

AKGVG & Associates

Budget 2020 – Changes in income tax law



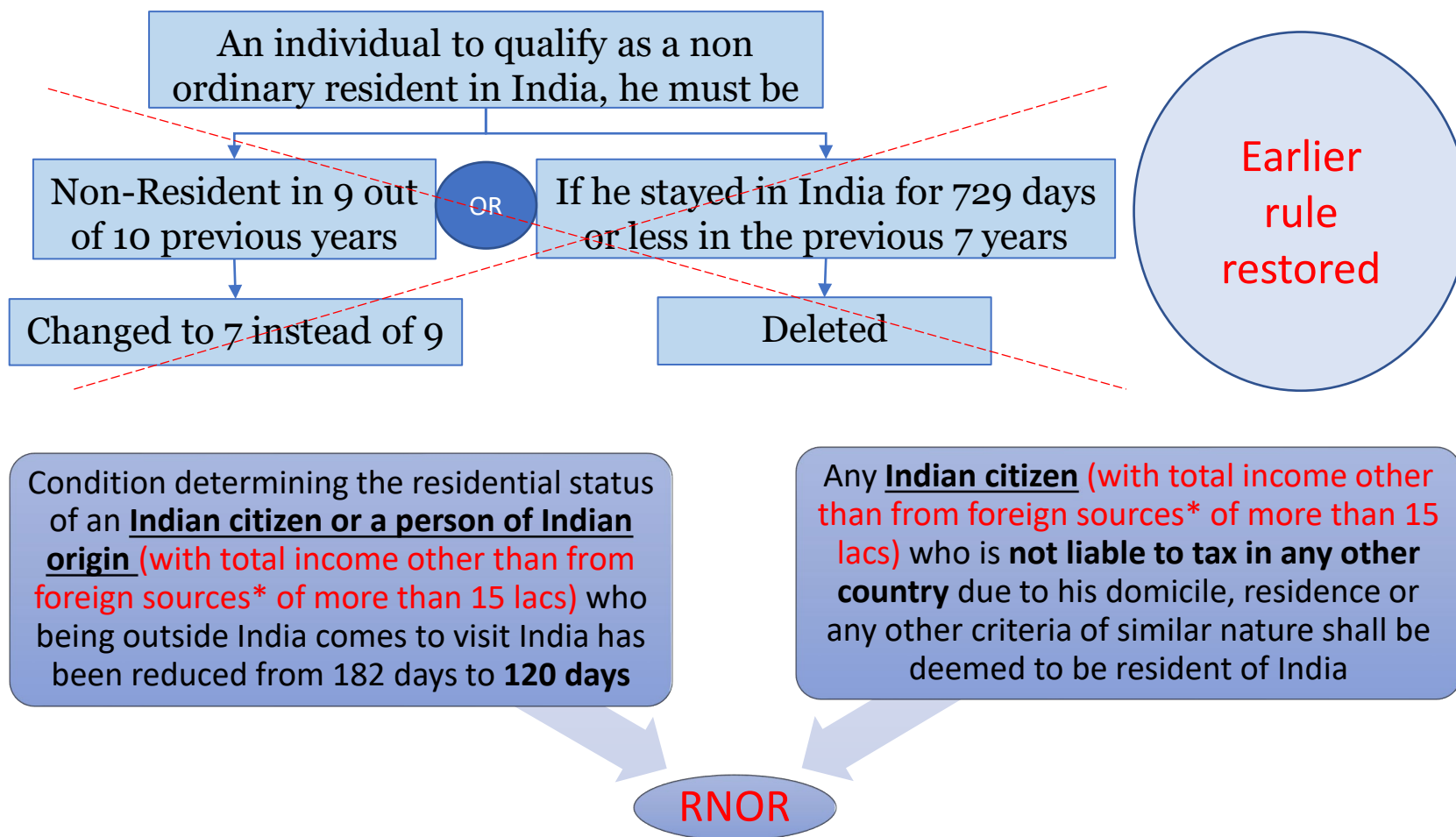
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Major amendments in the Finance Act as against the Finance Bill have been highlighted in red

Residential status u/s 6



* "income from foreign sources" means income which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India).

New Tax Regime

Option to pay tax at lower rates u/s 115BAC



Only deductions available:

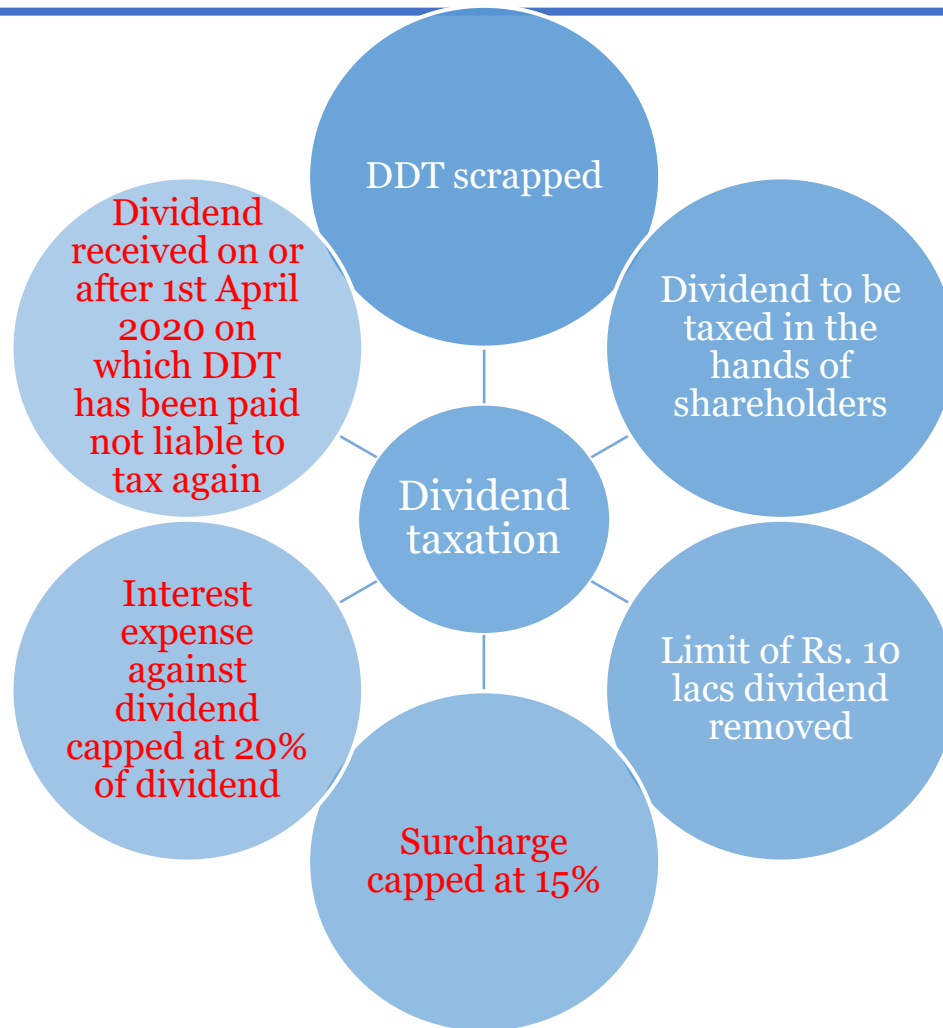
- Transport allowance to divyang
- Conveyance, travel and daily allowance
- Employer contribution to NPS u/s 80CCD(2)
- 80JJAA
- AMT not applicable

Tax-payers opting for the New Personal Tax Regime will have to forgo the following:

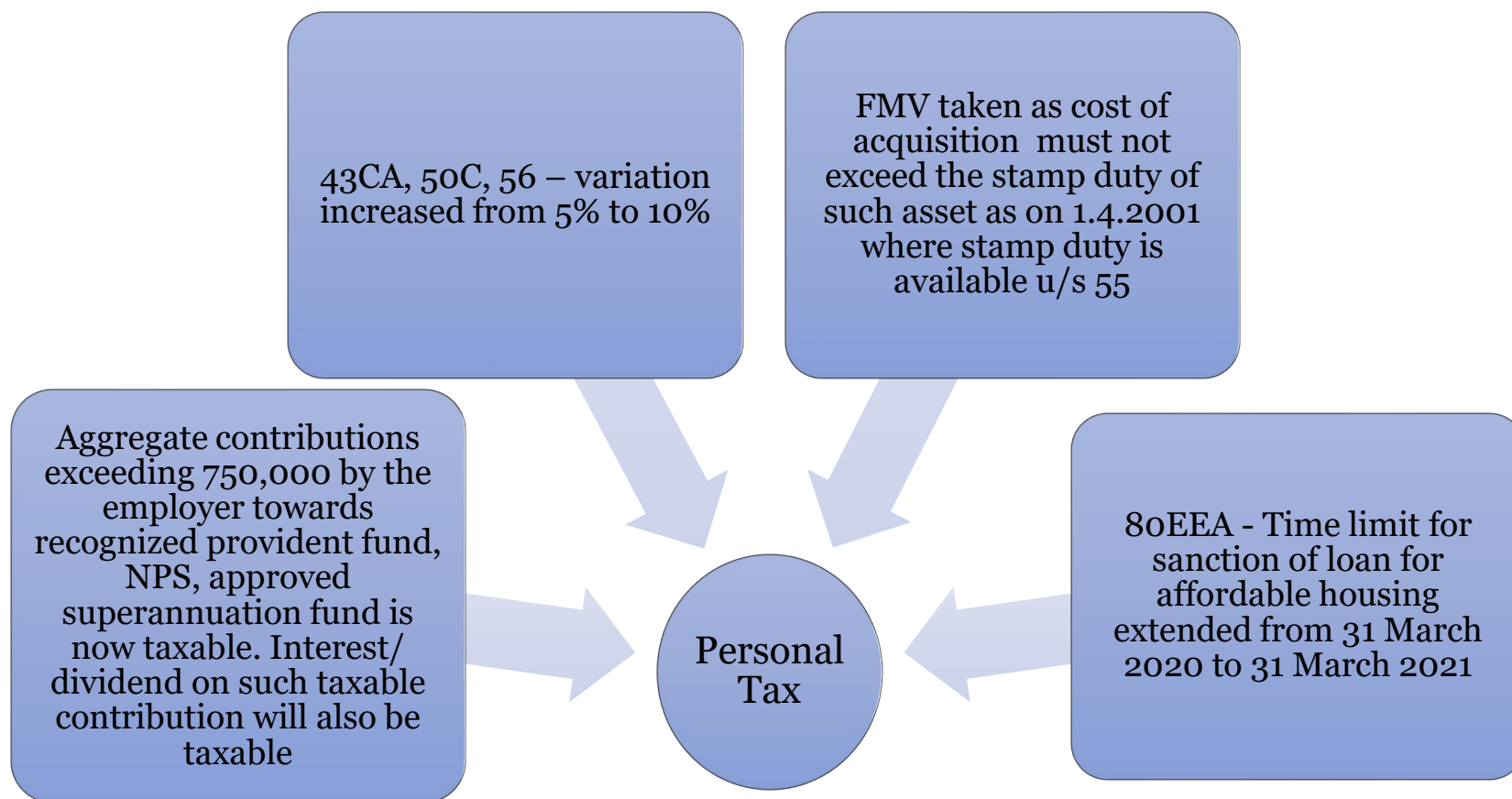
- Standard Deduction u/s 16
- LTA
- HRA
- 24b Interest on self occupied property
- 80C to 80U
- Employee contribution to NPS
- 80CCD(1B) NPS
- 80D
- 80TTA & 80TTB
- Brought forward losses because of above

For Individuals/HUF having business income, scheme once exercised to be valid for subsequent years (with a one-time option to change without any option to come back).

Personal tax - Dividend



Personal tax - Others



Business taxation

Anomaly in 35AD(4) removed to allow depreciation u/s 32 to 115BAA and 115BAB companies

80M to remove cascading effect of dividend

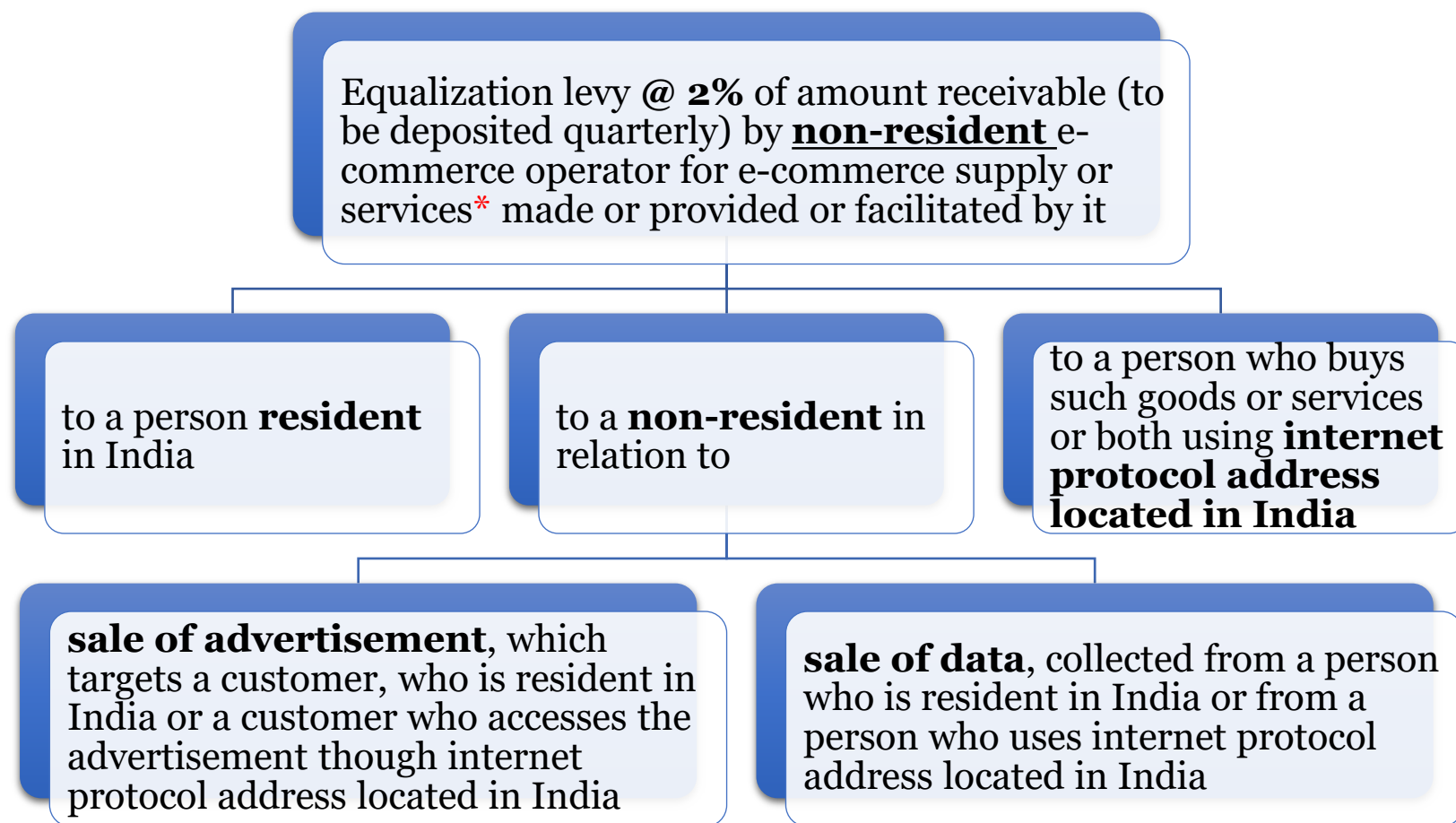
80M (dividend cascading) extended to 115BAA and 115BAB

80IBA – Affordable housing projects approval extended to 31 March 2021

115BAB to include electricity generation corporates

Dividend income from domestic company or income from units of mutual fund taxable in hands of shareholders instead of DDT

Equalization levy



* Not taxable under the Income tax Act

Equalization levy (cont..)

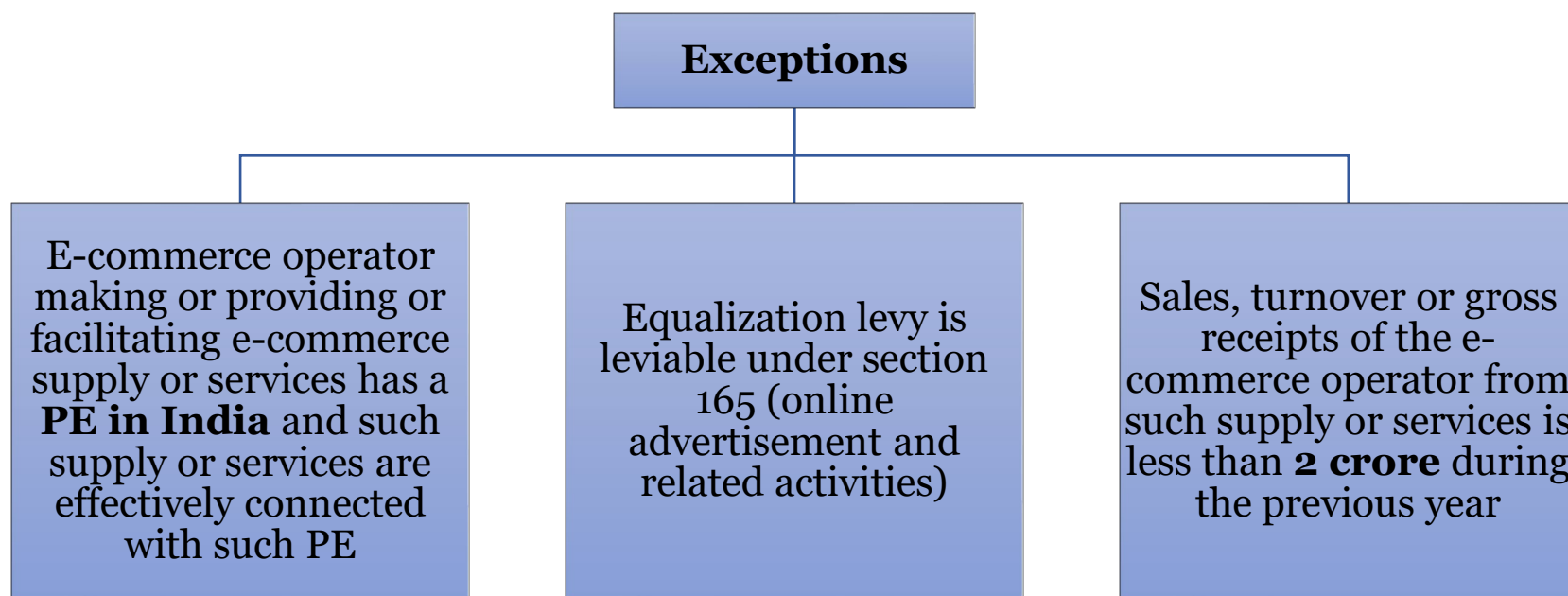
Definitions

“E-commerce operator” means a **non-resident** who owns, operates or manages digital or electronic facility or platform for online sale of goods or online provision of services or both

“E-commerce supply or services” means—

- (i) online sale of goods owned by the e-commerce operator; or
- (ii) online provision of services provided by the e-commerce operator; or
- (iii) online sale of goods or provision of services or both, facilitated by the e-commerce operator; or
- (iv) any combination of activities listed in clause (i), (ii) or clause (iii);'

Equalization levy (cont..)



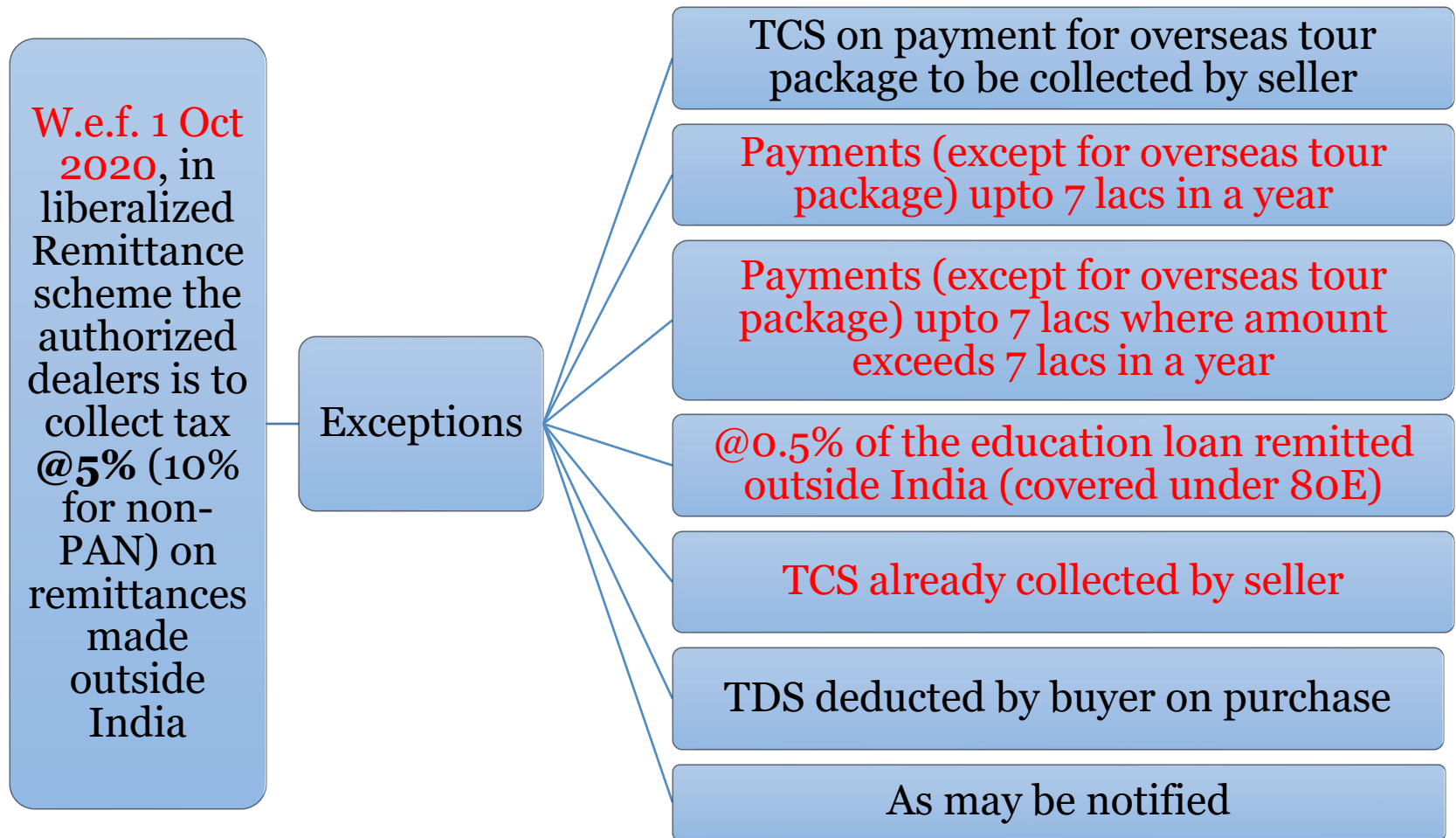
TDS

Section	Amendment
194	In case of the domestic company declaring dividend to residents the companies are obligated to withhold tax@ 10%, if dividend exceeds 5,000
194A	TDS on interest by cooperative societies applicable where – <ul style="list-style-type: none"> • Total receipt of society exceeds 50 cr in previous year, and • Estimated interest payable exceeds 40,000 (50,000 for senior citizen) in a year
194C	In case of works contract @2% to cover cases where contract manufacturing involves raw material provided from related parties
194J	Withholding tax on technical services (to non-professionals) or royalty in nature of consideration for sale, distribution or exhibition of cinematographic films be reduced to 2% from 10%
194K	TDS @ 10% on income from units of Mutual Funds/administrator of specified undertaking/specified company exceeding 5,000 (not applicable on capital gains upon redemption)
194LC	TDS on interest on long-term bonds and RDBs issued after 1 April 2020 reduced to 4% from 5%

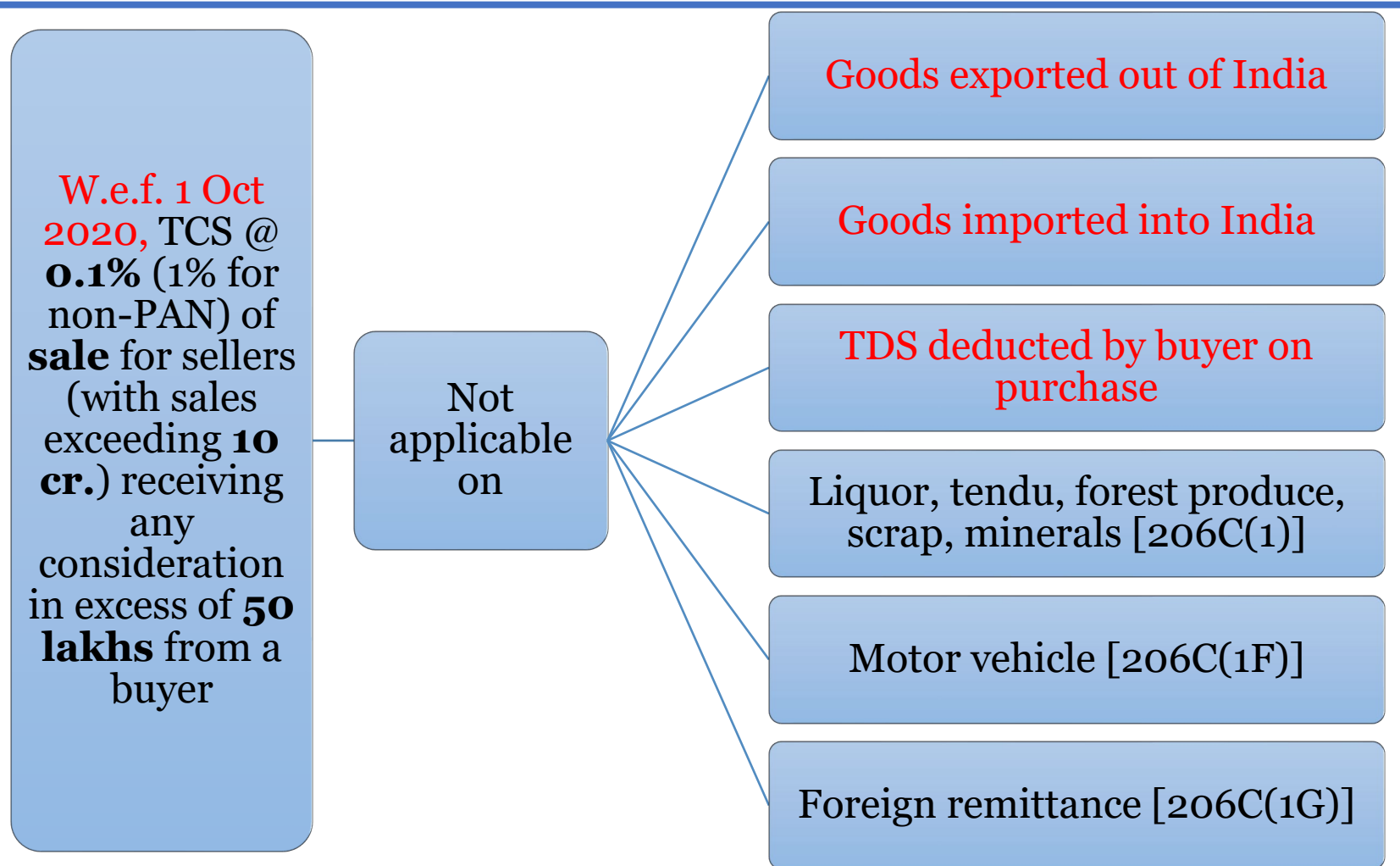
TDS (cont..)

Section	Amendment
194N	<ul style="list-style-type: none"> Substituted old section - Cash withdrawal from banking company, co-operative society carrying banking business, or post office Filed returns for all 3 years (for which due date has expired) preceding the year in which payment is made - @ 2% of cash exceeding 1 Cr Not filed <ul style="list-style-type: none"> @2% of cash withdrawn between 20 lacs to 1 Cr @ 5% for cash withdrawal exceeding 1 Cr
194O	<ul style="list-style-type: none"> W.e.f. 1 Oct 2020, ecommerce operator to deduct TDS @1% (@5% for non-PAN) for sale of goods/services on the portal Individual and HUF participants with less than Rs 5 lakh turnover are exempted upon furnishing PAN/Aadhar No TDS to be made again on which deduction made under this section, except for payments for hosting advertisements or providing any other services E-commerce operator to be deemed to be person responsible for paying to e-commerce participant
195	TDS on dividend to Non-residents capped at 20% (max surcharge 15%)

TCS



TCS (cont..)



International taxation

Section 9 – SEP deferred to AY 2022-23

94B – Thin capitalization rules not to apply in case of Indian branch of foreign bank

115A - No need to file return, if TDS is deducted as per Income tax Act on FTS and royalty income of foreign companies

Safe harbor to be applicable on transfer price or income, deemed to accrue or arise under section 9(1)(i), declared by the assessee. Safe harbor rules and APA provisions to be extended to attribution of profits to a PE

Dispute resolution panel route under section 144C now is also available for Non-Residents as well as where return was not filed

Government purpose of entering into DTAA aligned with MLI by stipulating the central government can enter into agreement with any country outside India or specified country for avoidance of double taxation and reduced taxation through tax evasion

Startups

Tax on ESOPs to employees of start-ups deferred. To be collected within 14 days of the **earliest** of the following:

5 years from end of year of exercise

Sale of ESOP

Assessee ceases to be employee of the start-up

For the start-ups to qualify for the **tax holiday**

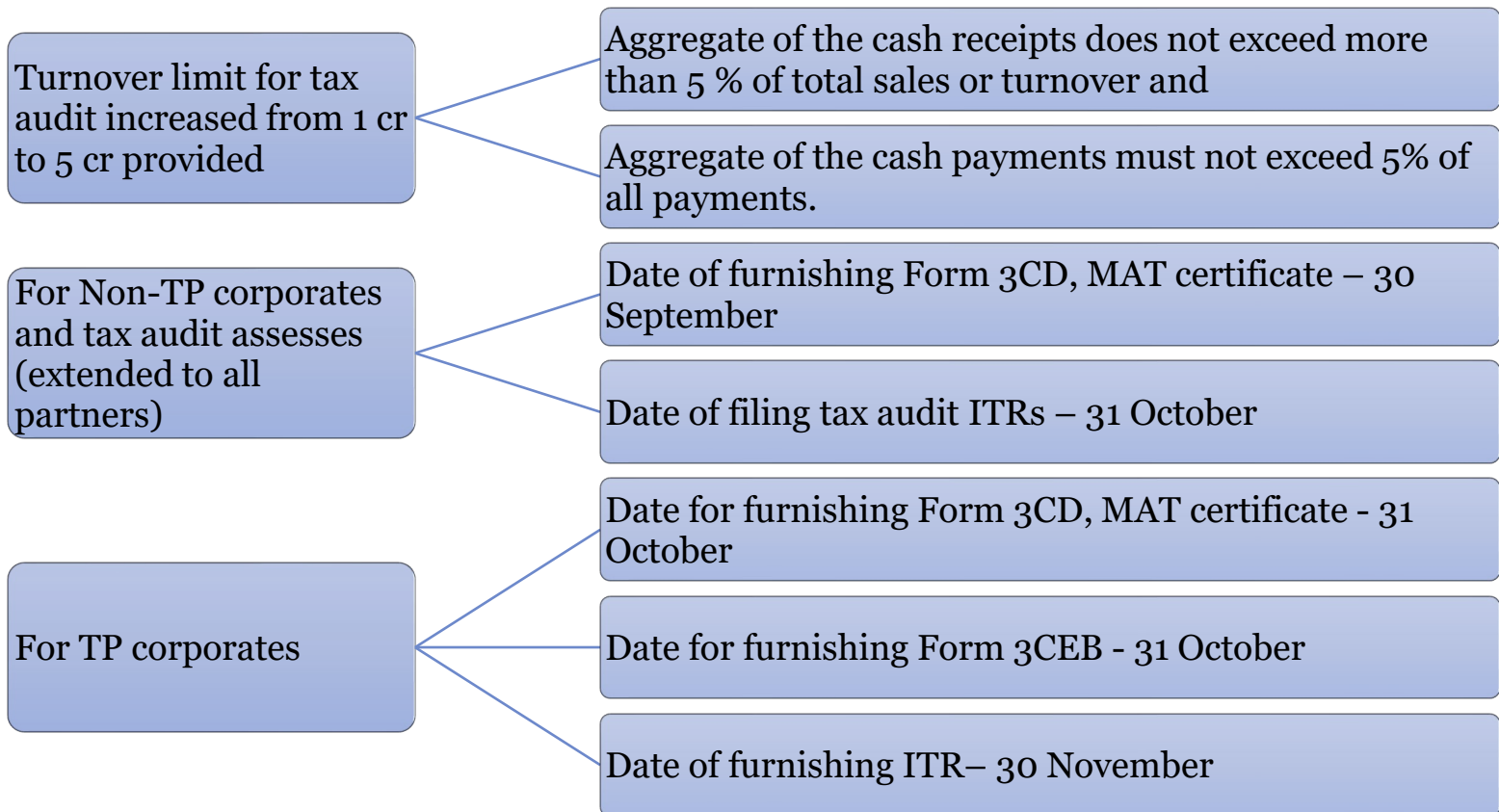
the total business turnover limit has been increased from 25 crore to **100 crore**

Eligibility period for the claiming such deduction in three consecutive years has been expanded to **10 years** from incorporation from the existing 7 years

Assessments and dispute resolution

- In case of information received from the prescribed authority, survey operations can now be conducted with the prior approval of the Joint commissioner or Joint Director
- Faceless e-assessment will eliminate the interface between the commissioner (appeals) and appellant, help optimize resources and create dynamic jurisdiction system
- E penalty would eliminate the interface between AO and the assessee and impart greater efficiency and transparency in levy of penalty
- Penalty to be imposed in case of false entry or entry omitted in the books (to evade tax) equivalent to the amount of entry in the hands of the Assessee as well as the person who caused the false entry or omission
- ITAT can grant stay with a minimum deposit/ security of 20% tax, interest, penalty, fee, etc.
- Taxpayers to pay only the disputed tax and can get the complete waiver of interest and penalty if such taxes are paid by 30 June 2020 under the New Dispute Resolution Scheme (Vivad se Vishwas Scheme). Scheme to be applicable for all types of appeals pending at any level

Annual compliances



Return of income can now be verified by any other person as may be verified by the CBDT in addition to the current signatories

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