Tax News

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Union Budget for 2020-21

India

Discussion on budget highlights

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Transmittal

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February 2, 2020

Dear Reader,

Good news and bad news: The good news is that, according to the government, the rich will pay for everything. The bad news is that, according to the government, you're rich.

The Honourable Finance Minister, Ms. Nirmala Sitharaman presented the Union Budget for the financial year 2020 – 2021 ('Budget 2020') before the Lok Sabha on February 1, 2020. In what could be described as an astounding smoke-and-mirrors show, the Finance Minister dazzled Parliament with a promise for lower tax slabs which ultimately ended up as a damp squib as it was useful only for persons who would not make any claim for tax eligible expenditure and investments which is hardly the ground reality among the salaried classes. A much touted increased turnover threshold limit of Rs. 5 crores turned out to be a red herring as the increased limit could be availed only by businesses with less than 5% of its total income and expenditure in cash. Incongruences between promises and possible outcomes were on full display through promises on one side for simplification of tax laws and enhanced compliances on the other side in the form of increased applicability of withholding tax provisions.

Budget 2020 was notable with the abolition of dividend distribution tax and the return to the classical system of taxation of dividends in the hands of the recipients. Small tax payers and non-residents celebrated, but the rich were despondent with the prospect of reduction of their effective yields on their investments. The Finance Minister enunciated the commitment of the government to reduction of corruption with a promise to enact a Magna Carta of sorts for tax payers and also to extend the use of technology to appeals and penalty proceedings.

Overall, in such desperate times which called for desperate measures, the Finance Minister has chosen to ignore calls to reignite the fire in the belly of the Indian economy with big ticket moves and has instead relied on trivial shuffles which do little more than squeezing the long suffering Indian taxpayer.

As in the earlier years, it gives us great pleasure to present you with a quick snap-shot on Budget 2020. We believe that you will benefit from the early insights on Budget 2020 through this issue of 'Tax News', though more clarity is expected on many of the provisions which will unravel in the coming days. We hope you will also find the ready reckoner and the compliance calendar useful.

Should you require any further clarifications or details on the budget proposals or any assistance in the analysis of the impact of the proposals on your business, please do feel free to get in touch with us. As always, we look forward to your valuable suggestions.

Yours faithfully

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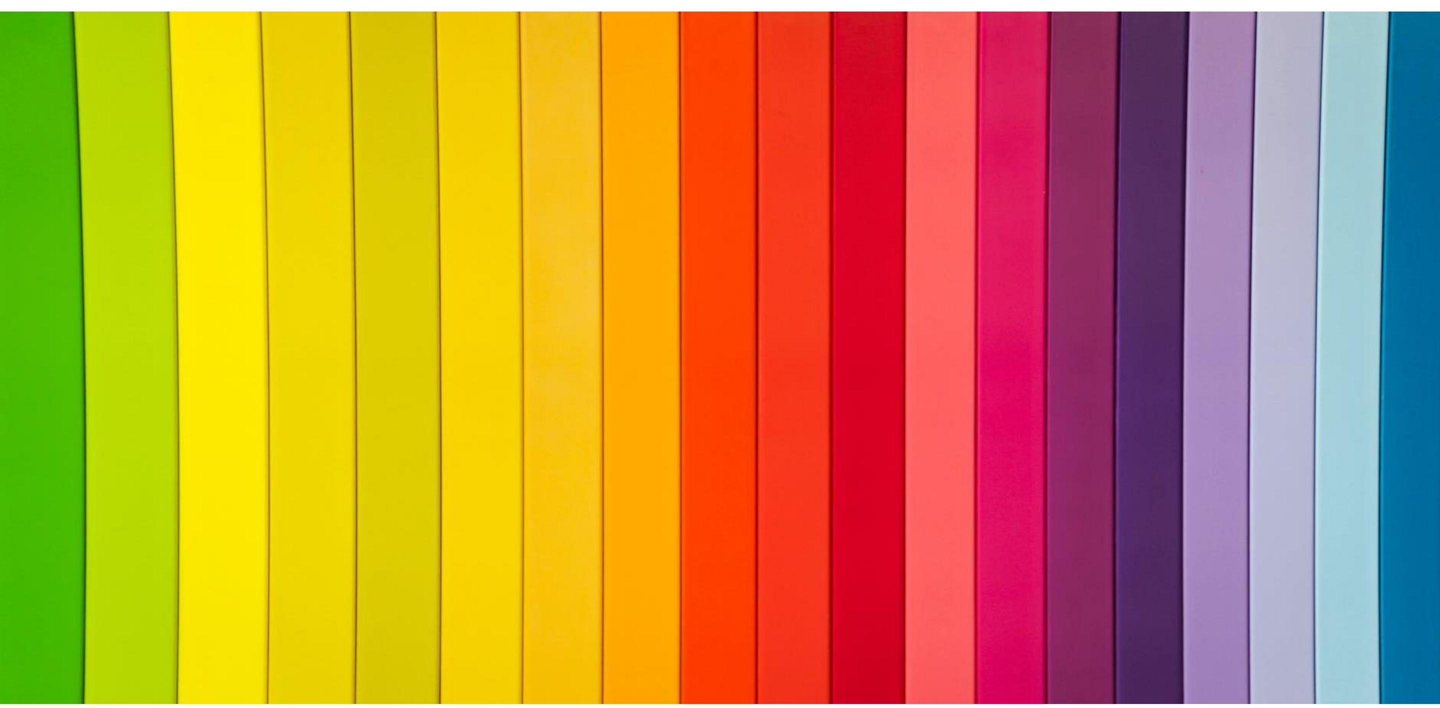

Executive summary

Executive Summary

Direct taxation
Key areas include :

- New taxation scheme for individual assessees which is likely to benefit individuals who do not have any tax eligible expenditure or investments.
- DDT has been abolished and dividends will be taxed in the hands of the recipient at rates applicable to them.
- Residency norms undergo changes which is likely to create much confusion.
- Registration process for charitable institutions have been rationalised. All donations will have to be reported by these institutions.
- Subject to certain conditions, threshold limits for tax audits have been increased to Rs. 5 crores.
- Changes in TDS provisions have been introduced to reduce litigation and prevent abuse of beneficial provisions.

► A new optional personal tax scheme has been introduced. This scheme is set to benefit those individuals who do not have claims for tax deductions, allowances or exemptions. Other assessees who have tax saving expenditure or investments may find that continuing under the old taxation scheme may be more beneficial.

► There are no changes in taxation of LLPs and partnership firms. Tax rates for companies also remain unchanged. For the current financial year, companies that satisfy certain conditions get a lower tax rate of 25.168% as compared to 26%.

► Dividend distribution tax, which was levied @ 20.35% is proposed to be abolished. Dividends will now been taxed in the hands of recipients at their respective slab rates. This amendment will benefit non residents who will be able to claim credit of taxes paid on dividends under the DTAA. However, assessees who are in the high tax bracket and subject to more than 40% tax will be negatively impacted.

► Residential status norms have been tightened whereby individuals can no longer stay in India beyond 120 days if they wish to qualify as a non resident. Further to qualify as resident but not ordinarily resident, assessees need to be non resident only in 7 out of 10 previous years.

► A controversial new provision has been inserted which is likely to affect high net worth individuals who arrange their affairs so that they are not resident in any country. Under this provision, they would be treated as residents of India and consequently, their global income would be subject to tax in India. A possibly unintended consequence of this amendment could be taxation of seafarers who are inevitably not resident in any country. Further clarifications are awaited from the government.

► The threshold turnover for applicability of tax audits has been increased to Rs. 5 crore subject to certain conditions. The due date for filing return of income for assessees subject to tax audit extended to 31st October. However, the due date for filing of tax audit report has been retained at 30th September.

► Registration process for trusts and charitable institutions are to be made online in a move introduced for better transparency. Such institutions would be required to renew their registration every 5 years. Further, all donations received by charitable institutions would have to be reported online.

► TDS on technical services was pegged at 10% under section 194J while payments for contracts under section 194C was 2%. In order to reduce litigation, Budget 2020 proposes to reduce the rate for TDS u/s 194J to 2% for all technical services.

Executive Summary

Direct taxation
Key areas include :

- Foreign remittances, foreign tour packages and sales by large sellers will be subject to TCS.
- E-appeals and a dispute resolution have been announced.

- Several new transactions were brought under Tax Collected at Source ('TCS') laws such as foreign remittances under the Liberalised Remittance Scheme, sellers of overseas tour packages and sale of goods by large sellers.
- E-appeals for appeals before Commissioner of Income Tax (Appeals) and e-penalty proceedings before assessing officer have been introduced to eliminate the interface between assessees and the tax department. Presumably this has been introduced primarily to curb corruption within the tax department.
- A 'Vivad Se Vishwas' scheme been has announced banking on the success of Sabka Vishwas scheme, a similar scheme for indirect taxes. Under this scheme all outstanding litigation can be settled with a full waiver of interest and penalty.

Indirect taxation
Key areas include :

- Restrictions on utilisation of ITC is expected to affect working capital.
- New GST returns system is to be effective from April 1, 2020 which is expected to be simpler.
- E-way bill facility will be blocked for tax payers who have not filed GSTR 1 for two tax periods.
- All tax payers with a turnover of more than Rs. 100 crores will be required to issue e-invoices from April 2020.
- Steep increases in BCD were announced for a number of items.

- Input credit of IGST needs to be fully utilised for payment of IGST before it can be utilised for payment of CGST or SGST. Credit of CGST and SGST can be used only after exhausting the IGST credit available with a registered person.
- The new provisions restrict the amount of ITC available to a registered person. The restriction is to the extent of 110% of the eligible ITC listed in GST Portal.
- A new GST return system will be introduced with effect from April 2020 under which a main return called Form GST RET-1, which will contain details of all supplies made, input tax credit availed, and payment of taxes, along with interest, if any will have to be filed. This return will have two annexures called Form GST ANX-1 and Form GST ANX-2.
- The e-way bill facility will be blocked for taxpayers who have not filed GSTR-1 for two tax periods. This restriction is effective from January 11, 2020.
- Issue of consolidated debit / credit note is allowed in respect of multiple invoices issued in a financial year rather than single debit/credit note in respect of each invoice.
- Threshold limit for GST registration was enhanced to Rs. 40 lakhs in case of supplier engaged only in supply of goods. However, it may be noted that Kerala has not opted for the higher threshold limit of Rs. 40 lakhs and continued with the original limit of Rs. 20 lakhs.
- With respect to issuance of e-invoice, it was notified that a registered person who is having an aggregate turnover in excess of Rs. 100 Crores is required to issue e-invoice with effect from April 1, 2020.
- In a move to promote indigenous suppliers and industries, basic customs duty on various imports relating to the automobile and mobile phone sector have been increased.

Direct taxation

Key highlights

- An option has been provided to individuals s to pay taxes at concessional rates.
- Individuals opting for this scheme shall not be entitled to claim any exemptions such as HRA, standard deduction, Sec. 80C deduction, medical insurance premium deduction, depreciation, interest on housing loans, etc. However, deduction for contribution to the National Pension Scheme will be allowed.
- Rebate under Sec. 87A which continues at Rs. 12,500 for those with income up to Rs. 5 lakhs has been retained.
- On account of the above rebate, individuals having total income# up to Rs. 5 lakhs will not be liable to pay any tax.

 # Total income means income after claiming deductions under Chapter VIA such as 80C, 80D, 80TTA etc.

Budget amendments for individual tax payers

- The Finance Minister introduced a new optional personal income tax system. This was in line with options provided to domestic companies to pay lower taxes during the previous year.
- An option has been given to individuals and HUFs by which income tax rates have been reduced by way of inserting new slabs for those who forgo reliefs and exemptions. The new tax rates under this regime are as below:

Income	New regime	Old regime
Below Rs. 2.50 lakhs	Nil	Nil
Rs. 2.50 to Rs. 5.00 lakhs	5%	5%
Rs. 5.00 to Rs. 7.50 lakhs	10%	20%
Rs. 7.50 to Rs. 10.00 lakhs	15%	20%
Rs. 10.00 to Rs. 12.50 lakhs	20%	30%
Rs. 12.50 to Rs. 15.00 lakhs	25%	30%
Above Rs. 15.00 lakhs	30%	30%

- To avail the benefit of lower tax, individuals will have to forego almost all reliefs and exemptions. Few significant exemptions / deductions which will have to be forgone are:

Allowances	Loss from other heads	Chapter VIA deductions
House rent allowance	Interest on housing loan	80C / 80CC - Deductions for investments
Standard deduction of Rs. 50,000	Setting off accumulated business/depreciation loss	80D / 80DD – Medical insurance / expenditure
Food coupons such as Sodexo	Depreciation	80G - Donations
Leave travel concessions		80E – Interest on education loan
Professional tax		80EEA / EEB - interest on loans for housing and electric vehicles

- Those who want to be taxed under the old regime with exemptions, can continue to pay at the old rates. No changes have been proposed in the old regime.

Key highlights

- Taxation under the new regime would be beneficial for pensioners and individuals having only interest income or any income under other sources.
- Salaried individuals may prefer to remain with the old scheme as they are more likely to avail benefits of deductions such as :
  - Standard deduction
  - House rent allowance
  - Provident fund contributions eligible for 80C deductions

Budget amendments for individual tax payers | Continued...

- Through the below table, the tax liability of an individual earning Rs. 15 lakhs by judicious utilization of the common deductions available under the old and new regime is illustrated:

Particulars	New regime (115BAC)	Old regime (With deductions)	Old regime (Without deductions)
Income from salary	15,00,000	15,00,000	15,00,000
Less: Standard deduction u/s 16(ia)	Nil	(50,000)	Nil
Less: Income from house property (interest on self occupied house property)	Nil	(2,00,000)	Nil
Gross total income	15,00,000	12,50,000	15,00,000
Less: Chapter VI A Deductions:	(50,000)	(2,50,000)	Nil
- 80C (investments in specified schemes/funds)	Nil	(1,50,000)	Nil
- 80CCD (National Pension Scheme)	(50,000)	(50,000)	Nil
- 80D (medical insurance for self and parents)	Nil	(50,000)	Nil
Total Income	14,50,000	10,00,000	15,00,000
Income tax at slab rates	1,75,000	1,12,500	2,62,500
Less: Rebate u/s 87A	Nil	Nil	Nil
Add: Cess @ 4%	7,000	4,500	10,500
Total income tax	1,82,000	1,17,000	2,73,000

- From the above table it is evident that the new scheme is beneficial for individuals who do not have any deductions/investments to declare. On the other hand, individuals who judiciously make tax saving investments would prefer to remain in the old regime.
- The new regime will benefit senior citizens and persons who have only interest income and do not otherwise have any tax eligible investments or expenditure.

Key highlights

- Taxation slabs under the old regime have been left unchanged.
- Surcharge rates remains the same.
- Health and Education Cess retained at 4%.

Taxation slabs of the old regime remain unchanged

- The tax slabs of the **old regime** remain unchanged. The tax slabs under each category have been listed below.

Slab	Super senior citizens	Senior citizens	Others
Below Rs. 2.50 lakhs	Nil	Nil	Nil
Rs. 2.50 lakhs to Rs. 5.00 lakhs	Nil	Nil	5%
Rs. 3.00 lakhs to Rs. 5.00 lakhs	Nil	5%	5%
Rs. 5.00 lakhs to Rs. 10.00 lakhs	20%	20%	20%
Above Rs. 10.00 lakhs	30%	30%	30%

- Surcharge rates remain unchanged:

	Income > Rs. 50 lakhs	Income > Rs. 1 crore	Income > Rs. 2 crores	Income > Rs. 5 crores
Surcharge	10% of income tax	15% of income tax	25% of income tax	37% of income tax

- Health and Education Cess together total to 4% of the income tax liability including surcharge on such tax.

- Snapshot of effective tax rates (**old regime**) of individual/HUF/AOP/BOI is as below:

Particulars	Income Tax #	Surcharge on (a)	Education and Health Cess on (a+b)	Effective tax rate
	(a)	(b)	(c)	
Below Rs. 5.00 lakhs	Nil	Nil	Nil	Nil
Rs. 5.00 to Rs. 49.99 lakhs	5% to 30%	Nil	4.00%	2.60% to 27.30%
Rs. 50.00 lakhs to Rs. 99.00 lakhs	5% to 30%	10.00%	4.00%	30.03% to 32.17%
Rs. 1.00 crore to Rs. 1.99 crores	5% to 30%	15.00%	4.00%	33.64% to 34.76%
Rs. 2.00 crores to Rs. 4.99 crores	5% to 30%	25.00%	4.00%	37.78% to 38.51%
> Rs. 5.00 crores	5% to 30%	37.00%	4.00%	42.21% to 42.74%

 # income tax rate is on the basis of slab rates applicable to the respective level of income i.e., 2.5 – 5 lakhs - 5%, 5 – 10 lakhs – 10% , above 10 lakh – 30%

Key highlights

- Tax rate of 25% has been extended to companies with turnover up to Rs. 400 crores from the earlier limit of Rs. 250 crores.
- New tax rates of 22% and 15% for companies upon satisfaction of certain conditions *(Sec. 115BAA and 115BAB introduced by ordinance on 12.12.2019).*
- Tax rate for LLPs and firms continues at 30%.
- Surcharge of 7% and 12% on domestic companies with income exceeding Rs. 1.0 crore and Rs. 10.0 crores respectively.
- Foreign companies with income exceeding Rs. 1.0 crore and Rs. 10.0 crores will be subject to a surcharge of 2% and 5% of income tax respectively.

Tax rates for companies and firms

- Reduced tax rate of 25% remains unchanged for companies with a turnover of up to Rs. 400 crores. Companies having turnover exceeding Rs. 400 crores will be taxed at 30%.
- The rates applicable to companies in different scenarios are given below:

Turnover	Income tax	Surcharge on (a)	Education and Health Cess on (a+b)	Effective tax rate
	(a)	(b)	(c)	
Domestic company - profit below Rs. 1 crore:				
Below Rs. 400 crores	25%	Nil	4%	26.00%
Above Rs. 400 crores	30%	Nil	4%	31.20%
Domestic company - profit between Rs. 1 crore to Rs. 10 crores:				
Below Rs. 400 crores	25%	7%	4%	27.82%
Above Rs. 400 crores	30%	7%	4%	33.38%
Domestic company - profit above Rs. 10 crores:				
Below Rs. 400 crores	25%	12%	4%	29.12%
Above Rs. 400 crores	30%	12%	4%	34.94%

Special rates for certain companies on satisfaction of conditions	Income tax	S'charge	Cess	Eff. Tax rate
I. Domestic companies availing the benefit of section 115BAA	22%	10%	4%	25.168%
Conditions:				
- No deductions/incentive/exemptions can be claimed such as SEZ benefits, benefits of Sec. 80IA, 80IAB, 80IAC, 80IB				
- Cannot claim set-off of any loss carried forward from earlier years				
- Cannot claim additional depreciation				
II. Domestic company been set up and registered on or after 1 October 2019 and has commenced manufacturing on or before 31 March 2023 – Sec. 115BAB	15%	10%	4%	17.16%
Conditions:				
Apart from the conditions mentioned for companies mentioned in I. above, the additional conditions have to be satisfied:				
- Not to be formed by the splitting up and reconstruction of a business already in existence				
- Does not use any plant or machinery previously used for any purpose				
Other matters:				
Companies exercising above options will be excluded from provisions of Minimum Alternate Tax ('MAT')				
Surcharge rates applicable for such companies will be 10% rather than 7% in case of other companies.				

Key highlights

- DDT has been abolished and dividends and income from mutual funds will be subjected to tax in the hands of the recipients at their respective slab rates.
- Dividend and income from mutual funds exceeding Rs. 5,000 will be subjected to TDS of 10%.
- Tighter residency norms have been notified for non-residents whereby they cannot be in India for more than 120 days to retain their non-resident status.
- Indian citizens who are not liable to tax in any other country by reason of their domicile or residence or any other criteria of similar nature will be deemed to be resident in India and their global income will be subject to tax in India.
- The complete implications of this amendment which could possibly affect seafarers are awaited.

Abolition of Dividend Distribution Tax ('DDT') and change in system of taxing dividends

- Budget 2020 proposes to abolish DDT and return to the pre 2003 system of taxing dividends and income from mutual funds in the hands of the recipients. Dividends and income from mutual funds will henceforth be taxed in the hands of the recipients at their applicable slab rates. The maximum amount of expenditure which can be claimed by the recipients against this income, if any, will be limited to only interest expenditure and that too, to 20% of the dividend or income from mutual funds received.
- Presently, dividends received in excess of Rs. 10 lakhs were taxed at 10% once again in the hands of the shareholder apart from DDT which was remitted by the company issuing dividends. Budget 2020 proposes to omit this provision as it has now become redundant. However, dividends in excess of Rs. 5,000 will now be subject to TDS of 10%.
- Dividends received by a holding company will be exempted to the extent of dividend declared by it at least one month prior to due date of filing its income tax return.
- The new provisions will be beneficial for non-residents who may be able to claim credit of the taxes paid on dividends under the Double Taxation Avoidance Agreements ('DTAA'). However, tax payers in the highest tax brackets who are paying tax of more than 40% will be negatively impacted as their overall returns decline.

Tighter residency norms for non-residents

- Budget 2020 proposes three changes with respect to residency norms for non-residents. Firstly, to qualify as a non-resident, a person should not be in India more than 120 days as opposed to the present limit of 182 days. Secondly, to qualify as a 'resident, but not ordinarily resident', a person is required to be a non-resident only for seven out of the preceding ten years as opposed to a tougher present limit of nine out of the preceding ten years.
- Finally, an Indian citizen who is not liable to tax in any other country ***by reason of his domicile or residence or any other criteria of similar nature***, will be deemed to be resident in India and consequently his global income will be subject to tax in India. This amendment presumably is to deal with the issue of stateless persons who arrange their affairs so that they are not resident in any country in a year. The new provisions may adversely affect seafarers. Further clarifications from the Government are awaited to understand the true intention and impact of this amendment.

Key highlights

- Eligible startups will get 100% tax exemption in three out of ten years with an upper turnover limit of Rs. 100 crores.
- Tax audit threshold limits increased from existing Rs. 1 crore to Rs. 5 crores upon satisfaction of certain conditions.
- Due date for filing of returns has been extended by 1 month to 31st October.
- Due date for filing tax audit report is retained as 30th September.
- Non-residents having only income from interest, dividends, royalty or fees for technical services will no longer have to file tax returns if the entire tax has been discharged through TDS.

Extension of tax benefits to start-ups

- The existing provisions provide for a deduction of up to 100% of profits of eligible start-ups incorporated between April 1, 2016 to March 31, 2021 and having a turnover of up to Rs. 25 crores, for three consecutive years out of seven years at its option. Budget 2020 proposes to extend this benefit to three years out of ten years at its option and also to increase the turnover limit to Rs. 100 crores.

Increase in threshold limit – Tax audit *(upon satisfaction of conditions)*

- In order to reduce compliance burden on small and medium enterprises, Budget 2020 has proposed to increase the threshold limit for applicability of tax audit from the present limit of Rs. 1 crore to Rs. 5 crores upon satisfaction of certain conditions as given below:
  - Aggregate cash receipts is not greater than 5% of ***total receipts***
  - Aggregate cash payments is not greater than 5% of ***total payments***

Extension of due date of filing return for tax audit cases

- Presently, the due date for filing the returns along with the tax audit report falls on 30th September of each year. Budget 2020 proposes to extend the due date of filing the returns by 1 month for all assessees who are subject to tax audit. Starting from AY 2020-21, the due date of filing the returns will fall on 31st October. The due date for submission of tax audit report remains unchanged i.e., 30th September. This amendment is proposed so as to enable pre-filling of relevant information directly from the tax audit report at the time of filing the returns.

Exempting non-residents from filing tax returns in certain cases

- Presently, non-residents who had income only from interest and dividends were not required to file income tax returns, provided the entire amount of tax due had been discharged in the form of TDS. Budget 2020 proposes to extend this benefit to cases where non-residents are in receipt of income from royalty or fees from technical services, provided TDS has been deducted on such income.

Key highlights

- Registration of charitable trusts / institutes under Sec. 12A and 80G have now been made online.
- Existing trusts / institutes registered under Sec. 12A and 80G have to reapply for registration online before September 30, 2020.
- Registration for trusts / institutes to be renewed every 5 years.
- Details of donors are to be reported to income tax department by registered trusts / institutes.
- Fee / penalty for delay in reporting shall be levied.
- Details of donations shall be pre-filled at the time of filing of returns by the donors.

Rationalization of provisions related to charitable trusts and institutions

Budget 2020 has proposed major changes in relation to registration as well as additional reporting compliances to be applicable to religious / charitable trusts / institutions registered for exemption under Sec. 12A. The key changes are listed in the following paragraphs.

► Rationalising the process of registration:

Presently, the registration of such trust and institution rendering charitable / religious activities is by way of making a manual application to the jurisdictional commissioner. Budget 2020 proposes to make this process completely electronic. Further, to ensure that the trusts are not deviating from the conditions upon which they were granted registration, it has been proposed to bring in provisions for renewal of their registrations every 5 years. Previously, there were no provisions for renewal of registration once granted. Further, the Sec. 80G certificate renewal has also been proposed in this Budget. All trusts which have been granted registration under Sec. 80G will now have to apply for renewal every 5 years.

An entity making fresh application for registration under Sec. 12A / 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. 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 submitted at least six months prior to expiry of provisional registration or within six months of start of activities, whichever is earlier.

Existing charitable trusts/institutions registered under Sec. 12A and 80G will have to apply for one time regularization of their registration by mode of online application on or before September 30, 2020.

► Reporting of donations by charitable trusts / institute:

Donations to charitable trusts who are eligible to issue certificate under Sec. 80G could be claimed by taxpayers as deductions, subject to conditions, from their income. There was no mechanism for the income tax authorities to cross check the authenticity of such claims. To bring in more transparency, Budget 2020 proposes to introduce reporting obligations on the charitable trusts/institutes who are eligible to issue Sec. 80G certificates. An online statements will have to be filed by charitable trusts/institutes disclosing details of donations received. This will enable auto populating of such donation details when the donor files his income tax returns. Delay in filing of donation statements will lead to penalty of Rs. 200 per day for the charitable trust/institution .

Key highlights

- Developers of affordable housing projects are eligible for 100% tax exemption for projects approved before March 31, 2021.
- Loans sanctioned before March 31, 2021 for affordable housing will be eligible for enhanced deduction of interest paid of up to Rs. 1.50 lakhs.
- Fair value to determine the cost of acquisition of immovable property acquired prior to April 1, 2001 will be limited to the stamp duty value of the property as on April 1, 2001.
- Safe harbour rules for stamp duty valuation has been relaxed by increasing it to 10% from the prevailing 5%.

Extending time limit for affordable housing projects

- Assessees engaged in developing and building affordable housing projects were permitted a tax deduction equal to 100% of their profits from such businesses. One of the conditions for availing this deduction was that the project had to be approved during the period between June 1, 2016 and March 31, 2020. In order to boost the supply of affordable housing, Budget 2020 proposes to incentivize such developers by extending the deadline for approval of such projects to March 31, 2021.

Benefits for loans taken for affordable housing

- Persons who had taken loans for purchase of residential house properties with stamp duty valuation not exceeding Rs. 45 lakhs were eligible for an additional deduction for interest of up to Rs. 1.50 lakhs paid on loans sanctioned between April 1, 2019 to March 31, 2020. It may be noted that this deduction was in addition to the regular deduction of up to Rs. 2 lakhs on account of interest paid on housing loans taken for purchase or construction of all types of residential properties. Budget 2020 proposes to continue to promote purchase of affordable housing by extending the sanction period to March 31, 2021.

Computation of cost of acquisition for capital gains

- The existing tax provisions permit the deduction of cost of acquisition while computing capital gains. However, for computing capital gains in respect of an asset acquired before April 1, 2001, the assessee has been allowed an option of either taking the fair market value of the asset as on April 1, 2001 or the actual cost of the asset as cost of acquisition. Budget 2020 proposes to limit the fair market value of the asset to the stamp duty value.

Increase in safe harbour limit for stamp duty valuation

- Under various tax provisions, if a person received an immovable property for a consideration which was lower than its stamp duty valuation, the shortfall would be subject to tax. However, a ‘safe harbour’ of 5% was provided, whereby a difference of up to 5% was accepted. This safe harbour limit has been increased to 10% from the prevailing 5%.

Key highlights

- To reduce litigation, fees for technical services will be subject to TDS of only 2% as opposed to the prevailing rate of 10%. Fees for professional services will continue to be subject to TDS of 10%.
- E-Commerce operators will now be required to deduct TDS of 1% while making payment to sellers of goods and services using their platform. Partial relief has been extended to individual sellers whose gross sales do not exceed Rs. 5 lakhs in a financial year.
- Authorised dealers through whom remittances are made under the LRS will have to collect TCS of 5% from the remitters for all remittances exceeding Rs. 7 lakhs in a financial year.
- TCS provisions have been extended to sellers of overseas tour packages and large sellers of goods.

Reducing the rate of TDS on fees for technical services

- Presently, TDS of 10% is required to be deducted under Sec. 194J of the IT Act on fees for professional services, or fees for technical services and royalty. On the other hand Sec. 194C of the IT Act requires deduction of TDS for work done in pursuance of a contract at 1% in the case of individuals and HUFs and 2% in all other cases. There is considerable litigation on the subject of short deduction where assesses have deducted TDS under Sec. 194C and the tax authorities are of the opinion that such payments would fall under 194J.

- To reduce litigation, Budget 2020 proposes to reduce the rate of TDS on fees for technical services to 2%, thus bringing it at par with Sec. 194C. 'Fees for technical services' includes managerial, technical or consultancy services. It may be noted that professional services such as legal, medical, engineering, architecture, etc. will continue to be subject to TDS of 10%.

TDS on E-commerce transactions

- E-commerce operators will now be required to deduct tax of 1% while making payments to sellers on their platforms for all goods and services sold through their platforms. However, individuals and HUFs are exempted from this provision, provided the gross amount of sales do not exceed Rs. 5 lakhs in a financial year.

Tax Collected at Source ('TCS') on foreign remittances through the Liberalised Remittance Scheme ('LRS')

- LRS is a much sought after scheme under which resident individuals could make foreign remittances for most legitimate purposes up to USD 250,000 in a financial year. Budget 2020 proposes to implement TCS on such transactions whereby, an authorised dealer receiving amounts aggregating to Rs. 7 lakhs or more in a financial year for remittances under LRS will have to collect TCS of 5% from the remitter. A separate return of TCS will to be filed quarterly in respect of such transactions.

TCS on overseas tour packages

- Budget 2020 proposes to require sellers of overseas tour packages to collect TCS of 5% from persons buying such packages. No threshold limit has been prescribed for this provision. Such transactions will have to be reported in the quarterly TCS return.

TCS on sale of goods

- Sellers whose turnover exceeds Rs. 10 crores in the preceding financial year would be required to collect TCS of 0.1% on consideration received from buyers in excess of Rs. 50 lakhs for sale of goods. As in the above cases, these transactions will have to be reported in the quarterly TCS return.

Key highlights

- Avoidance of TDS by abuse of exemptions provided in the definition of 'work' has been curtailed by suitably amending the definition. Now, contract manufacturers will be subject to TDS even if they procure raw materials from an associate of their customer.
- Tax liability on exercise of ESOPs have been deferred to as much as four years from the year in which ESOPs were exercised which will help in cash flow problems. Sale of the security or the date of discontinuation of employment are other trigger dates for taxation.
- Tax free limits for highly paid employees for contributions to various schemes by their employers were curtailed with a ceiling of Rs. 7.50 lakhs in a year.

Amendment of definition of 'work'

- The definition of 'work' is important since TDS provisions under Sec. 194C require deduction of TDS for work carried out in pursuance of a contract. This definition has excluded scenarios where a product is manufactured or supplied according to the specifications of a customer using material purchased from a person other than the customer. In the case of contract manufacturing, several businesses would abuse these provisions by supplying material to the contract manufacturer through a related party of the customer, thereby leading to revenue leakage. Budget 2020 proposes to plug this leak by extending the definition of work to cover scenarios even where raw materials are supplied to contract manufacturers by associates of its customer.

Deferring tax on income pertaining to Employee Stock Option Plans ('ESOP') of start-ups

- ESOPs are a common form of compensation for employees of start-ups to retain highly talented employees at a relatively low salaries. Such ESOPs are taxed at the following two points:
  - Tax on the perquisite value, i.e., the difference between the fair value and the issue price, when the employee exercises the ESOP;
  - Tax on capital gains, i.e., the issue price and the selling price, at the time of sale of shares.
- This present mechanism leads to a severe cash flow problem as compensation is received in kind and not in cash at the time of exercise of ESOPs. To ease the burden, Budget 2020 proposes to defer the tax liability to the earliest of the following:
  - 4 years from the end of the year in which the ESOPs were exercised;
  - Date of sale of the security;
  - Date when the employee discontinued employment with the issuer

Tax free limits for contributions to recognised provident funds, superannuation funds and national pension scheme

- Under the existing provisions, employers could contribute 12% of an employee's salary to a recognised provident fund, Rs. 150,000 to a superannuation fund and 10% of an employee's salary to the national pension scheme, which would be tax free in the hands of the employee. Thus, the present provisions unfairly favoured an employee with high salaries as opposed to an employee with a lower salary, but who was willing to let his employer contribute a large part of his salary to these schemes. Budget 2020 proposes to correct this by providing for a combined upper limit of Rs. 7.50 lakhs for tax free contributions by employers to such schemes. Contributions which are higher than this limit would be subject to tax in the hands of the employee.

Key highlights

- Appeals before the Commissioner of Income Tax (Appeals) will now be fully electronic without any person-to-person contact.
- The ITAT will now grant stay of demand of tax, interest or penalty only if the assessee deposits at least 20% of the amount demanded.
- Penalty proceedings will now be fully faceless with the implementation of the e-Penalty scheme.
- Stiff penalties for entering fake invoices into the books of account have been introduced which will be as much as the amount of the fake invoice.

e-Appeals

- The Income Tax Department has been promoting electronic modes of contact between them and the assessees. Filing of returns, processing of returns, issuance of refunds or demand notices and most recently, assessments, which used to require person-to-person contact between the tax payers and the Income Tax Department are all conducted through electronic modes. Similarly, filing of appeals before the Commissioner of Income Tax (Appeals) has already been enabled in an electronic mode. However, all other processes after the filing of the appeal, including the personal hearing, is neither electronic nor faceless.

- Budget 2020 proposes to implement a complete e-appeal scheme which will eliminate the interface between the Commissioner of Income Tax (Appeals) and also to introduce an appellate system with dynamic jurisdiction.

Clarity on stay by the Income Tax Appellate Tribunal ('ITAT')

- Budget 2020 proposes to clarify the grant of stay of demand of tax, interest and penalty by the ITAT by mandating that stay may be granted by the ITAT only if the assessee deposits at least 20% of the tax, interest or penalty. Further, the total stay granted by the ITAT cannot exceed 365 days.

e-Penalty proceedings

- Penalty proceedings require the assessee or his authorised representative to appear before the assessing officer. In line with the implementation of the e-Appeal system, Budget 2020 proposes to implement an e-Penalty system which will eliminate the interface between the assessing officer and the assessee during the course of proceedings. Further a mechanism of dynamic jurisdiction is also proposed.

Penalty for fake invoices

- To combat the scourge of fake invoices being entered in the books of account, Budget 2020 proposes to provide for a levy of penalty if false entries are found or entries relevant for the computation of income have been omitted to evade tax liability. The penalty shall be equal to the aggregate amount of false entries or omitted entries. Examples of false entries include:
    - forged or falsified documents such as a false invoice or, in general, a false piece of documentary evidence; or
    - invoices issued without actual supply or receipt of goods or services; or
    - invoices from a person who does not exist.

Key highlights

- Amnesty scheme for resolving direct tax disputes proposed.
- Taxpayer utopia has been promised through a taxpayer's charter which will bring an end to harassment by the Income Tax authorities.

'Vivad Se Vishwas'– Direct tax amnesty scheme

- After the success of the Sabkha Vishwas (Legacy Dispute Resolution) Scheme, 2019 to resolve indirect tax disputes, the government has announced a similar programme to settle litigation in direct taxes where interest and penalties of taxpayers will be waived if they remit the entire tax due before March 31, 2020. The scheme will remain open till June 30, 2020, and those who avail of it after March 31 will have to pay some additional amount which will be notified later. Key highlights of this scheme are:
    - Complete waiver of interest and penalty
    - Tax demanded and under dispute to be settled in full
    - Order passed upon opting for this scheme will be considered as full and final settlement of the litigation

  The rules and regulations under this scheme are yet to be published.

Taxpayer's Charter

- Budget 2020 has promised that a 'Taxpayer's Charter' would be enshrined in the IT Act which would lay down a charter of rights for a taxpayer, thereby protecting him from harassment by the Income Tax authorities.

Indirect taxation

Key highlights

- IGST credit needs to be fully utilised before utilising CGST and SGST credits. IGST credit has to be first utilised for IGST liability.
- ITC was restricted to 120% of eligible credits available on the GST portal. This cap was further reduced to 110% in January 2020.
- From April 2020, a simple Form GST RET-1 with two annexures will replace the multiple returns currently filed.
- Registered persons with aggregate turnover not exceeding Rs. 2 crores are not required to file annual returns for FY 2017-18 and FY 2018-19.
- E-way bill facility will be blocked if Form GSTR-1 is not filed for two tax periods.
- Form GST-ITC 04 not required to be filed for the period July 2017 till March 2019.
- Consolidated debit / credit notes can be issued in respect of multiple invoices.

Recent amendments in GST

Input tax credit ('ITC')

- The manner in which ITC can be utilized by a registered person was amended. Due to the amendment, the credit of Integrated Goods & Services Tax ('IGST') needs to utilized first fully for the payment of IGST liability. Balance of the IGST credit if any may be used against Central Goods & Services Tax ('CGST') and State Goods & Services Tax ('SGST') in any order and in any proportion. Credit of CGST and SGST can be used only after exhausting the IGST credit available with a registered person.
- New restriction on availing ITC has been introduced. This new provision restricts the amount of ITC available to a registered person. The restriction is to the extent of 120% of the eligible ITC listed in GST Portal. It was made applicable for the ITC to be availed after October 9, 2019. This cap was further reduced to 110% with effect from January 1, 2020.

New GST return system and annual return

- Under the new GST return system, there is one main return called Form GST RET-1, which will contain details of all supplies made, input tax credit availed, and payment of taxes, along with interest, if any. This return will have two annexures called Form GST ANX-1 and Form GST ANX-2.
- These new forms will be applicable from the tax period commencing from April 1, 2020. The new forms will replace the existing forms such as GSTR-1, 3B, 4, 6, 7 etc. thereby simplifying the return filing process.
- Regarding filing of annual returns for FY 2017-18 and FY 2018-19, it was notified that in case of those registered persons whose aggregate turnover in a financial year does not exceed Rs. 2 crores and who have not furnished the annual return, are not mandatorily required to furnish the same.
- The e-way bill facility will be blocked for taxpayers who have not filed GSTR-1 for two tax periods. Earlier, this restriction was applicable only for non-filers of GSTR-3B. This restriction is effective from January 11, 2020.
- The requirement to file quarterly Form GST-ITC-04 in respect of goods sent to job worker was waived for the period July 2017 till March 2019. This form is required to furnish details of challans in respect of goods sent to job worker or received back from him or sent from one job worker to another during a quarter.
- Issue of consolidated debit / credit note is allowed in respect of multiple invoices issued in a financial year rather than single debit / credit note in respect of each invoice.

Key highlights

- Subject to various conditions, threshold limit GST registration for supplier engaged only in supply of goods has been increased to Rs. 40 lakhs from the normal limit of Rs. 20 lakhs.
- Composition dealers can now supply services subject to limits.
- Alternative composition scheme has been introduced for suppliers not eligible for earlier composition scheme.
- Manufacturers of aerated water now cannot avail benefit of composition scheme.
- Multiple GST registrations for each place of business within a state are now allowed.
- Renting of motor vehicles by any person other than a body corporate to a body corporate, subject to conditions, is liable for reverse charge.

Recent amendments in GST (Contd.)

Increase in threshold for GST registration and composition scheme

- Threshold limit for GST registration was enhanced to Rs. 40 lakhs in case of supplier engaged only in supply of goods. This exemption from GST registration is subject to various conditions, inter alia, he is not making any inter-state supply, he is not a non-resident taxable person, etc. However, it may be noted that Kerala has not opted for the higher threshold limit of Rs. 40 lakhs and continued with the original limit of Rs. 20 lakhs.
- Composition dealers are allowed to supply services to the extent higher of 10% of the turnover in the preceding financial year or Rs. 5 lakhs.
- An alternative composition scheme was introduced for certain suppliers (not eligible for the earlier composition scheme) having annual turnover of upto Rs. 50 lakhs. Rate of GST shall not exceed 3% (effective rate 6%) in such cases.
- With effect from October 1, 2019, manufacturers of aerated water were excluded from availing of the benefit of composition scheme.
- Multiple GST registrations within same state for each place of business has been allowed. The concept of business vertical is done away with.
- Aadhaar based authentication has been introduced for every registered person or any taxpayer while obtaining GST registration.

Reverse charge on renting of motor vehicles

- Services provided by way of renting of motor vehicle provided to a body corporate, was notified as liable to reverse charge. In order to attract reverse charge, the supplier should be any person other than a body corporate paying central tax at the rate of 2.5% on renting of motor vehicles, with input tax credit only of input service in the same line of business. Recipient should be a body corporate located in the taxable territory.
- A clarificatory amendment was issued in December 2019 to make it certain that reverse charge on renting of motor vehicle will apply only when the service provider (other than a body corporate), making supply to a body corporate does not issue an invoice charging GST of 12% (with ITC).

Key highlights

- Invoice issued by suppliers having aggregate turnover exceeding Rs. 500 crores are required to contain QR codes.
- E-invoice is mandatory for registered persons having aggregate turnover in excess of Rs. 100 Crores.
- Alcoholic licence fees issued by State Governments will not constitute a supply and therefore will not be subject to GST under the reverse charge mechanism.
- GST rates have been slashed to 5% for electrically operated vehicles and its chargers.

Recent amendments in GST (Contd.)

Issuance of invoice

- With effect from April 1, 2020, an invoice issued by a registered person, whose aggregate turnover in a financial year exceeds Rs. 500 crores, to an unregistered person, shall have a Quick Response ('QR') code.
- With respect to issuance of e-invoice, it was notified that a registered person who is having aggregate turnover in excess of Rs. 100 Crores is required to issue e-invoice with effect from April 1, 2020.

Grant of alcoholic liquor licence by State Governments

- It was notified in September 2019 that grant of alcoholic liquor licence by State Governments against payment of licence fee or application fee, shall be treated neither as a supply of goods nor a supply of service. In effect, persons who had obtained alcoholic liquor licences were no longer required to remit GST under the reverse charge mechanism as was ordinarily applicable to services provided by the government.

GST rate of Electric Vehicles ('EVs') reduced

- With effect from August 1, 2019, the effective rate of GST on electrically operated vehicles was reduced to 5% from the then existing 12%. Similarly, the rate of GST on EV chargers were also reduced to 5% from the then existing 18%.

Key highlights

- Customs duties for various items have been increased.
- BCD in case of shelled walnuts registered the highest increase of 70% increasing it to 100% duty.
- BCD on toys also found an increase of 40% making it leviable at 60%

Changes in BCD

- Following are the important items for which Budget 2020 has changed Basic Customs Duty:

Item	Existing	Proposed
Shelled walnuts	30%	100%
Pure-bred breeding horses	30%	Nil
Ceramic table- ware, kitchen-ware, clay articles and other household articles	10%	20%
Household appliances such as ceiling fans, food grinders, coffee and tea makers, etc.	10%	20%
Compressor of refrigerator and air conditioner	10%	12.5%
Industrial fans blowers and similar blowers	7.5%	10%
Commercial type combined refrigerator freezers, fitted with separate external doors	7.5%	15%
Heat pumps other than ac machines	7.5%	15%
Water cooler	10%	15%
Welding and plasma cutting machines	7.5%	10%
Catalytic convertor for automobiles	10%	15%
Toys such as tricycles, scooters, pedal-cars and similar wheeled-toys, puzzles etc.	20%	60%
Stationery items such as filing cabinets, card-index cabinets, paper-trays, paper rests, pen trays etc.	10%	20%
Artificial flowers	10%	20%
Newsprint and uncoated paper used for printing newspaper, if the importer, at the time of import is an establishment registered with the Registrar of Newspapers, India (RNI)	10%	5%
Gold used in the manufacture of semiconductor devices or light emitting diodes	Nil	12.5%
Coins made of precious metals	10%	12.5%
Rubies, emeralds, sapphires – unset and imported uncut, Rough coloured gemstones and semi-precious stones	Nil	0.5%

Key highlights

- BCD on vehicles imported under various forms such as CBU, CKD, SKD etc. are proposed to be increased.
- Mobile phone parts used in manufacturing/repairs are also proposed to be increased.

Changes in BCD (contd.)

Item	Existing	Proposed
Completely Built Units (CBUs) of commercial vehicles (other than electric vehicles) (w.e.f. 01.04.2020)	30%	40%
Completely Built Units (CBUs) of commercial electric vehicles (w.e.f. 01.04.2020)	25%	40%
Semi Knocked Down (SKD) forms of electric passenger Vehicles (w.e.f. 01.04.2020)	15%	30%
Semi Knocked Down (SKD) forms of electric vehicles-Bus, Trucks and Two wheelers (w.e.f. 01.04.2020)	15%	25%
Completely Knocked Down (CKD) forms of electric vehicles -Passenger vehicles, Three wheelers, Two wheelers, Bus and Trucks (w.e.f. 01.04.2020)	10%	15%
Display Panel and Touch Assembly of Cellular mobile phones (with effect from 01.10.2020)	Nil	10%
Vibrator/Ringer of Cellular mobile phones (with effect from 01.04.2020)	Nil	10%
Fingerprint readers for use in Cellular mobile phones	Nil	10%
PCBA of Cellular mobile phones (with effect from 01.04.2020)	10%	20%
Defence equipment and their parts	Applicable rates	Nil

The impact of Budget 2020 on key sectors are as follows:

- The proposed changes is mainly to promote indigenous manufacture and production of articles in sectors such as automobiles, cellular mobile phones, machinery etc. The major industries affected by the rate change are:

Automobiles:

- Completely Built Units of electric and non-electric commercial vehicles are to be subjected to higher rate of duty at 40% whereas Semi Knocked Down forms of passenger electric vehicles and other electric vehicles and Completely Knocked Down forms of electric vehicles are to be subjected to higher rate of duty at 30%, 25% and 15% respectively. This measure is aimed at indigenous manufacture of electric vehicles in order to promote domestic automobile industry.

- However, social welfare surcharge on all commercial vehicles (including electric vehicles), if imported or completely built unit ('CBU') have been exempted.

Key highlights

- Food processing industry witnessed the highest increase in duty owing to 70% increase in duty on shelled walnuts.
- Basic Excise Duty on various types of tobacco products are proposed to be increased.

Changes in BCD (contd.)

Defence:

- Considering it as a national priority, imports of defence equipment that are not manufactured in India have been exempted from the basic customs duty.

Newspaper:

- The duty for newsprint was increased to 10% in Budget 2019 from nil rate. This rate is now reduced to 5% in Budget 2020 in order to meet the increasing demand of newsprint within the country.

Mobile phone:

- The duty for parts used in manufacturing mobile phones are proposed to be increased to 10% and 20% depending on the parts. Overall, an increase of 10% from the existing rates were made by Budget 2020. This will have an adverse impact on domestic manufacture of mobile phones. Further, repairs of mobile phones will also become increasingly expensive.

Food processing:

- The food processing industry witnessed the highest increase in duty. The basic customs duty on shelled walnuts is proposed to be increased to 100% from the existing rate of 30%, thereby registering an increase of 70%. This measure is aimed at promoting the preference for local production.

- However, social welfare surcharge is proposed to be exempted for walnuts in shell and shelled form.

Effective date of changes in BCD

- Except in those cases specifically mentioned in the table given earlier, the changes in BCD are to be made effective from February 2, 2020.

Changes in Excise Duty

- Basic Excise Duty was increased in case of cigarettes – filtered and other types, tobacco substitutes, Hookah, chewing tobacco, tobacco extracts and the like.

Ready Reckoner

- Key TDS rates
- Reverse charge mechanism under GST
- Quoting of PAN
- Reporting financial transaction
- Compliance calendar

Key TDS Rates

► In the following table, the key rates applicable for tax withholding have been provided:

Section	Nature of payment	Cut-off amount (INR)	Rate % (Individual)	Rate % (Others)
194	Dividend	5,000	10%	10%
194A	Interest other than interest on security (by bank)	40,000	10%	10%
194A	Interest other than interest on securities (by others)	5,000	10%	10%
194C	Contracts	30,000	1%	2%
194H	Commission or brokerage	15,000	5%	5%
194I	Rent (Land / building / furniture)	2,40,000	10%	10%
194I	Rent (plant & machinery / equipment)	2,40,000	2%	2%
194IA	Consideration for transfer of immovable property	50,00,000	1%	1%
194IB	Rent paid by individual / HUF not subject to tax audit	50,000 per month	5%	5%
194IC	Payment under joint development agreement to resident individual who transfers land / building	Nil	10%	NA
194J	Professional / Royalty / Non-compete fee	30,000	10%	10%
194J	Technical service (not being a professional service)	30,000	2%	2%
194J(1)(ba)	Any remuneration or commission paid to director of the company (other than those covered under Sec. 192)	-	10%	10%
194M	Contracts / professional charges / paid by individual / HUF not subject to tax audit	50,00,000	5%	5%
194N	Cash withdrawals (from bank, co-operative bank, post office)	Withdrawals in excess of Rs. 1 crore a year	2%	2%
194O	Consideration paid by e-commerce operator for sale of goods or provision of services through its platform	5,00,000 (Individual)	1%	1%

Key TDS Rates – Continued

Section	Nature of payment	Cut-off amount (INR)	Rate % (Individual)	Rate % (Others)
195	Non Residents	TDS is to be deducted on a case to case basis, at rates to be determined based on DTAA or Income Tax Act, whichever is beneficial and also subject to certain conditions		

Notes

- **Sec. 194C**: Where the aggregate of the amounts paid / credited or likely to be paid / credited to a contactor exceeds INR 100,000 during the financial year, TDS has to be deducted.
- **No PAN for the payee**: TDS of 20% has to be deducted if the deductee does not furnish his PAN.
- **No TDS on goods transport**: No deduction shall be made from any sum credited or paid to the account of a contractor during the course of business of plying, hiring or leasing goods carriages if he furnishes declaration that he owns not more than 10 goods carriage vehicles and also furnishes his PAN, to the person paying or crediting such sum.

Key TCS Rates

- Tax is to be collected at source by sellers at the time of making specified sales to their customers. Seller will have to collect tax at source from the customers at the prescribed rates and remit it to the government on or before the 7th of the following month. Separate returns on quarterly basis will have to be submitted to the department.

Section	Nature of receipt	Cut-off amount (INR)	Rate %
206C(1)	Alcoholic liquor for human consumption	Nil	1%
206C(1)	Tendu leaves	Nil	5%
206C(1)	Timber	Nil	2.5%
206C(1)	Waste and scrap from the manufacture or mechanical working of materials	Nil	1%
206C(1F)	Sale of motor vehicle	10,00,000	1%
206C(1G)(a)	Authorized dealer receiving amounts to be remitted outside India under the Liberalised Remittance Scheme ('LRS') of RBI	7,00,000	5%
206C(1G)(b)	Seller of overseas tour package which offers visit to a country outside India including travel and hotel stay	Nil	5%
206C(1H)	Sale of goods by persons whose turnover exceeds Rs. 10 crores in the preceding financial year	50,00,000	0.1%

Furnishing of statement of financial transactions

Prescribed class of persons will have to furnish details of certain financial transaction entered by them during the year with the Income Tax Department. The list of some of these transactions which has to be reported by persons/entities are given below:

Class of persons	Nature of transactions	Value of transaction
Any entity/person who is liable for audit under IT Act	Receipt of cash against sale of goods or services	Cash payments exceeding Rs. 2,00,000/- in a year
Company or institution issuing bonds or debentures	Receipt from any person for acquiring bonds or debentures issued by the company or institution	Aggregating to Rs. 10,00,000/- or more in a year
Company	Receipt from any person for acquiring shares issued by the company	Aggregating to Rs. 10,00,000/- or more in a year
Company listed in a stock exchange	Buy back of shares from any person (other than the shares bought in the open market)	Aggregating to Rs. 10,00,000/- or more in a year
Authorized dealer in foreign exchange	Receipt from any person for sale of foreign currency including credit of such currency to foreign exchange card or expense in such currency through a debit or credit card or through issue of travellers cheque or draft or any other instrument	Aggregating to Rs. 10,00,000/- or more in a year
Registrar or sub-registrar	Sale or purchase of any immovable property	Payments/value as per stamp valuation exceeding Rs. 30,00,000/-

Annual reporting of transactions in Form 61A

All transactions covered under the various provisions mentioned in the above table will have to be reported to the Income Tax Department. The reporting will be done electronically in Form 61A. Form 61A will have to be furnished on or before 31st May each year. Non filing will lead to a penalty of Rs. 500 per day.

Mandatory modes of electronic payment

With effect from January 1, 2020, entities with turnover exceeding Rs. 50 crores will have to mandatorily provide the following prescribed electronic modes of payment

- Debit Card powered by RuPay
- Unified Payments Interface (UPI) (BHIM-UPI)
- Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code)

With effect from February 1, 2020, a penalty of Rs. 5,000 per day will be leviable to entities which fail to provide the above three facilities for electronic modes of payment.

Ready Reckoner: Quoting of PAN

Transactions in relation to which permanent account number is to be quoted in documents

Every person should quote their PAN in all documents pertaining to transactions prescribed. List of such transactions are as below:

Nature of transaction	Value of transaction
Sale / purchase of motor vehicle	All transactions
Application for opening bank account	All transactions
Application for credit / debit cards	All transactions
Opening DEMAT account with depositor	All transactions
Payment to a hotel or restaurant against a bill or bills at any one time	Cash payments exceeding Rs. 50,000
Payments in connection for travelling to a foreign country including purchase of foreign currency	Cash payments exceeding Rs. 50,000
Purchase of mutual fund units	All payments exceeding Rs. 50,000
Purchase of debentures and bonds in a company or an institution	All payments exceeding Rs. 50,000
Payment to the Reserve Bank of India, for acquiring bonds issued by it.	All payments exceeding Rs. 50,000
Deposit with a banking company or a co-operative bank	Cash payments exceeding Rs. 50,000
Purchase of bank drafts or pay orders or bankers' cheques	Cash payments exceeding Rs. 50,000
Fixed deposits with banks, post office, NBFC's and Nidhi Companies	Payments exceeding Rs. 50,000 or aggregating to more than Rs. 5,00,000 during a financial year
Payment for one or more pre-paid payment instruments, to a banking company or a co-operative bank	Amounts aggregating to more than Rs. 50,000 during a financial year
Life insurance premium paid	Amounts aggregating to more than Rs. 50,000 during a financial year
Sale or purchase, by any person, of shares of an unlisted company	Payments exceeding Rs. 1,00,000 per transaction
Sale or purchase of securities other than shares	Payments exceeding Rs. 1,00,000 per transaction
Sale or purchase of immovable property	Payments / value as per stamp valuation exceeding Rs. 10,00,000
Any other sale or purchase, by any person, of goods or services	Amount exceeding Rs. 2,00,000 per transaction

Form 60

Any person entering into any transaction referred in the above table and raising bills should ensure that the PAN has been correctly furnished and the same has been mentioned in the document. In case the PAN is not available then a declaration to that extend should be obtained in Form 60.

Details of declarations received in Form 60 needs to be filed with the Income Tax Department on half yearly basis by 31st October and by 30th April each year in Form 61.

Reverse charge mechanism under GST

- Under the normal taxation regime, the supplier collects the tax from the buyer and deposits the same after adjusting the output tax liability with the input tax credit available. But under the reverse charge mechanism, the liability to pay tax shifts from the supplier to the recipient.
- Unlike Service Tax, there is no concept of partial reverse charge. The recipient has to pay 100% tax on the supply.
- The liability for remittance of GST under the reverse charge mechanism by the recipient arises in the following scenarios:

Description of service
Legal services provided by an advocate or a firm of advocates
Services provided by a goods transport agency in respect of transportation of goods by road
Services supplied by an arbitral tribunal to a business entity
Services provided by way of sponsorship to any body corporate or partnership firm
Services supplied by an insurance agent to any person carrying on insurance business
Support services provided by Government / local authority in relation to (1) renting of immovable property (2) other specified services (postal service, transportation of goods or passengers, services in relation to aircrafts or vessels)
Services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company
Supply of security services by non-corporate to a registered person [with effect from January 1, 2019]
Supply of specified categories of goods and services to notified classes of registered persons [such categories of goods and services and classes of registered persons are yet to be notified]
Services supplied through an E-commerce operator
Services supplied by a directors of a company or a body corporate
Services of lending of securities under Securities Lending Scheme, 1997 of SEBI
Services provided by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient, provided to a body corporate.
Services supplied by any person by way of transfer of development rights for construction of project by a promoter

2020 April

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1	2	3	4
5	6	7 Equalisation Levy payment	8	9	10 GSTR-7 GSTR-8	11 GSTR-1
12	13 GSTR-6	14	15 PF, ESIC	16	17	18 GSTR-4 (JAN-MAR)
19	20 GSTR-3B	21	22	23	24	25
26	27	28	29	30 GSTR-1 * TDS Payment for March 2020		

* for registered person having aggregate turnover upto Rs. 1.50 crores in preceding FY/current FY

2020 May

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1	2
3	4	5	6	7 TDS PAYMENT, EQUALISATION LEVY	8	9
10	11 GST ANX-1	12	13	14	15 PF, ESIC	16
17	18	19	20 GST RET-01 GST PMT-08	21	22	23
24	25	26	27	28	29	30 LLP Form - 11
31 TDS RETURN (JAN-MAR)						

Compliance Calendar

2020 June

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4	5	6
7 **TDS PAYMENT, EQUALISATION LEVY**	8	9	10	11 **GST ANX-1**	12	13
14	15 **PF, ESIC Advance Tax A.Y 21-22**	16	17	18	19	20 **GST RET-01 GST PMT-08**
21	22	23	24	25	26	27
28	29	30 **DPT-3 Annual Return Form-1 Equalisation Levy Statement**				

2020 July

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1	2	3	4
5	6	7 **TDS PAYMENT, EQUALISATION LEVY**	8	9	10	11 **GST ANX-1**
12	13	14	15 **PF ESIC**	16	17	18 **GSTR-4 (APRIL-JUN)**
19	20 **GST RET-01 GST PMT-08**	21	22	23	24	25
26	27	28	29	30	31 **TDS RETURN (APR-JUN), IT RETURN FOR A.Y(20-21)**	

2020 August

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3	4	5	6	7 Tds Payment, Equalisation Levy	8
9	10	11 GST ANX-1	12	13	14	15 PF ESIC
16	17	18	19	20 GST RET-01 GST PMT-08	21	22
23	24	25	26	27	28	29
30	31 PT(HALF YEARLY)					

2020 September

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2	3	4	5
6	7 Tds Payment, Equalisation Levy	8	9	10	11 GST ANX-1	12
13	14	15 PF, ESIC Advance Tax A.Y 21-22	16	17	18	19
20 GST RET-01 GST PMT-08	21	22	23	24	25	26
27	28	29	30 INCOME TAX RETURN FOR A.Y(20-21)			

Compliance Calendar

2020 October

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1	2	3
4	5	6	7 **Tds Payment, Equalisation Levy**	8	9	10
11 **GST ANX-1**	12	13	14	15 **PF ESIC**	16	17
18 **GSTR-4 (JULY-SEPT)**	19	20 **GST RET-01 GST PMT-08**	21	22	23	24
25	26	27	28	29	30 **LLP-Form 8 Last date for AOC 4**	31 **TDS RETURN (JULY-SEP)**

2020 November

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7 **Tds Payment, Equalisation Levy**
8	9	10	11 **GST ANX-1**	12	13	14
15 **PF ESIC**	16	17	18	19	20 **GST RET-01 GST PMT-08**	21
22	23	24	25	26	27	28
29 **Last date for filing MGT 7**	30 **INCOME TAX RETURN FOR A.Y(20-21) - Transfer pricing cases**					

2020 December

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2	3	4	5
6	7 **TDS PAYMENT, EQUALISATION LEVY**	8	9	10	11 **GST ANX-1**	12
13	14	15 **PF, ESIC Advance Tax (A.Y 21-22)**	16	17	18	19
20 **GST RET-01 GST PMT-08**	21	22	23	24	25	26
27	28	29	30	31 **GSTR- 9 (ANNUAL) GSTR-9A (COMPOSITION)**		

2021 January

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1	2
3	4	5	6	7 **TDS PAYMENT, EQUALISATION LEVY**	8	9
10	11 **GST ANX-1**	12	13	14	15 **PF ESIC**	16
17	18 **GSTR-4 (OCT-DEC)**	19	20 **GST RET-01 GST PMT-08**	21	22	23
24	25	26	27	28	29	30
31 **TDS RETURN (OCT-DEC)**						

2021 February

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4	5	6
7 **TDS PAYMENT, EQUALISATION LEVY**	8	9	10	11 **GST ANX-1**	12	13
14	15 **PF ESIC**	16	17	18	19	20 **GST RET-01 GST PMT-08**
21	22	23	24	25	26	27
28 **PT(HALF YEARLY)**						

2021 March

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4	5	6
7 **TDS PAYMENT, EQUALISATION LEVY**	8	9	10	11 **GST ANX-1**	12	13
14	15 **PF ESIC Advance Tax (A.Y 21-22)**	16	17	18	19	20 **GST RET-01 GST PMT-08**
21	22	23	24	25	26	27
28	29	30	31			

Notice to the reader & Glossary

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We have used the following sources while preparing this document

1. The Finance Bill, 2020
2. The Finance Minister's Budget speech, February 1, 2020
3. Various notifications issued by the Central Board of Indirect Taxes & Customs

Glossary

AOP	: Association of Persons
AY	: Assessment Year
BCD	: Basic Customs Duty
BOI	: Body of Individuals
Budget 2020	: Union Budget for 2020 - 21
CBU	: Completely Built Unit
CKD	: Completely Knocked Down
CGST	: Central Goods & Services Tax
Crores	: Ten millions
DDT	: Dividend Distribution Tax
DTAA	: Double Taxation Avoidance Agreement
ESIC	: Employee State Insurance Corporation
ESOP	: Employee Stock Option Plan
EV	: Electric Vehicles
FY	: Financial Year
GJA	: G. Joseph & Associates
GST	: Goods & Service Tax
HRA	: House Rent Allowance
HUF	: Hindu Undivided Family
IGST	: Integrated Goods & Services Tax
INR /Rs.	: Indian Rupee
ITAT	: Income Tax Appellate Tribunal
IT Act	: Income-tax Act, 1961
ITC	: Input Tax Credit
Lakhs	: Hundred thousands
LLP	: Limited Liability Partnership
LRS	: Liberalised Remittance Scheme
MAT	: Minimum Alternate Tax
NPS	: National Pension Scheme
NRI	: Non Resident Indian
PAN	: Permanent Account Number
PF	: Provident Fund
QR Code	: Quick Response Code
RBI	: Reserve Bank of India
RCM	: Reverse charge mechanism
SEBI	: Securities & Exchange Board of India
SEZ	: Special Economic Zone
SGST	: State Goods & Services Tax
SKD	: Semi Knocked Down
TAN	: Tax deduction Account Number
TCS	: Tax Collected at Source
TDS	: Tax Deducted at Source
UPI	: Unified Payments Interface
u/s	: Under Section