



An IMPACT ANALYSIS

This is a gist of some of the key amendments proposed in the Finance Bill 2020. We recommend that you seek suitable professional advice before acting on them.

These Amendments generally apply to income earned from 1st April 2020

On Personal Taxes

Tax rates for Individuals and HUFs have been reduced – provided the assessee claims no deductions such as PPF/LIC etc u/s 80C; Pension Deductions u/s 80CCA; Medclaim u/s 80D; Donations u/s 80G; Bank Interest u/s 80TTA; Losses under the head Property Income from Housing Loans or exemptions such as HRA, LTA, Standard Deduction etc. from Salaries.

If a person so opts to give up benefits, the tax rates will be as per the following slabs:

2.50 – 5 lakhs	5% ;	5 – 7.50 Lakhs	10% ;	7.50 – 10 lakhs	15%
10 – 12.50 lakhs	20% ;	12.50– 15 lakhs	25% ;	15 lakhs Plus	30%

For an assessee having business income, this option once exercised will apply till business income continues and if opted out then an opting in will never be permitted.

For an assessee NOT having business income, this option has to be exercised annually.

On Employees

Any contribution to a recognized Provident Fund, approved Superannuation Fund, Pension Scheme by an employer shall be exempt only to the extent of aggregate Rs. 750,000 in a year. The rest will be taxable. Proportionate Interest earned on these contributions also shall be taxable.

On Businesses

A Business having a turnover in excess of Rs. 10 crores, shall be liable to collect a TCS of 0.1% on sales consideration received in excess of Rs. 50 lakhs from each buyer in the year. If the buyer does not have a PAN, the TCS shall be collected at 1%.

A Tax Audit for year ended March 2020 will be needed only if turnover exceeds Rs. 5 crores (earlier 1 crore) – provided cash sales do not exceed 5% of total sales and cash payments do not exceed 5% of total payments in the year. An Individual / HUF who does not have to get a Tax Audit done due to the enhanced limits will still need to do TDS so long as turnover exceeds Rs. 1 crore. There is no change in Tax Audit limits for Professionals though.

The 30th September due dates for filing returns extended to 31st October – and will now apply to even Non Working partners. The Tax audit report though will have to be furnished by 30th September.

Businesses selling through an e commerce platform could be subjected to a 1% TDS on sales made.

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On Investment Income

Dividend declared after 31.3.2020 will be taxable in the hands of the recipient (instead of the company / Mutual Fund paying a Dividend Distribution Tax).

A deduction u/s 80M will be given to a domestic company from tax on dividend to the extent that it declares dividend at any time before 1 month from the due date of filing the return.

The only expense that can be claimed against dividend income will be Interest and will be restricted to 20% of taxable dividend income in the year.

There will be a 10% TDS on dividends paid by companies/ funds in excess of Rs. 5000/-

On Eligible Start Ups

Profits will be exempt for consecutive 3 years in a Block of 10 years (earlier 7 years).

Profits will be exempted provided turnover does not exceed Rs. 100 crores (Earlier Rs. 25 crores).

Employee Stock Options – ESOPs – allotted will be subjected to TDS not on allotment but at the end of 4 years or if the employee leaves prior to that or encashes the options prior to that.

On Property Transactions

Difference between Transacted price and Stamp Duty Valuation will be permitted upto 10% (earlier 5%).

Fair Market Value as of 1.4.2001 will not be permitted to be taken at higher than the Stamp Duty Valuation on that date.

On Remittances / Expenses incurred

If a remittance is made in excess of Rs. 700,000 in a year, the bank will do a TCS of 5% of the amount remitted and the remitter can claim credit for the same in the return of income.

If an overseas tour program package is booked, TCS of 5% will be done thereon by the tour operator, the transactions will get reported and the spender can claim credit for the same in the return of income.

On Non Residents/ Foreign Companies

The conditions for an Individual or HUF to be treated as Non-Resident have changed. For those who live outside India, they will now become Residents if their stay in India in a year exceeds 120 days (earlier 182 days).

Also an Indian Citizen who is not treated as a resident in any other country will be a deemed resident of India.

Not Ordinarily Resident Indians will now be persons who are Non-Residents for 7 out of 10 years.

A Foreign Company earning Royalty / Fee for Technical Services / Dividends will have the option of not filing a tax return provided TDS has been correctly done on the said income.

A Draft Assessment order can now be passed even for a Non Resident not being just foreign company.

On Charities

Charities registered u/s 12A will need to re-obtain registration which will be valid for a period of 5 years only and renewable thereafter. Registrations u/s 80G shall also be re-obtained and be valid for 5 years only.

A Trust shall have to file a statement of donations eligible for deduction u/s 80G – and only then will the donor get a deduction.

On Co-operative Societies

TDS will henceforth be done on Interest earned from a Co-operative Society whose turnover exceeds Rs. 50 crores and the interest paid exceeds Rs. 50,000 for a Senior Citizen and Rs. 40,000 to all others.

A Co-operative Society can opt for a tax rate of 22% instead of 30% if it foregoes all other deductions such as 80P.

On Tax Administration

Appeals and Penalty proceedings will also be done in a faceless manner once a Scheme is notified to that effect.

On Past Litigation under Income Tax

A Vivad se Vishwas Scheme will be launched to end past litigation. If the tax is paid by 31st March 2020 and appeal withdrawn then interest and penalty will be waived. For appeals withdrawn between 1st April 2020 and 30th June 2020, some further amount may need to be paid as well.

February 1st 2020

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