of payment whichever is earlier deduct an amount equal to 1% in case payment is made to an individual or an HUF and 2% in other cases. Clause (iv) of the Explanation of the said section defines "work". Sub-clause (e) of this definition includes manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer within the definition. However, it 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 that some assessee's 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, to bring clarity in the section and plug the leakage, it is proposed to amend the definition of "work" under section 194C to provide that in a contract manufacturing, the raw material provided by the assessee or its associate shall fall within the purview of the 'work' under section 194C. Associate is proposed to be defined to mean a person who is placed similarly in relation to the 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 of the Act.

This amendment will take effect from 1st April, 2020.

[Clause 76]

33. Penalty for fake invoice:

In the recent past after the launch of Goods & Services Tax (GST), several cases of fraudulent input tax credit (ITC) claim have been caught by the GST authorities. In these cases, fake invoices are obtained by suppliers registered under GST to fraudulently claim ITC and reduce their GST liability. These invoices are found to be issued by racketeers who do not actually carry on any business or profession. They only issue invoices without actually supplying any goods or services. The GST shown to have been charged on such invoices is neither paid nor is intended to be paid. Such fraudulent arrangements deserve to be dealt with harsher provisions under the Act.

Therefore, it is proposed to introduce a new provision in the Act to provide for a levy of penalty on a person, if it is found during any proceeding under the Act that in the books of accounts maintained by him there is a (i) false entry or (ii) any entry relevant for computation of total income of such person has been omitted to evade tax liability. The penalty payable by such person shall be equal to the aggregate amount of false entries or omitted entry. It is also proposed to provide that any other person, who causes in any manner a person to make or cause to make a false entry or omits or causes to omit any entry, shall also pay by way of penalty a sum which is equal to the aggregate amounts of such false entries or omitted entry. The false entries is proposed to include use or intention to use –

- (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. This

34. Removing dividend distribution tax (DDT) and moving to classical system of taxing dividend in the hands of shareholders/unit holders.

Section 115-O provides that, in addition to the income-tax chargeable in respect of the total income of a domestic company, any amount declared, distributed or paid by way of dividends shall be charged to additional income-tax at the rate of 15%. The tax so paid by the company (called DDT) is treated as the final payment of tax in respect of the amount declared, distributed or paid by way of dividend. Such dividend referred to in section 115-O is exempt in the hands of shareholders under clause (34) of section 10. In case of business trust, specific exemption is provided under sub-section (7) of section 115-O, subject to certain conditions. Similarly, exemption is provided for distributed profits of a unit of an International Financial Service Centre, on fulfilment of certain conditions, under sub-section (8) of section 115-O.

Similarly under section 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 then exempt in the hands of unit holders under clause (35) of section 10.

The incidence of tax is, thus, on the payer company/Mutual Fund and not on the recipient, where it should normally be. The dividend is income in the hands of the shareholders and not in the hands of the company. The incidence of the tax should therefore, be on the recipient. Moreover, the present provisions levy tax at a flat rate on the distributed profits, across the board irrespective of the marginal rate at which the recipient is otherwise taxed. The provisions are hence, considered, iniquitous and regressive. The present system of taxation of dividend in the hands of company/ mutual funds was re- introduced by the Finance Act, 2003 (with effect from the assessment year 2004-05) since it was easier to collect tax at a single point and the new system was leading to increase in compliance burden. However, with the advent of technology and easy tracking system available, the justification for current system of taxation of dividend has outlived itself.

In view of above, it is proposed to carry out amendments so that dividend or income from units are taxable in the hands of shareholders or unit holders at the applicable rate and the domestic company or specified company or mutual funds are not required to pay any DDT. It is also proposed to provide that the deduction for expense under section 57 of the Act shall be maximum 20% of the dividend or income from units. Therefore, it is proposed to-

- (i) amend section 115-O to provide that dividend declared, distributed or paid after 1st April, 2003, but on or before 31st March, 2020 shall be covered under the provision of this section.
- (ii) amend clause (34) of section 10 to provide that the provision of this clause shall not apply to any income, by way of dividend, received on or after 1st April, 2020.
- (iii) amend section 115R to provide that the income distributed on or before 31st March, 2020 shall only be covered under the provision of this section.
- (iv) amend clause (35) of section 10 to provide that the provision of this clause shall not apply to any income, in respect of units, received on or after 1st April, 2020.
- (v) amend clause (23FC) of section 10 so that all dividends received or receivable by business trust from a special purpose vehicle is exempt income under this clause.
- (vi) amend clause (23FD) of section 10 to exclude dividend income received by a unit holder from business trust from the exemption so that the dividend income is taxable in the hand of unit holder of the business trust.
- (vii) amend sub-section (3) of section 115UA to delete reference to sub-clause (a) so that distributed income of the nature as referred to in clause (23FC) or clause (23FCA) of section 10 shall be deemed to be income of the unit holder and shall be charged to tax as income of the previous year. Thus dividend income distributed by a special purpose vehicle to business trust would be taxed in the hands of unit holder.
- (viii) remove reference of section 115-O dividend income in various sections like section 57, section 115A, section 115AC, section 115ACA, section 115AD and section 115C.
- (ix) remove the opening line of clause (23D) of section 10, as mutual fund no longer required to pay additional tax.
- (x) insert new section 80M as it existed before its removal by the Finance Act, 2003 to remove the cascading affect, with a change that set off will be allowed only for dividend distributed by the company one month prior to the due date of filing of return, in place of due date of filing return earlier.
- (xi) amend section 115BBDA which taxes dividend income in excess of ten lakh rupee in the hands of shareholder at ten %, to only dividend declared, distributed or paid by a domestic company on or before the 31st day of March, 2020.
- (xii) amend section 57 to provide that no deduction shall be allowed from dividend income, or income in respect of units of mutual

fund or specified company, other than deduction on account of interest expense and in any previous year such deduction shall not exceed twenty % of the dividend income or income from units included in the total income for that year without deduction under section 57.

- (xiii) amend section 194 to include dividend for tax deduction. At the same time the rates of ten % is proposed to be prescribed and threshold is proposed to be increased from Rs 2,500/- to Rs 5,000/- for dividend paid other than cash. Further, at present the mode of payment is given as "an account payee cheque or warrant". It is proposed to change this to any mode.
- (xiv) amend section 194LBA to provide for tax deduction by business trust on dividend income paid to unit holder, at the rate of 10% for resident. For non-resident, it would be 5% for interest and 10% for dividend.
- (xv) insert a new section 194K to provide that any person responsible for paying to a resident 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 shall at the time of credit of such income to the account of the payee or at the time of payment thereof by any mode, whichever is earlier, deduct income-tax there on at the rate of 10% It may also be provided for threshold limit of Rs 5,000/- so that income below this amount does not suffer tax deduction. It is also proposed to define "Administrator", "specified company", as already defined in clause (35) of section 10. It is also proposed to define "specified undertaking" as in clause (i) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002. It is also proposed to provide that where any income is credited to any account like suspense account, in the books of account of the person liable to pay such income, the liability for tax deduction under this section would arise at that time.
- (xvi) amend section 195 to delete exemption provided to dividend referred to in section 115-O.
- (xvii) amend section 196A to revive its applicability on TDS on income in respect of units of a Mutual Fund. It is also proposed to substitute "of the Unit Trust of India" with "from the specified company defined in Explanation to clause (35) of section 10" and "in cash or by the issue of a cheque or draft or by any other mode" with "by any mode".
- (xviii) amend section 196C to remove exclusion provided to dividend under section 115-O. It is also proposed to substitute "in cash or by the issue of a cheque or draft or by any other mode" with "by any mode".
- (xix) amend section 196D to remove exclusion provided to dividend under section 115-O. It is also proposed to substitute "in cash or by the issue of a cheque or draft or by any other mode" with "by any mode".

Amendments at clause (i) to (xii) above will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years. Amendments at clause (xiii) to (xix) will take effect from 1st April, 2020.

[Clauses 7,30,40,47,48,49,50,54,55,59,60,62,74,80,81,85,86,87 & 88]

35. Rationalization of provisions of section 55 of the Act to compute cost of acquisition:

The existing provisions of section 55 of the Act provide that for computation of capital gains, an assessee shall be allowed deduction for cost of acquisition of the asset and also cost of improvement, if any. However, for computing capital gains in respect of an asset acquired before 1st April, 2001, the assessee has been allowed an option of either to take the fair market value of the asset as on 1st April, 2001 or the actual cost of the asset as cost of acquisition.

It is proposed to rationalise the provision and to insert a proviso below sub-clause (ii) of clause (b) of Explanation under clause (ac) of sub-section (2) of the said section to provide that in case of a capital asset, being land or building or both, the fair market value of such an asset on 1st April, 2001 shall not exceed the stamp duty value of such asset as on 1st April, 2001 where such stamp duty value is available. It is also proposed to insert an Explanation so as to provide that for the purposes of sub-clause (i) and (ii), "stamp duty value" shall mean the value adopted or assessed or assessable by any authority of the Central Government or a State Government for the purpose of payment of stamp duty in respect of an immovable property.

These amendments will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

[Clause 28]

37. Rationalisation of provisions relating to trust, institution and funds:

Amendment of sub-section (7) of section 11 to allow entities holding registration under section 12A/12AA to apply for notification under clause (46) of section 10

Section 11 of the Act provides for grant of exemption in respect of income derived from property held under trust for charitable or religious purposes to the extent to which such income is applied or accumulated during the previous year for such purposes in accordance with the provisions contained in sections 11, 12, 12A, 12AA and 13 of the Act.

Sub-section (7) of section 11 of the Act, inserted by the Finance (No. 2) Act, 2014 with effect from 1st April, 2015, provides that where a

trust or an institution has obtained registration under section 12AA [as it stood immediately before its proposed amendment] or under section 12A [as it stood immediately before its amendment by the Finance (No 2) Act, 1996] and said registration is in force for any previous year, then, exemption under section 10 [except under clauses (1) and (23C)] shall not be allowed.

This sub-section was inserted on the basis that the provisions contained in sections 11, 12, 12A, 12AA and 13 of the Act constitute a complete code and that once any trust or institution has voluntarily opted for it by obtaining registration required for exemption of income, it should comply with the conditions of such exemption and in case of violation of such condition, if its income or part thereof becomes ineligible for exemption, no other provision of the Act should operate so as to exclude such income or part thereof from total income and that whether income which needs to be applied or accumulated under section 11 of the Act should include income which is exempt under section 10 of the Act.

It has been noticed that there is some anomaly by providing exclusion to institutions or fund registered under clause (23C) of section 10, but the same exclusion is not available to entities claiming exemption under clause (46) of section 10 which are established or constituted under a Central or State Act or by a Central or State Government. Such entities are, thus, not able to get notified under clause (46) of section 10 if they are holding registration under section 12A/12AA.

The anomaly pointed out above, needs to be addressed. However, as the provisions relating to charitable entities constitute a complete code and that once any trust or institution has voluntarily opted for it by obtaining the requisite registration, it flows that the conditions in relation thereto should be complied with and the option of switching at convenience should not be available. Accordingly, while request for exclusion of clause (46) may be acceded to for exemption thereunder even in those cases where registration under section 12AA or 12A remains in force, there should be only one mode of exemption available and also, that the switching may be allowed only once so that such switching is not done routinely and also it remains efficient to be administered.

Rationalising the process of registration of trusts, institutions, funds, university, hospital etc and approval in the case of association, university, college, institution or company etc

The present process of registration of trusts, institutions, funds, university, hospital etc under section 12AA or under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10, and approval of association, university, college, institution or company etc need improvement with the advent of technology and keeping in mind the practical issue of difficulty in obtaining registration/ approval/ notification before actually starting the activities.

It is also felt that the approval or registration or notification for exemption should also be for a limited period, say for a period not exceeding five years at one time, 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.

Filing of statement of donation by donee to cross-check claim of donation by donor

It may further be mentioned that certain provisions of the Act provide that an exempt entity may accept donations or certain sum for utilisation towards their objects or activities in respect of which the payer, being the donor, gets deduction in computation of his income. At present, there is no reporting obligation by the exempt entity receiving donation/ any sum in respect of such donation/ sum. With the advancement in technology, it is now feasible to standardise the process through which one-to-one matching between what is received by the exempt entity and what is claimed as deduction by the assessee. This standardisation may be similar to the provisions relating to the tax collection/ deduction at source, which already exist in the Act. Therefore, the entities receiving donation/ sum may be made to furnish a statement in respect thereof, and to issue a certificate to the donor/ payer and the claim for deduction to the donor/ payer may be allowed on that basis only. In order to ensure proper filing of the statement, levy of a fee and penalty may also be provided in cases where there is failure to furnish the statement.

Hence, it is proposed to amend relevant provisions of the Act to provide that,-

- (i) similar to exemptions under clauses (1) and (23C), exemption under clause (46) of section 10 shall be allowed to an entity even if it is registered under section 12AA subject to the condition that the registration shall become inoperative. If the entity wishes to make it operative in the future, it will have to file an application and then it would not be entitled for deduction under clause (46) from the date on which the registration becomes operative.
 - (ii) the registration under section 12AA would also become inoperative in case of an entity exempt under clause (23C) of section 10 as well, to have uniformity. The condition about making it operative again would also be similar to what is proposed for clause (46) of section 10.
 - (iii) an entity approved, registered or notified under clause (23C) of section 10, section 12AA or section 35 of the Act, as the case may be, shall be required to apply for approval or registration or intimate regarding it being approved, as the case may be, and on doing so, the approval, registration or notification in respect of the entity shall be valid for a period not exceeding five previous years at one time calculated from 1st April, 2020.
 - (iv) an entity already approved under section 80G shall also be required to apply for approval and on doing so, the approval, registration or notification in respect of the entity shall be valid for a period not exceeding five years at one time.
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- (v) application for approval under section 80G shall be made to Principal Commissioner or Commissioner.
- (vi) an entity making fresh application for approval under clause (23C) of section 10, for registration under section 12AA, for approval under section 80G shall be provisionally approved or registered for three years on the basis of application without detailed enquiry even in the cases where activities of the entity are yet to begin and then it has to apply again for approval or registration which, if granted, shall be valid from the date of such provisional registration. The application of registration subsequent to provisional registration should be at least six months prior to expiry of provisional registration or within six months of start of activities, whichever is earlier.
- (vii) the application pending for approval, registration, as the case may be, shall be treated as application in accordance with the new provisions, wherever they are being provided for.
- (viii) deduction under section 80G/ 80GGA to a donor shall be allowed only if a statement is furnished by the donee who shall be required to furnish a statement in respect of donations received and in the event of failure to do so, fee and penalty shall be levied.
- (ix) similar to section 80G of the Act, deduction of cash donation under section 80GGA shall be restricted to Rs 2,000/- only.

These amendments will take effect from 1st June, 2020.

[Clauses 7,9,11,12,17,33,34,61,94,96 & 99]

38. Rationalisation of provisions relating to tax audit in certain cases:

Under section 44AB of the Act, every person carrying on business is required to get his accounts audited, if his total sales, turnover or gross receipts, in business exceed or exceeds one crore rupees in any previous year. In case of a person carrying on profession he is required to get his accounts audited, if his gross receipt in profession exceeds, fifty lakh rupees in any previous year.

In order to reduce compliance burden on small and medium enterprises, it is proposed to increase the threshold limit for a person carrying on business from one crore rupees to five crore rupees in cases where,-

- (i) aggregate of all receipts in cash during the previous year does not exceed 5% of such receipt; and
- (ii) aggregate of all payments in cash during the previous year does not exceed 5% of such payment.

Further, to enable pre-filing of returns in case of persons having income from business or profession, it is required that the tax audit report may be furnished by the said assessee at least one month prior to the due date of filing of return of income. This requires amendments in all the sections of the Act which mandates filing of audit report along with the return of income or by the due date of filing of return of income. Thus, provisions of section 10, section 10A, section 12A, section 32AB, section 33AB, section 33ABA, section 35D, section 35E, section 44AB, section 44DA, section 50B, section 80-IA, section 80-IB, section 80JJAA, section 92F, section 115JB, section 115JC and section 115VV of the Act are proposed to be amended accordingly.

Further, the due date for filing return of income under sub-section (1) of section 139 is proposed to be amended by:-

- (A) providing 31st October of the assessment year (as against 30th September) as the due date for an assessee referred to in clause (a) of Explanation 2 of sub-section (1) of Section 139 of the Act;
- (B) removing the distinction between a working and a non-working partner of a firm with respect to the due date as mentioned in sub-clause (iii) of clause (a) of Explanation 2 of sub-section (1) of Section 139 of the Act.

These amendments will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years.

[Clauses 7,8,10,14,15,16,19,20,23,24,26,35,37,39,45,56,57,63 & 66]

The amendment relating to extending threshold for getting books of accounts audited will have consequential effect on TDS/TCS provisions contained in sections 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 clause (a) or clause (b) of section 44AB.

Therefore, it is proposed to amend these sections so that reference to the monetary limit specified in clause (a) or clause (b) of section 44AB of the Act is substituted with rupees one crore in case of the business or rupees fifty lakh in case of the profession, as the case may be.

These amendments will take effect from 1st April, 2020.

[Clauses 75,76,77,78,79 & 93]

39. Rationalisation of provision relating to Form 26AS:

Section 203AA of the Act, inter-alia, requires the prescribed income-tax authority or the person authorised by such authority referred to in sub-section (3) of section 200, to prepare and deliver a statement in Form 26AS to every person from whose income, the tax has been deducted or in respect of whose income the tax has been paid specifying the amount of tax deducted or paid.

The Form 26AS as prescribed in the Rules, inter-alia, contains the information about tax collected or deducted at source. However, with the advancement in technology and enhancement in the capacity of system, multiple information in respect of a person such as sale/purchase of immovable property, share transactions etc. are being captured or proposed to be captured. In future, it is envisaged that in order to facilitate compliance, this information will be provided to the assessee by uploading the same in the registered account of the assessee on the designated portal of the Income-tax Department, so that the same can be used by the assessee for filing of the return of income and calculating his correct tax liability.

As the mandate of Form 26AS would be required to be extended beyond the information about tax deducted, it is proposed to introduce a new section 285BB in the Act regarding annual financial statement. This section proposes to mandate the prescribed income-tax authority or the person authorised by such authority to upload in the registered account of the assessee a statement in such form and manner and setting forth such information, which is in the possession of an income-tax authority, and within such time, as may be prescribed.

Consequently, section 203AA is proposed to be deleted. These amendments will take effect from 1st June, 2020.

[Clauses 90]

40. Amendment in the provisions of Act relating to verification of the return of income and appearance of authorized representative:

Section 140 of the Act provides that in case of company the return is required to be verified by the managing director (MD) thereof. Where the MD is not able to verify for any unavoidable reason or where there is no MD, any director of the company can verify the return. It is also provided that in case of a company in whose case application for insolvency resolution process has been admitted by the Adjudicating Authority (AA) under the Insolvency and Bankruptcy Code, 2016 (IBC), the return has to be verified by the insolvency professional appointed by such AA. Similarly, in case of a limited liability partnership (LLP), the return has to be verified by the designated partner of the LLP or by any partner, in case there is no such designated partner.

Therefore, it is proposed to amend clause (c) and (cd) of section 140 of the Act so as to enable any other person, as may be prescribed by the Board to verify the return of income in the cases of a company and a limited liability partnership.

Further, section 288 of the Act provides for the persons entitled to appear before any Income-tax Authority or the Appellate Tribunal, on behalf of an assessee, as its "authorised representative", in connection with any proceedings under that Act. While the IBC empowers the Insolvency Professional or the Administrator to exercise the powers of the Board of Directors or corporate debtor, it has been reported that lack of explicit reference in section 288 of the Act for an Insolvency Professional to act as an authorised representative of the corporate debtor has been raising certain practical difficulties.

Therefore, it is proposed to amend sub-section (2) of section 288 to enable any other person, as may be prescribed by the Board, to appear as an authorised representative.

These amendments will take effect from 1st April, 2020.
