

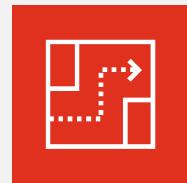
Union Budget

2020-21

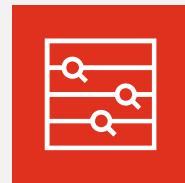
Rebuilding momentum



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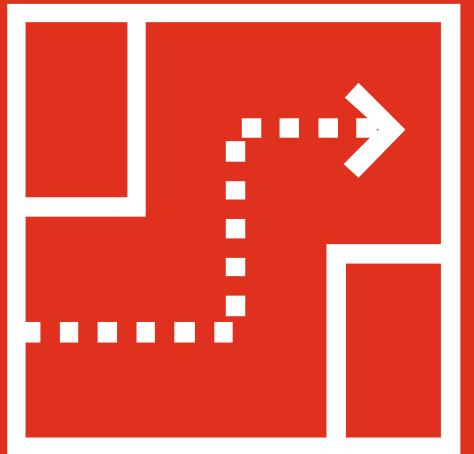
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Glossary

Section 1

Introduction



Introduction



The Indian sentiments on growth mirroring the global pessimism and manifested through distress in the financial sector, lower GST collections and strain on the fiscal deficit was the backdrop in which the Finance Minister tabled the budget proposals for FY 2020-21. While it seemed that the low GDP estimate of 5% for FY 2019–20 would pose a challenge to India's goal of becoming a USD 5 trillion economy by 2024, the Finance Minister's budget announcements appear to be aimed at balancing growth aspirations and fiscal pragmatism. Considering the scale and sweep of challenges faced by the Government, the Finance Minister has done a commendable act in keeping the fiscal deficit at 3.8% in FY20 and projecting it at 3.5% for FY21, considering the expenditure expectations on the infrastructure and the social sectors. Though, the impact of the proposals and announcements would be better understood as the fine print is deciphered, directionally, they are likely to aid consumption and job creation.

The Finance Minister has placed significant emphasis on agriculture, wellness and education. These three areas have huge potential to impact the lives of a large part of the population. Accordingly, the 16-point agenda for the agriculture sector, viability gap funding for PPP hospitals and the new education policy with likely changes in the FDI rules are the key ingredients of the budget that would facilitate job creation and skill development.

There is also a strong message towards gaining people's confidence and trust through assurance about the stability of the banking system, making proposals like decriminalising the Companies Act, relooking at other laws, fine-tuning the Contract Act, increasing the deposit insurance and creating a taxpayers' charter in the statute to prevent harassment.

Recognising urban centres as the growth engines and giving importance to the role of the private sector, there are proposals to develop five smart cities, promoting electronics manufacturing, solar infrastructure, more trains, more airports and data centre parks under the PPP mode.

The tax proposals in the budget are directed towards creating trust, bringing in certainty, attracting investments and in reducing litigation. The key features of the tax proposals that deserve a special mention are reduction of tax rates for individual taxpayers in lower income range, the much-awaited abolition of dividend distribution tax, breather to start-ups, tax exemption on dividends, interest and capital gains investments by sovereign wealth funds, extension of the

concessional tax regime to power generation companies, introduction of safe harbour and APA to attribute profits to permanent establishments, harnessing technology by enabling faceless appeals, relaxing compliances for MSMEs and the tax litigation settlement scheme.

At the same time, the Finance Minister has sought to bring in balance by making some proposals towards increasing the tax base by introducing TDS on e-commerce platforms, TCS on repatriation of money under the LRS and expanding the scope of tax residency. Some key expectations that did not make it in the Finance Bill are the removal of capital gains tax on listed securities and extending the SEZ exemption regime.

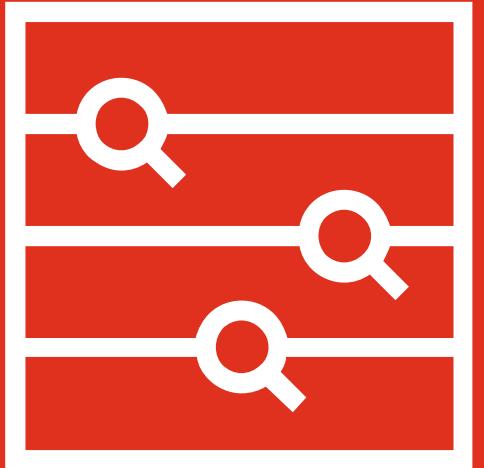
On the indirect tax front, the development of an ecosystem for availing online refund of duties will provide relief to the exporters. Besides, a rejig of customs duty has been proposed, with import duties on medical devices, footwear, furniture and commercial vehicles are set to be increased, and duty on road infrastructure related items to be reduced. The excise duty on the tobacco products is also set to be increased.

To conclude, implementation will be the key for the measures announced in the budget to support growth. The fiscal path leans heavily on the divestment proceeds targeted over INR 2 trillion to achieve the growth rates realistically in the current scenario. Any slippage on the underlying assumptions on revenue will impact the actual deficits and the growth ambitions of being a USD 5 trillion economy.



Section 2

Budget Highlights



Budget highlights

Personal Tax

- Optional tax regime introduced to provide relief to certain taxpayers.
- Residential status to widen tax net and reporting.
- Deferring ESOP income taxability in the hands of employees of eligible start-ups.
- Introduction of combined capping limits for employer's contribution towards PF, NPS and Superannuation.

Corporate Tax

- DDT abolished; Dividend to be taxed in the hands of the shareholders and would be subject to TDS; Non-resident shareholders may seek relief under the relevant tax treaties, as may be applicable; Provision inserted to remove cascading tax on dividend received in certain cases.
- Concept of faceless proceedings extended to best judgement assessment, penalty proceedings and CIT(A).
- New section inserted for tax withholding @1% on payments by e-commerce operators to resident sellers of goods or services on digital/ electronic platform.
- Sunset clause extended up to 1 July 2023 for 5% TDS rate on interest on specified overseas borrowings/ rupee denominated bonds.
- Scope of TCS provisions expanded to cover specified remittances under the LRS scheme (5%), overseas tour packages (5%), sale of goods by specified sellers (0.1%).
- Payment of 20% of tax demand/ providing equivalent security for stay of demand before the Tribunal.
- Applicability of Significant Economic Presence provisions deferred to FY 2021-22; scope of attribution of income to business connection expanded.
- Exemption from filing of tax return extended to non-residents earning royalty or FTS income taxable on gross basis on which TDS has been deducted under the Act.

- Dispute Resolution scheme (Vivad Se Vishwas) announced; detailed framework to be notified.
- Widening of tax holiday provisions for eligible startups; Threshold limit for turnover increased to INR 1bn Block period for tax holiday increased to 10 years.
- Turnover / gross receipts threshold limit for tax audit of businesses increased from INR 10m to INR 50m in certain cases.
- Interest, dividend and long-term capital gains from investment by sovereign wealth funds in specified infrastructure facility or specified business shall be exempt from tax; investment to be made on or before 31 March 2024 and should be held for at least three years; and
- New companies engaged in the business of generation of electricity would be eligible for tax rate of 15%.



Budget highlights

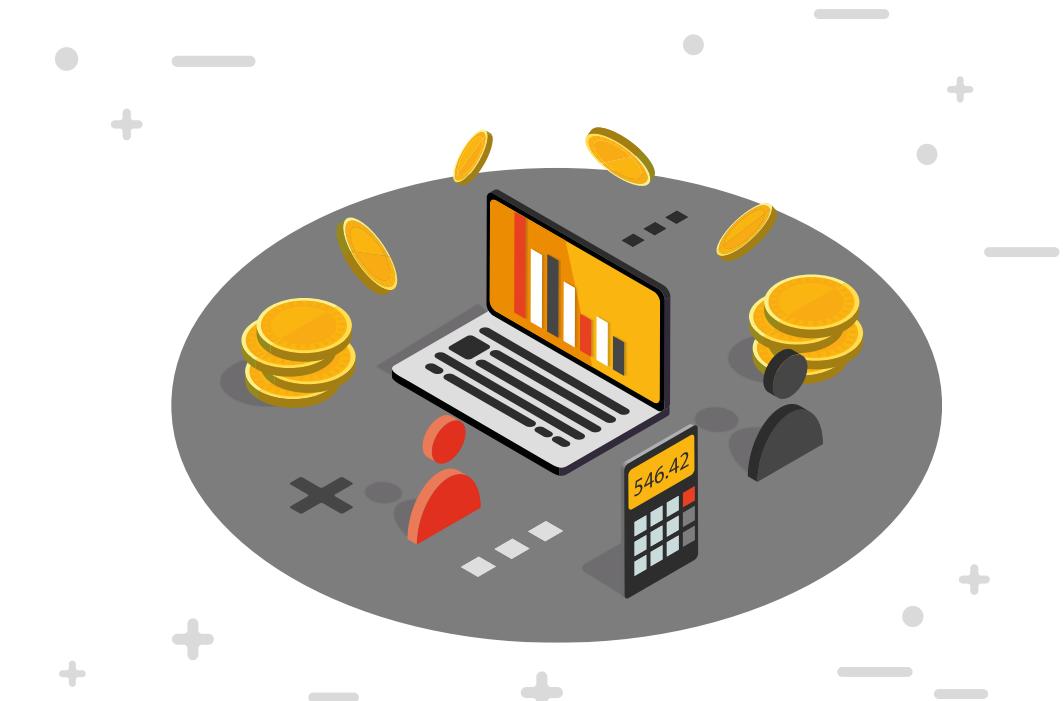
Transfer Pricing

- Form 3CEB/transfer pricing report to be furnished by 31 October 2020.
- Safe harbour provision and advance pricing agreement (including rollback) amended to cover attribution of profits to a PE.
- Interest limitation rule amended to exclude interest paid/ payable on loan extended by a PE of a non resident bank (for determining tax deductibility).

Indirect Tax

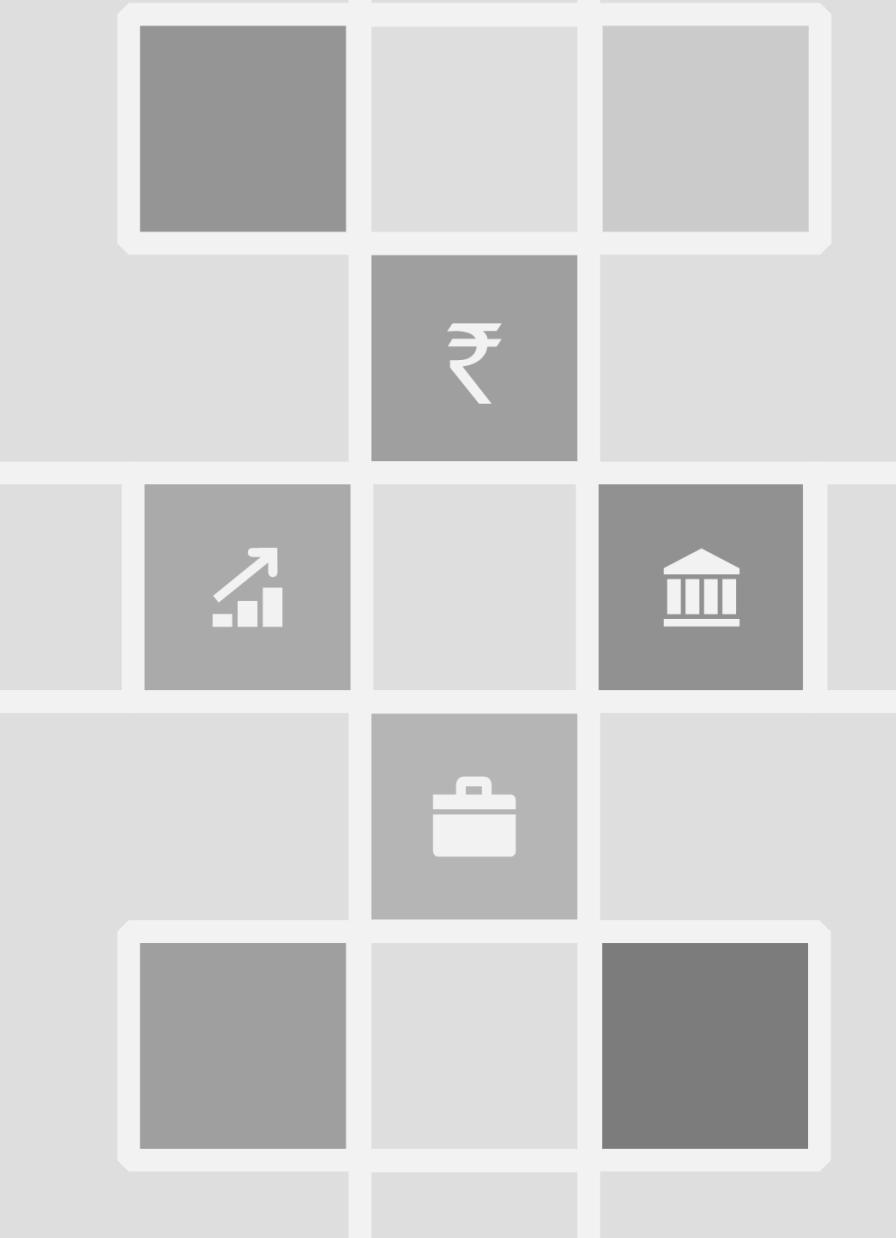
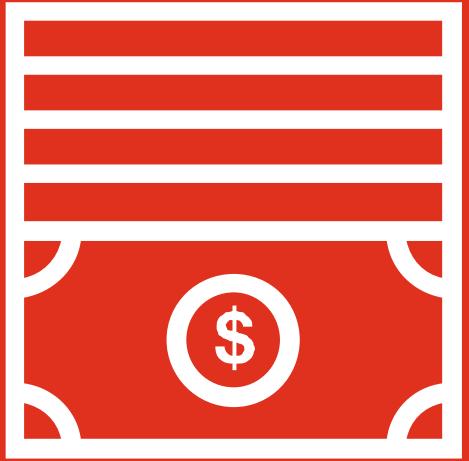
- Push for “Make in India” initiative of the Government with the following amendments:
 - Increase in rate of customs duty on mobile phones, electric vehicles, electronics, household articles etc.
 - Withdrawal of exemption from levy of social welfare surcharge cess on various goods and removal of concessional duty benefit on several items.
 - “Health Cess” on import of medical devices.
- To safeguard the interest of domestic manufacturers, the following has been proposed.
 - Empower the Central Government to prohibit import or export of any goods to prevent injury to the economy of the country.
 - Make amendments to safeguard provisions to check surge in imports and prevent serious injury to domestic industry.
 - It is proposed to implement the facility of electronic duty credit ledger in the customs system, which will enable duty credit in place of remission to be given on exports.
 - It is proposed to curb fraudulent availment of ITC by making this a cognisable and non-bailable offence.
 - It is proposed to delink the date of issuance of debit note from the date of issuance of the underlying invoice for purposes of availing ITC.

- Other amendments proposed in GST Act are as follows:
 - Retrospective amendment to include the power to prescribe the time limit to avail transition ITC;
 - Composition scheme to exclude certain categories of taxable persons engaged in supply of services;
 - Increase in period of issuance of removal of difficulty order by two years.



Section 3

Economic Performance



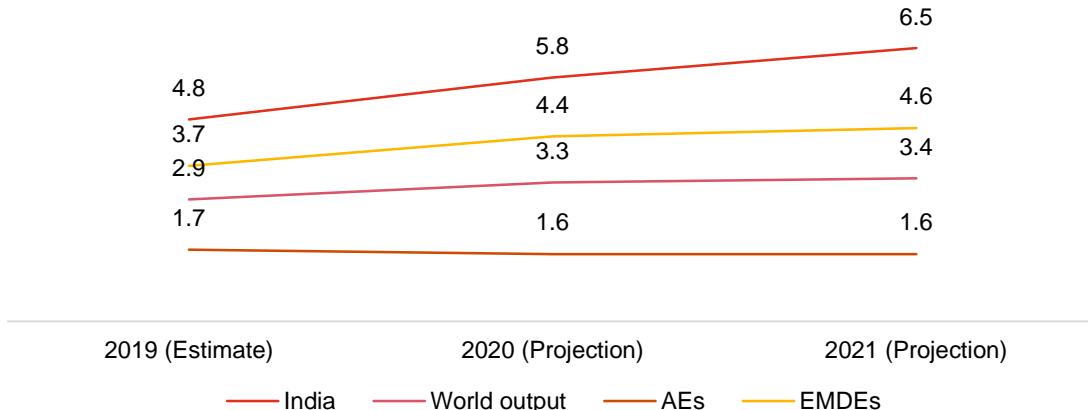
Economic Performance



Global economy

- As per the IMF's WEO January 2020, global GDP growth is projected to be 3.3% in 2020 as against 2.9% in 2019.
- Global trade volume declined by 0.9% during April-November 2019 as per the CPB World Trade Monitor, mainly because of trade tensions among some of the largest economies.
- Civil unrest in Hong Kong, Middle East and some countries in South America has impacted global stability.
- The Global GDP growth may be adversely impacted due to outbreak of coronavirus attack in China.
- Global growth is expected to be supported by continued easing of monetary policies in major economies with reducing uncertainty, particularly after the signing of the US-China trade pact.

Figure 1: Global real GDP growth rates

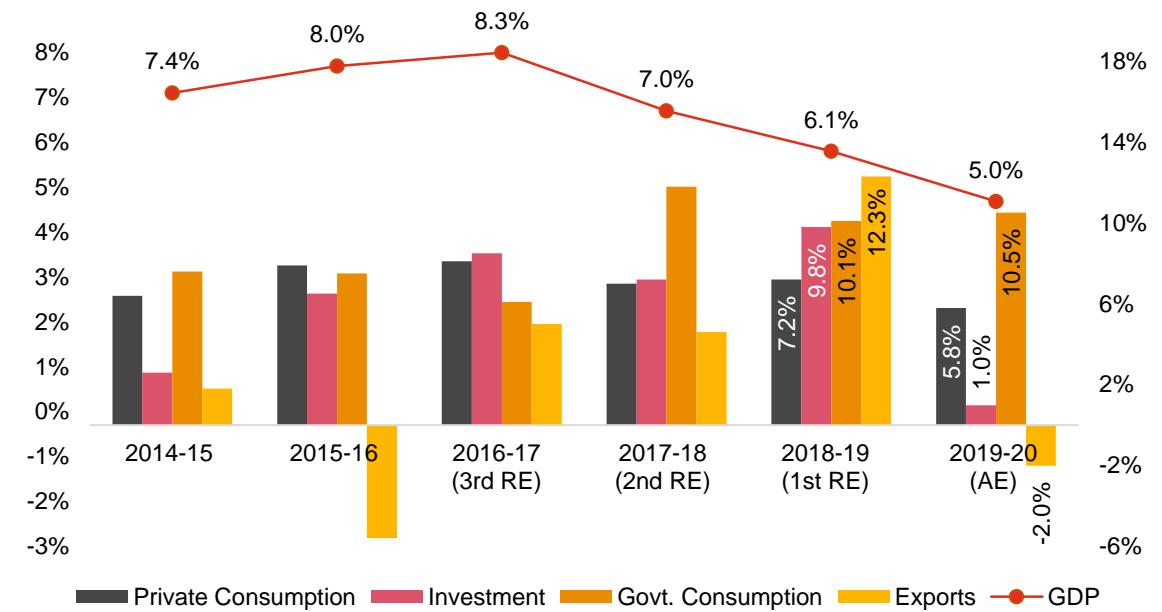


Source: World Economic Outlook, January 2020, IMF

Indian economy

- India is facing an economic slowdown with GDP growth estimated at 5% in FY20 as compared to 6.1% in FY19. GDP growth has fallen for six consecutive quarters, since Q1 FY19, and is at 4.5% in Q2 FY20. According to the Consumer Confidence Survey released by the RBI, consumer sentiment on the general economic and unemployment scenario has weakened.

Figure 2 – Annual growth of GDP and demand components at constant prices

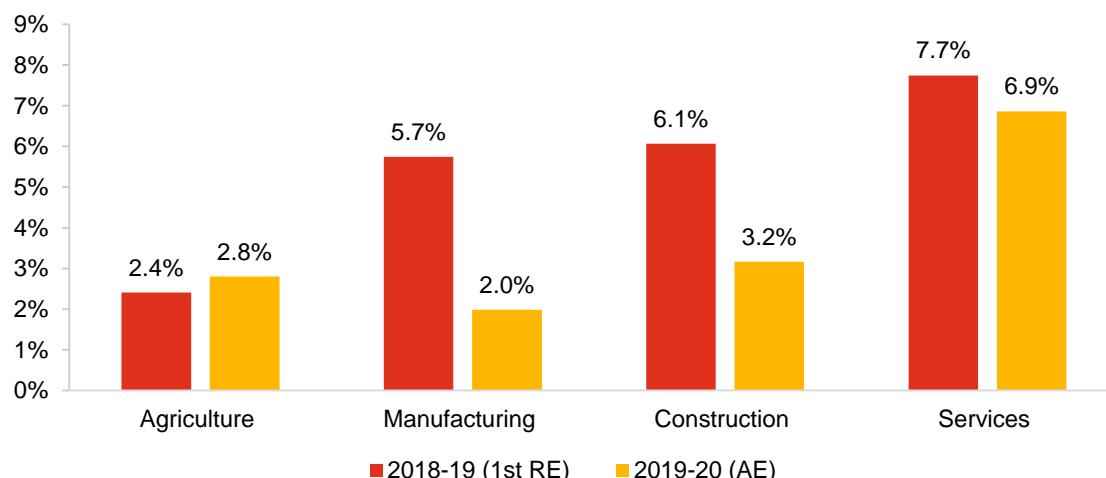


Source: National Statistical Office

Economic Performance

- Private consumption and investment witnessed deceleration** with reduced growth rates of 5.8% and 1%, respectively, in FY20, as compared to 7.2% and 9.8% in FY19. There has been a slight revival in private consumption in Q2 FY20. **Government consumption growth accelerated** to 10.5% in FY20 as compared to 10.1% in FY19. Exports declined by 2% in FY20.
- The agriculture sector** is estimated to grow at 2.8% in FY20, compared to 2.4% in the previous FY. However, growth in the first two quarters of FY20 has been 2% and 2.1%, respectively, which is significantly lower than 5.1% and 4.9% growth witnessed in the first two quarters of FY19. As per Economic Survey, the growth in real wages for agricultural workers has been negative during Q4 FY19 – Q3 FY20.

Figure 3: Growth rate for sectoral gross value added



Source: National Statistical Office

- Manufacturing sector** witnessed deceleration, with annual growth reducing to 2% in FY20 from 5.7% in FY19. Sectoral growth contracted to (-) 1% in Q2 FY20. IIP revived slightly to 2% in November 2019, after contracting for two consecutive months. Construction sector growth reduced to 3.2% in FY20 as compared to 6.1% in FY19, while electricity, gas, water supply and utility services fell to 5.4% from 8.2% during the respective years.
- Services sector** growth dipped to 6.9% in FY20 from 7.7% in FY19 with trade, hotels, transport and communication services registering deceleration of 1.8 percentage points. Financial, real estate and professional services and public administration, defence and other services witnessed lower deceleration of 30-40 basis points. The Services PMI published by IHS Markit, rose to a five-month high at 53.3 in December 2019 and the sector attracted the highest share of FDI inflows at USD4.4bn in H1 FY20.
- Employment:** As per the PLFS released in May 2019, the unemployment rate in India was 6.1% in 2017-18 with higher unemployment in urban areas (7.8%) than rural areas (5.3%). The unemployment rate among youth (persons aged 15-29) had been as high as 17.8%.
- Credit growth and liquidity conditions:** Non-food credit growth reduced to 9.8% in April-November 2019 from 11.8% in April-November 2018, based on slowdown in credit growth for almost all the sectors, including agriculture, industry, services and personal loans. Growth of narrow money decelerated from 13.59% in December 2018 to 12.50% in December 2019.
- Strengths for the Indian economy** during the year included a resilient services sector and a slight revival in private consumption and business sentiment towards the end of the year. **Economic challenges** that need to be addressed included deceleration in investment and demand, low capacity utilisation in the manufacturing sector, distressed SMEs and decelerating exports. Several measures were taken to improve the ease of doing business including reduction in the corporate tax rates; these measures are expected to give positive results in the long term.

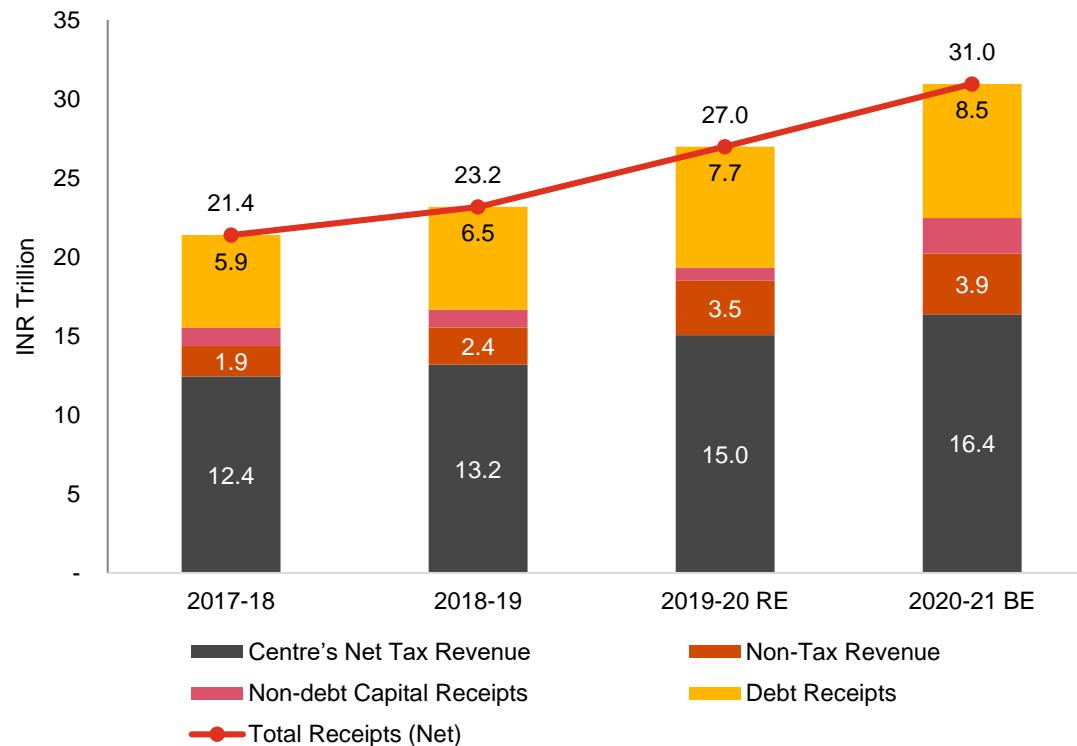
Economic Performance



Budget at a glance

Revenue

Figure 4: Composition of total receipts of central government



- The total receipts (net) of the Central Government is expected to be INR 31tn in FY21, which is 14.7% higher than FY20 RE.
- Revenue and capital receipts are expected to account for 65% and 35%, respectively, of the Central Government's receipts in FY21.
- Tax receipts are expected to increase by 8.7% in FY21, which is lower than the 14.2% growth estimated for FY20. Non-tax revenue growth is expected to be 11.4% in FY21, which is lower than growth in FY20.
- Non-debt receipts, comprising recoveries of loans and advances and disinvestment receipts is expected to increase by 175.7% in FY21. Receipts from disinvestment have been budgeted at INR 2.10tn for FY21. Debt receipts are expected to increase by 10.8% in FY21.



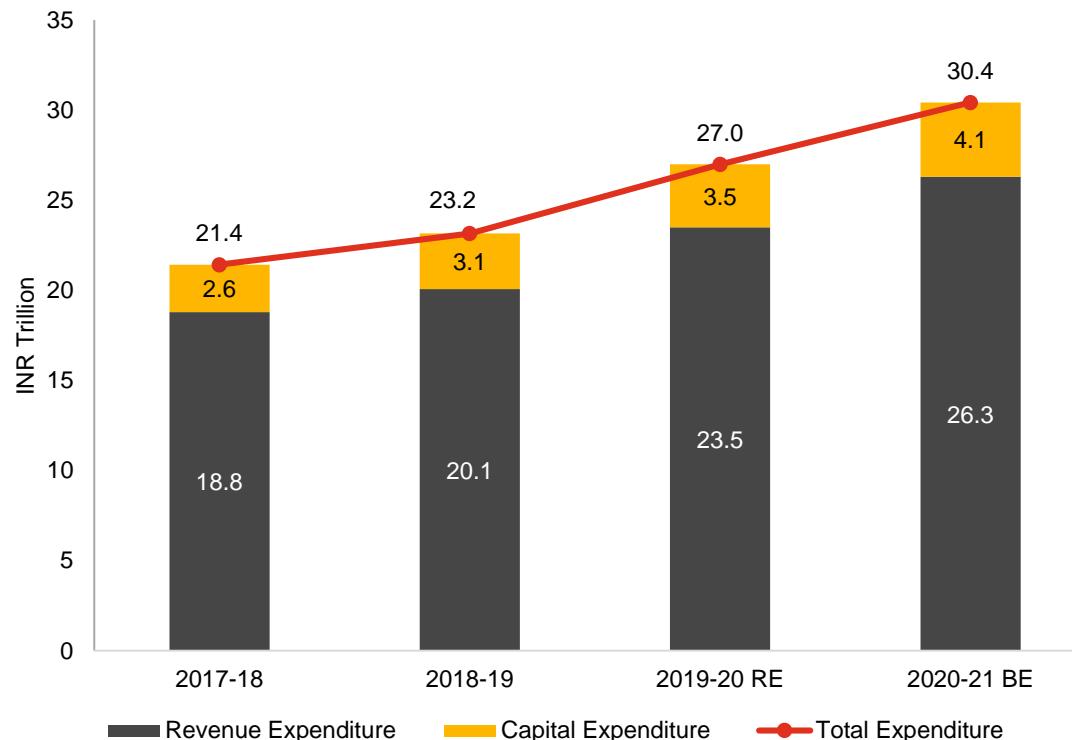
Economic Performance



Budget at a glance

Expenditure

Figure 5: Composition of total expenditure of central government



- The total expenditure of the Central Government is expected to be INR 30.4tn in FY21, which is 12.7% higher than FY20.
- Revenue and capital expenditure are estimated to account for 86.5% and 13.5%, respectively, of the Central Government's expenditure in FY21. The share of revenue expenditure has decreased while that of capital expenditure has increased in FY21 as compared to their respective shares in FY20.
- Capital expenditure as a percentage of GDP is expected to be 1.78% in FY21, which is higher than 1.66% in FY20.
- Sectoral expenditure as a percentage of total expenditure has increased for Agriculture and Allied Activities (5.1%), Finance (1.4%), IT and Telecom (2%) in FY20. However, sectors such as Commerce and Industry (0.9%), Education (3.3%) Energy (1.4%), Rural Development (4.8%) and Transport (5.6%) have received lower propositional allocations in FY21 than FY20. MGNREGA allocations have been reduced by INR 95 bn.

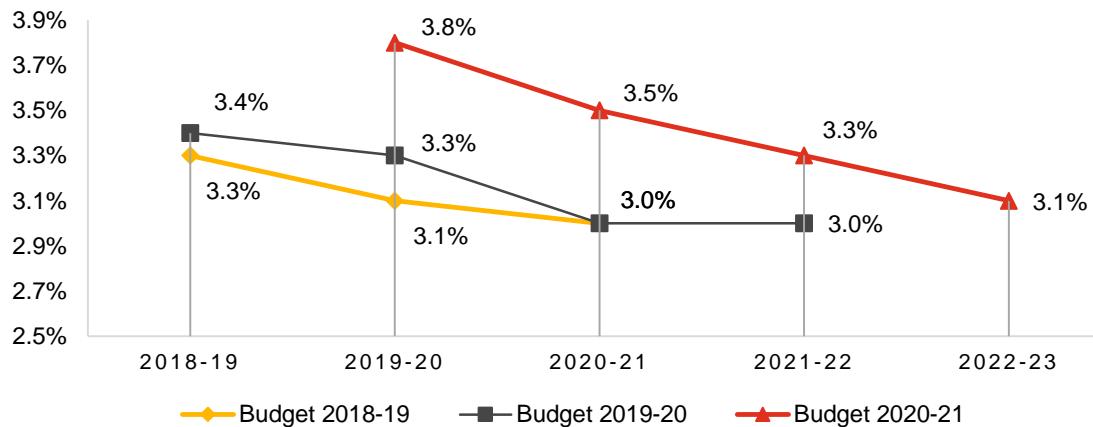
Economic Performance



Budget at a glance

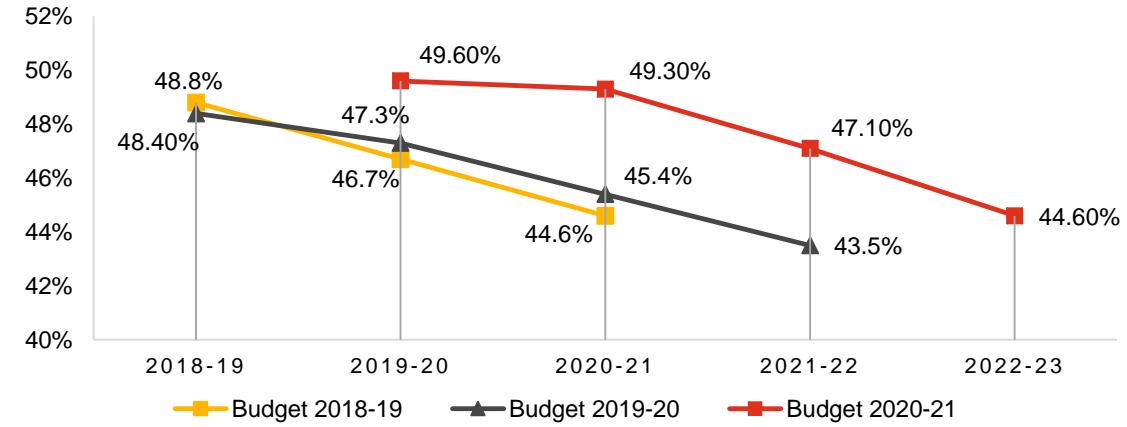
Fiscal consolidation

Figure 6: Fiscal deficit as percentage of GDP



- As per the FY21 Budget, fiscal deficit is expected to be 3.8% of GDP in FY20 and 3.5% in FY21. This is higher than 3.3% and 3% envisaged for FY20 and FY21, respectively, in the FY20 Budget.
- Although revenue deficit is no longer a parameter for measuring fiscal outcomes, it is projected to be 2.7% of GDP in FY21. It is expected to reduce further to 2.3% in FY22 and to 1.9% in FY23.
- The revenue deficit to fiscal deficit ratio, which broadly indicates the extent to which borrowings are used for financing current expenditure of the Government, is expected to be 75.1% in FY21. As per the MTFP statement, it is expected to improve to 67.7% in FY22, mainly because of projected higher growth of capex than revenue expenditure in the medium term.

Figure 7: Central government debt as percentage of GDP



- As per the FY21 Budget, the Central Government debt (excluding extra budgetary resources- EBR) is expected to be 49.60% of GDP in FY20, which is higher than 47.3% projected in the FY20 Budget.
- Central Government debt (excluding EBR) is projected to reduce to 49.30% of GDP in FY21 and further to 47.10% and 44.60% in FY22 and FY23, respectively.
- Central Government debt comprises 79.4% of internal debt and 2.9% of external debt in FY21. The share of external debt has showed marginal decline from 3% in FY18 to 2.9% in FY21.
- Interest payments to revenue receipts ratio, which is an indicator of debt sustainability, is expected to increase from 33.8% in FY20 to 35% in FY21.

Section 4

Key Policy Announcements



Key Policy Announcements



Manufacturing

- Electronics and medical devices: It is proposed to announce a scheme to boost the manufacture of mobile phones, electronic equipment and semi-conductor packaging. With suitable modifications, this scheme can be adapted for the manufacture of medical devices as well.
- It is proposed that all Ministries, issue technical quality standard orders to promote “Zero Defect-Zero Effect” manufacturing.
- Textiles: A National Technical Textile Mission is proposed with an outlay of INR 14.80bn over four years to cut down imports of technical textiles to India.

Infrastructure

Transport

The budget aims to improve overall transport infrastructure such as railways, inland waterways, roads, highways and airports and provide huge impetus to connectivity while bridging the gap between remote and urban areas. Some announcements include the following:

- To redevelop four railway station projects under PPP.
- To set up a Kisan Rail through PPP model, with refrigerated coaches in express and freight trains.
- To develop 100 more airports to support the UDAN scheme.
- To monetise 10 lots of highway bundles of over 6000 km before 2024.
- In the proposed 148km Bengaluru Suburban transport project, the Central Government would provide 20% of equity and facilitate external assistance up to 60% of the project cost.

Logistics

- It is proposed to introduce a new National Logistics Policy in order to augment the competitiveness of the domestic movement of goods.
- It is proposed to create warehousing, in line with the Warehouse Development and Regulatory Authority norms. VGF will also be provided for setting up efficient warehouses at the block/taluk level.
- It is proposed to corporatise and list atleast one major port on stock exchanges.

Power

- It is proposed to set-up large solar power capacity alongside rail tracks on railway land.
- It is proposed to allocate INR 220bn for power and renewable energy sector and the Government has urged State Governments to implement smart meters.
- It is proposed to operationalise a scheme to enable farmers to set-up solar power generation capacity on their fallow/ barren lands and to sell it to the grid.
- It is proposed to close power plants that are old and exceeding carbon emission norms. The land could be used for alternative purposes.

Corporate law

- To ensure contract enforcement, it is proposed to strengthen the Contracts Act.
- It is proposed that laws, including the Companies Act, be examined to remove criminal liability for acts that are civil in nature.

Key Policy Announcements



MSME empowerment

- To provide impetus, the RBI proposes to extend the debt restructuring window for MSMEs by a year to 31 March 2021.
- It is proposed to launch an app-based invoice financing loans product. This will obviate the problem of delayed payments and consequential cash flow mismatches for the MSMEs.
- It is proposed to make amendments to the Factor Regulation Act, 2011 to enable NBFCs to extend invoice financing to the MSMEs.
- It is proposed to introduce a scheme to provide subordinate debt for entrepreneurs of MSMEs. This subordinate debt to be provided by banks would count as quasi equity and would be fully guaranteed through the Credit Guarantee Trust for the Medium and Small Entrepreneurs.
- Restructuring of debt by MSME may extend till 31 March 2021.
- Turnover threshold for audit is proposed to be increased from INR 0.01bn to INR 0.05bn for MSME. The increased limit shall apply only to those businesses that carry out less than 5% of their business transactions in cash, thus giving a boost to digital transactions.

Technology sector

- Data Infrastructure: It is proposed that a policy will soon be announced to enable the private sector to build data centre parks across the country.
- It is proposed to promote knowledge-driven enterprises for the creation and better protection of IP through a digital platform.
- It is proposed to set-up knowledge translation clusters across different technology sectors including new and emerging areas. For designing, fabrication and validation of proof of concept and further scaling up of technology clusters, harbouring such test beds and small-scale manufacturing facilities would also be established.
- The Government recognises the potential of quantum technologies in computing, communications and cyber security with widespread applications. It is thus proposed to introduce a National mission on Quantum Technology and Computing with an allocated budget of INR 80bn for five years.

Financial Services

Foreign investments

- To promote greater participation by FPIs, the Government proposes to increase the investment limit for FPI to 15% (currently 9%) of the outstanding stock of corporate bonds.
- To enable sourcing ECB and FDI to deliver higher quality education.
- Certain specified categories of investment in Government securities to be fully opened for NR investors.

Financial markets

- To formulate legislation to establish a mechanism for netting of financial contracts to expand the scope of credit default swaps.
- A new Debt-ETF consisting primarily of Government securities to be floated, given its recent experience of floating debt-based ETF.
- The Government proposes to sell a part of its holding in LIC through an IPO.
- The Government proposes to sell balance holding of the Government of India in IDBI Bank to private/ retail/ institutional investors through the stock exchange.



Key Policy Announcements

Banking/ NBFC

- To permit the DICGC to increase Deposit Insurance Coverage for depositors for a deposit up to 0.5 m (currently, 0.1m).
- Reduce the limit for NBFCs to be eligible for debt recovery under SARFAESI Act, 2002, to asset size of INR 1bn (currently, INR 5bn) or loan size of INR 5m (currently, INR 10m).
- NABARD re-finance scheme to be expanded for NBFCs active in the agricultural credit space. All eligible beneficiaries of PM-KISAN will be covered under the KCC scheme.
- Proposed to amend the Banking Regulation Act to strengthen Cooperative Banks (increase professionalism, enable access to capital and improve governance and oversight for sound banking through the RBI).
- The Government proposes to devise a mechanism to support the liquidity constraints faced by NBFCs/ HFCs under the Partial Credit Guarantee Scheme formulated for NBFCs.
- The Government to take appropriate measures to increase transparency and professionalism in public sector banks.
- New scheme of INR 10bn to be anchored by EXIM Bank together with SIDBI to boost exports by mid-size companies in certain sectors.

Others

- Currently, only specified categories of investors such as NRIs and OCIs can purchase Government securities among other instruments. It is proposed to allow non-resident investors to invest in specified categories of Government securities. This proposal is made to deepen the bond market through an improved flow of capital in the financial system.
- Currently, the limit for FPI in corporate bonds is fixed at 9% of the outstanding stock of corporate bonds. It is proposed to increase this limit to 15% of the outstanding stock of corporate bonds.
- Leveraging on the success of the Bharat Bond ETF (launched in December 2019), it is proposed to float a new debt-based ETF, primarily, for trading in Government securities.

- To expand the scope of credit default swaps, it is proposed that a new legislation be formulated to lay down the mechanism for the netting of financial contracts.
- To strengthen PFRDAI, it is proposed to carry out necessary amendments in the PFRDAI Act, which will also facilitate the separation of NPS trust for Government employees from the PFRDAI. This would also enable the establishment of a Pension Trust by employees other than the Government.

GIFT city

- International Bullion exchange(s) proposed to set up in GIFT City, as an additional option for trade by global market participants.
- Rupee derivatives have been permitted by the Government and the RBI to be traded in the IFSC at GIFT City.
- Government has indicated that GIFT City has the potential to serve as a centre for high-end data processing.

MSME

- Amendments proposed to the Factor Regulation Act, 2011, to enable NBFCs to extend invoice financing to MSMEs through the TReDS platform.
- The RBI has been asked to consider extending the restructuring window available to MSMEs until 31 March 2021 (currently expiring on 31 March 2020).
- App-based invoice financing loans product to be launched to obviate the problem of delayed payments and consequential cash flows mismatches for MSMEs.
- To resolve working capital challenges, it is proposed to introduce a scheme to provide subordinate debt for entrepreneurs of MSMEs. This subordinate debt would be treated as quasi-equity and would be fully guaranteed through CGTMSE.

Key Policy Announcements



Healthcare

- To address the shortage of hospitals in Tier 1 and Tier 2 cities, it is proposed to set-up viability gap funding for establishing hospitals in PPP mode, whereunder aspirational districts not having any Ayushman Bharat empanelled hospitals would be covered.
- It is proposed to levy a health cess of 5% on the import of medical equipment. Proceeds from such a cess may be utilised towards building healthcare infrastructure in aspirational districts.

Agriculture

- It is proposed to encourage the State Governments who undertake the implementation of the following model laws already issued by the Central Government:
 - Model Agricultural Land Leasing Act, 2016;
 - Model Agricultural Produce and Livestock Marketing (Promotion and Facilitation) Act, 2017; and
 - Model Agricultural Produce and Livestock Contract Farming and Services (Promotion and Facilitation) Act, 2018.

This is proposed to ease agricultural produce procurement across states and bring in efficiencies in agricultural supply chain, thereby realising better prices for farmers and consumers.

- It is proposed to implement a framework for development, management and conservation of marine fishery resources.
- A Village Storage Scheme is proposed that will provide farmers a good holding capacity and reduce logistics cost.

Education

- It is proposed to soon announce a new education policy. A draft of the national education policy had earlier been circulated for public comments in May 2019.
- To meet financing needs of the sector for improving quality, measures will be introduced to attract FDI and allow raising of foreign currency loans by education institutions.
- To facilitate access to higher education, it is proposed to allow top 100 NIRF ranked institutions (in a phased manner) to launch full-fledged degree level online programs.
- To strengthen India's position as a preferred higher education destination, it is proposed to hold IND-SAT tests in Asian and African countries to assess foreign students eligible for scholarships in India.
- Developing world class education institutions in India will be one of the constituents for fund utilisation under the NIP launched in December 2019.
- It is proposed that the NSDA give thrust to infrastructure-focused skill development opportunities. This proposal is made to enhance employment opportunities for the youth in construction, development and maintenance of infrastructure in the country.
- It is proposed that medical colleges be attached with district hospitals under PPP mode. States providing hospital facilities and concessional land for medical colleges will be eligible for VGF.
- It is proposed that National Police University and National Forensic Science University be set-up in the domain of policing science, forensic science, cyber forensics etc.
- It is proposed to increase the allocation of funds for digital connectivity in Government Schools under the Bharatnet program.

Key Policy Announcements

Others

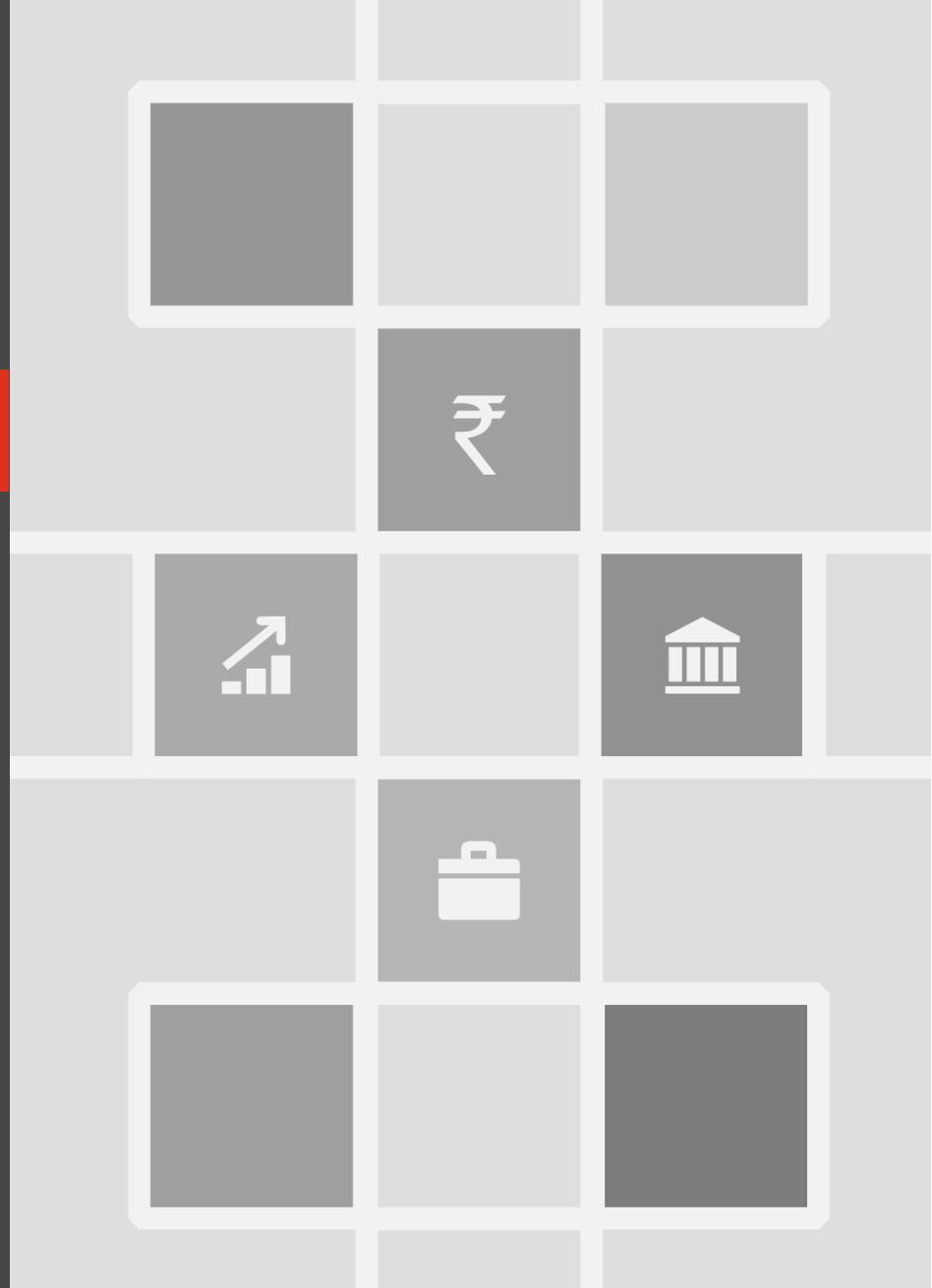
- To promote ease of investment, it is proposed to set-up an Investment Clearance Cell for providing end-to-end facilitation and support.
- It is proposed to exempt the stamp duty chargeable in respect of the instruments of transaction in stock exchanges and depositories established in any IFSC. This amendment is proposed to attract foreign investors to invest in Indian companies through IFSC and to provide an operational tool to the Central Government, including SEBI and RBI, for effective implementation. The amendment shall be effective from 1 April 2020.
- A NIRVIK scheme is proposed to achieve higher export credit disbursements through higher insurance coverage, reduction in premium for small exporters and simplified claim settlement processes.
- It is proposed to set-up five new smart cities in collaboration with States via PPP mode.
- It is proposed to divest part of the Government's holding in LIC by way of an IPO.





Section 5

Tax Proposals



Tax Proposals

Tax rates

Section 1: Companies, LLPs and firms

There are no changes proposed in the tax rates.

Type of entities	Effective tax rates (%) (including surcharge and cess)			
	Up to INR 10m	> INR 10m <= INR 100m	> INR 100m	MAT – whether applicable
A. Domestic companies:				
Not claiming prescribed deductions				
1. Manufacturing Companies set up <ul style="list-style-type: none"> Post 1 March 2016 – section 115BA (Note 1) Post 1 October 2019 – section 115BAB (Note 2) 	26.00%	27.82%	29.12%	Yes
2. Other Domestic Companies – section 115BAA (Note 2)	25.17%			No
Companies other than those covered above that continue to claim deductions/ losses which are not allowed under section 115BAA/115BAB				
1. MSME (turnover < INR 4,000m in FY 18–19) (Note 1)	26.00%	27.82%	29.12%	Yes
2. Other Domestic Cos (Note 1)	31.20%	33.38%	34.94%	Yes
B. Foreign companies (Note 3)				
C. LLPs, firms (Note 4)	31.20%	34.94%	34.94%	

Health and education cess at 4% applicable to all entities mentioned above

Note 1: Rate of surcharge for domestic companies not opting / eligible to pay taxes under section 115BAA or section 115BAB of the Act, as the case maybe, are as follows:

Sr. No	Taxable income	% of surcharge
1.	< INR 10m	Nil
2.	> INR 10m and <= INR 100m	7%
3.	> INR 100m	12%

Note 2: Rate of surcharge for domestic companies opting to pay taxes under section 115BAA or section 115BAB of the Act, as the case maybe, is 10%

Note 3: Rate of surcharge for foreign companies is as follows:

Sr. No	Taxable income	% of surcharge
1.	< INR 10m	Nil
2.	=> 10m and <= INR 100m	2%
3.	> 100m	5%

Note 4: Rate of surcharge applicable for LLPs and firms is as follows:

Sr. No	Taxable income	% of surcharge
1.	<INR 10 m	Nil
2.	=>10 m	12%

Alternate minimum tax at 18.5% applies to LLPs, firms

Tax Proposals



Section 2 - Individual/HUFs

Section 115BAC is proposed to be inserted wherein an option has been provided to pay tax at the following tax rate subject to the condition that certain exemptions/ losses/ deductions cannot be claimed. In case, the taxpayer intends to claim deductions / exemptions, the existing tax rates and slabs will continue to apply.

Income slabs (INR)	Existing effective tax rate (including surcharge and cess)	Proposed effective tax rate (including surcharge and cess)
Up to 250,000	Nil	Nil
250,001 – 500,000	5.20%	5 .20%
500,001 – 750,000	20.80%	10.40%
750,001 – 1,000,000	20.80%	15.60%
1,000,001 – 1,250,000	31.20%	20.80%
1,250,001 – 1,500,000	31.2 %	26.00%
1,500,000 – 5,000,000	31.20%	31.20%
5,000,001 – 10,000,000	34.32%	34.32%
10,000,001 – 20,000,000	35.88%	35.88%
20,000,001 – 50,000,000	39.00%	39.00%
50,000,001 and above	42.74%	42.74%

The rebate under section 87A remains unchanged for residents whose total income does not exceed INR 0.5m.

The proposed amendment will be effective from 1 April 2021 and will accordingly apply from AY 2021–22 onwards.

Section 3 – Co-operative societies

No change is proposed in the tax rates applicable to co-operative societies. The effective peak tax rate will be 34.94% (including surcharge and cess).

A new section 115BAD is proposed to be introduced, which provides an option to resident co-operative societies to pay corporate tax at a lower rate of 25.17% (including surcharge at 10% and cess at 4%)

The new section also proposes the following conditions for applicability of this section:

- Specified deductions, such as tax holidays, additional depreciation, investment allowances and investment linked deductions, not to be allowed;
- Set off of losses and unabsorbed depreciation in relation to the aforementioned deductions not to be allowed. However, where there is a depreciation allowance in respect of a block of asset which has not been given full affect, prior to AY 2021–2022, a corresponding adjustment shall be made to the written down value of such block of assets as on 1 April 2020 in the prescribed manner if the option is exercised for AY 2021–2022;
- Deduction under section 80JJAA (deduction in respect of additional employment cost) to be allowed; and
- International Financial Services Centre, as referred to in section 80LA of the Act, to be eligible to claim deduction under the said section (section 80LA of the Act) subject to fulfilment of conditions prescribed in that section.

It is proposed that the option to apply this section can be exercised in the return of income filed for AY 2021–22 onwards, provided that, once this option is exercised, it cannot subsequently be withdrawn.

Further, it is proposed that the provisions of AMT, as prescribed in section 115JC of the Act, shall not be applicable to resident co-operative societies opting to pay tax under the proposed section 115BAD. The proposed amendment will take effect from 1 April 2021 and will accordingly apply from AY 2021–22 onwards.

Tax Proposals



Personal tax

1. New tax regime

The current slab rates, surcharge and health and education cess remain unchanged. However, the bill proposes to provide for an option to an individual and HUF taxpayers to apply lower tax rates as per a new tax regime.

In case an individual or HUF opts for the lower tax regime, certain exemptions, deductions and set-off of losses will not be available to be considered while computing the taxable income (certain instances given below):

- LTC/ assistance under section 10(5);
- HRA under section 10(13A);
- Specific allowances under section 10(14) to be prescribed;
- Standard deduction, professional tax deduction under section 16;
- Interest paid on housing loan under section 24(b) on self-occupied property and losses under the head "house property";
- Exemption not exceeding INR 1,500 in respect of income of minor child under section 10(32);
- Specified expenditure or deductions that could be claimed while computing profits and gains from business and profession;
- Deduction from income from other source under section 57 for family pension;
- Deductions under Chapter VIA other than deduction in respect of employers contribution to NPS under section 80CCD(2).

The option between the current tax regime and the new tax regime shall need to be exercised at the time of filing the return within the due date. Furthermore, such an option is available to the individuals or HUF (not having business income) for the FY 2020-21 and subsequent FYs. Individuals and HUF having business income who have opted for such a regime can opt out only once and would not be eligible to exercise such an option again, unless the individual ceases to have business income.

The proposed tax rates under the new regime is tabulated at [section 2 of Tax Rates](#).

The proposed section will be effective from 1 April 2021 and will accordingly apply from AY 2021-22 onwards.



Tax Proposals



2. Deferring tax payment on ESOP income of employees of start-ups

Currently, tax on perquisite income in nature of stock options etc. is required to be deducted or paid at the time of exercise of such specified securities/ allotment of underlying shares.

It is proposed to insert a new sub section (1C) in section 192 to provide that an eligible start-up referred to in section 80IAC responsible for paying any income in the nature of perquisite specified in section 17(2)(vi) towards the value of specified security or sweat equity shares allotted or transferred free of cost or at a concessional rate, shall deduct taxes on such income within 14 days, of the earliest of the following -

- After the expiry of 48 months from the end of the relevant AY.
- From the date of sale of such specified securities.
- From the date of the taxpayer ceases to be an employee of such start-up.

Further, the employer is required to apply the tax rates in force for the FY in which the underlying security or share is allotted or transferred. Barring the applicable rates related amendment, corresponding amendments have been inserted in sections 140A, 156 and 191 as well for such income.

This amendment is proposed to ease the burden of cash flow on employees of such start-ups arising at the time of exercise of such securities like ESOPs.

The proposed section will be effective from 1 April 2021 and will accordingly apply from AY 2021-22 onwards.



3. Modification of provisions relating to residency

Currently, an individual is regarded as resident in India in any previous year, if —

- his stay in India is 182 days or more during the previous year; or
- his stay in India is 60 days or more during the previous year and 365 days or more in the preceding four FYs.

However, relaxation is provided to an Indian citizen or a person of an Indian origin who being outside India, comes to India for the purpose of visits, wherein the 60 days threshold as mentioned above is replaced by 182 days.

It is proposed to make the following amendments to section 6 -

- Amend clause (b) in Explanation 1 in order to replace 182 days with 120 days for an Indian citizen or a person of an Indian origin, who being outside India, comes to India for the purpose of visit.
- Insert clause (1A) to provide that a citizen of India will be deemed to be a resident of India if he is not liable to pay tax in any country outside India on account of his domicile, residence, or any other criteria of a similar nature.

Currently, a person who has been a non-resident for nine out of ten FYs preceding the relevant year or has stayed in India for less than 730 days during the seven FYs preceding the relevant year is regarded as 'not ordinarily resident' in India.

- It is proposed to replace clause (6) of section 6 to provide that an individual or a manager of a HUF who has been a 'non-resident' in India for seven out of ten preceding years will now be regarded as a 'not ordinarily resident'.

This proposed amendment shall be effective from 1 April 2021 and will accordingly apply from AY 2021-2022 and subsequent AYs.

4. Rationalisation of tax treatment of employer's contribution to recognised PFs, superannuation funds and NPS

Currently, sub-clause (vii) of section 17(2) of the definition of "perquisite" currently provides that the contribution to approved superannuation funds by the employer exceeding INR 0.15m is considered a taxable perquisite in the hands of the employee. Further, section 17(1)(vi) read with Rule 6 of Part A of Fourth Schedule provides that the employer's contribution towards recognised PF in excess of 12% of salary is taxable.

It is proposed to amend section 17(2) in the following manner -

- It is proposed to substitute sub clause (vii) of the definition of "perquisite" to include the aggregate of amounts of any contribution made to the account of the employee by the employer exceeding INR 0.75m in the previous year in:
 - a recognised PF; or
 - the pension scheme as referred under section 80CCD(1) (i.e. new pension scheme); or
 - an approved superannuation scheme.
- It is proposed to introduce sub-clause (viiia) to include as perquisites, annual accretion by way of interest, dividend or any other amount of a similar nature to the extent it relates to the employer's contribution included in total income.

The proposed amendment will be effective from 1 April 2021 and will accordingly apply from AY 2021-22.

5. Deduction in respect of certain donations for scientific research or rural development

Currently, under section 80GGA, regarding donations for scientific research or rural development, deduction is not allowed for any donations exceeding INR 10,000 if the same is not paid by any mode other than cash.

It is proposed to amend section 80GGA to not allow a deduction for such donations exceeding INR 2,000 unless the donations are paid by any mode other than cash.

It is also proposed to amend section 80GGA to provide that the deduction under these sections to a donor shall be allowed subject to verification as per the strategy formulated by the CBDT from time-to-time.

This amendment shall be effective from 1 June 2020.

6. Deduction in respect of donations to certain funds, charitable institutions, etc.

Currently, there is no reporting requirement in place for specified charitable organisations receiving donations (donee) that facilitates a matching of the donation made to the donee against the claim for deduction made by the donor in their tax return.

It is proposed to insert sub clause (viii) in section 80G that stipulates the framework for the donee to prepare and file such statement setting forth particulars of donations received within specified timelines and furnishing certificates to the donors in such manner as prescribed.

Further, it has been proposed that, in case of failure to deliver such a statement or furnish such a certificate, a fee and/or penalty may be levied.

It is also proposed to amend section 80G to provide that the deduction under these sections to a donor shall be allowed subject to verification as per the strategy formulated by the CBDT from time-to-time.

This amendment shall be effective from 1 June 2020.

Tax Proposals

Corporate taxes

Tax incentives

Relief to start-ups

Currently, section 80-IAC of the Act provides for a tax holiday to eligible start-ups having turnover of less than INR 250m (in the year in which such deduction is claimed), for three consecutive years, out of seven years beginning from the year of incorporation of such start-ups, subject to certain conditions.

To provide an impetus to start-ups, it is proposed as follows:

- Tax holiday shall be available for three consecutive years, out of ten years beginning from the year of incorporation of such start-ups; and
- Turnover threshold of INR 250m increased to INR 1bn.

All other conditions in section 80-IAC would remain unchanged.

The proposed amendment will take effect from 1 April 2021 and will accordingly apply from AY 2021–22 onwards.

Deduction in respect of profits and gains from affordable housing projects

Currently, section 80-IBA of the Act provides for a deduction of 100% of profits and gains derived from the business of developing and building affordable housing projects which satisfies prescribed conditions. Amongst others, one of the conditions for claiming the deduction is that the project should be approved by the competent authority before 31 March 2020.

It is proposed to extend the period of approval to 31 March 2021.

The proposed amendment will be effective from 1 April 2021 and will accordingly apply from AY 2021–22 onwards.

Deduction in respect of interest on loans for purchasing affordable house

Finance (No. 2) Act, 2019 has introduced section 80EEA whereby an additional interest deduction of INR 150,000 is allowed to individuals in respect of any loan obtained from financial institution for purchasing residential house property and whose stamp duty value does not exceed INR 4.5m. Currently, the deduction is available in case of loan sanctioned during the period from 1 April 2019 to 31 March 2020.

It is proposed to extend the period of sanctioning of loan by the financial institution to 31 March 2021.

The proposed amendment will be effective from 1 April 2021 and will accordingly apply from AY 2021–22 onwards..



Tax Proposals

Benefit of reduced tax rate of 15% extended to domestic companies engaged in the generation of electricity

The provision of section 115BAB of the Act currently provides that new manufacturing domestic companies set up on or after 1 October 2019, which commence manufacturing or production by 31 March 2023 and do not avail of any specified incentives or deductions, may opt to pay tax at a concessional rate of 15%.

It is proposed to extend the benefit of concession tax rate of 15% to domestic companies engaged in the business of generation of electricity.

Further, companies availing benefit of reduced tax rates under section 115BAB would be entitled to deduction under section 80M (proposed to be introduced from AY 2021-22) while computing its taxable income.

The proposed amendment will be effective from 1 April 2020 and will accordingly apply from AY 2020-21 onwards.

Tax exemption provided in respect of certain incomes of wholly owned subsidiary of ADIA and sovereign wealth funds

It is proposed to insert a new clause 23FE under section 10 of the Act to provide for a exemption to any income of a 'specified person' in the nature of dividend, interest or long-term capital gains arising from an investment made in the form of debt or equity.

The exemption will be available only on investment made in a company or enterprise carrying on the business of developing, or operating and maintaining, or developing, operating or maintaining any infrastructure facility (as defined under section 80-IA(4)(i) of the Act) or other notified businesses.

To be eligible for the said exemption, the investment is required to be made on or before 31 March 2024 and is required to be held for at least three years.

For the purpose of this exemption, 'specified person' means:

- A wholly owned subsidiary of the ADIA, which is a resident of the UAE and which makes investment, directly or indirectly, out of the fund owned by the Government of the UAE; and
- A sovereign wealth fund (which satisfies certain specified conditions).

The amendment is proposed to attract investment in infrastructure sector from sovereign wealth funds, including the wholly owned subsidiary of ADIA.

The proposed amendment will be effective from 1 April 2021 and will accordingly apply from AY 2021-22 onwards.

Exemption for ISPRL

A new clause (48C) is proposed to be inserted in section 10 of the Act to provide that income arising to ISPRL as a result of arrangement for replenishment of crude oil stored in its storage facility, in pursuance of the direction of the Central Government, shall be exempt from taxation in India.

In case the crude oil is not replenished in the storage facility within three years from the end of financial year in which the crude oil was first removed from the storage facility, such exemption shall not be available.

The proposed amendment will take effect from 1 April 2020 and will accordingly apply from AY 2020-21 onwards..

Tax Proposals

Benefit of lower withholding tax rate under section 194LC extended

Section 194LC of the Act provides for a concessional rate of TDS at 5% on interest payable to NRs on specified forms of borrowings (approved by the Central Government), raised before 1 July 2020 from sources outside India.

It is proposed to extend the time limit for borrowing funds raised from 1 July 2020 to 1 July 2023.

This amendment has been proposed in line with the expectations of NR investors to extend the lower rate of TDS in instruments such as masala bonds and ECBs for a longer period.

It is also proposed to grant a concessional rate of TDS at 4% on interest payable to NRs in respect of borrowings raised through issues of long-term bonds and RDB which are listed only on a recognised stock exchange in any IFSC. The concessional rate is proposed to be applicable to interest payable to the extent not exceeding the amount of interest calculated at the rate approved by the Central Government.

The proposed amendment is intended to incentivise the listing of bonds by Indian companies on the stock exchanges located in the IFSC.

The proposed amendments will be effective from 1 April 2020

Benefit of 5% withholding tax rate under section 194LD extended

Section 194LD of the Act currently provides for a concessional rate of TDS at 5% in respect of interest payable to FPIs on specified investments received before 1 July 2020.

It is proposed to extend the benefit to interest payable before 1 July 2023.

Further, FPIs are now permitted by the SEBI and RBI to invest in municipal debt securities under limits applicable to State Development Loans. It is proposed to grant the above concessional rate of TDS on interest payable to the FPIs on municipal debt securities as well.

The proposed amendment is intended to bring medium-term certainty to FPIs, especially those investing under VRR on the applicable tax rates.

The proposed amendments will be effective from 1 April 2020.

Safe harbour for fund managers

Section 9A of the Act, provides safe harbour to offshore investment funds carrying out investment activities through fund managers in India by creating a “business connection” in India. The exemption is subject to the fulfilment of prescribed conditions, inter alia, including the following:

- Aggregate participation from residents does not exceed 5% of the corpus of the fund;
- Monthly average corpus of the fund shall be at least INR 1bn by the end 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.

The fund managers faced difficulties in complying with the above conditions and made representation for relaxation of the above conditions.

The following relaxations have been proposed to an investment fund to be eligible for the exemption:

- Investments by investment managers up to INR 250m during the first three years of fund operation should not be considered for computing aggregate participation by residents in the fund.
- The time limit is proposed to be amended to comply with the condition of the monthly average corpus to 12 months from the last day of the month of its establishment or incorporation.

The proposed amendment will be effective from 1 April 2020 and will accordingly apply from AY 2020–21 onwards.

Exemption from stamp duty for transactions in stock exchanges and depositories in IFSC

It is proposed to insert a proviso in sub-section (2) of section 9A of the Indian Stamp Act, 1899, to provide exemption from stamp-duty in respect of instruments of transaction in stock exchanges and depositories established in any IFSC.

The proposed amendment has been introduced to incentivise the capital markets in the IFSC and also to reduce transaction costs to investors.

The proposed amendment will take effect once the Finance Bill receives Presidential assent and the changes are notified.

Tax Proposals

Removing difficulties faced by taxpayers

Vivad se Vishwas Scheme (Dispute resolution scheme)

It is proposed to bring a scheme for settling existing direct tax litigation. Under the scheme, it is proposed that taxpayers would be required to pay the amount of the disputed taxes only. Further, there will be complete waiver of interest and penalty where payment of disputed taxes is made by 31 March 2020.

In case where the dispute relates to penalty, or interest or fee not connected with the disputed tax, taxpayers would be required to pay only 25% of the same by 31 March 2020 for settling the dispute.

In case payment is made after 31 March 2020, taxpayer will be required to pay 110% of the disputed tax (the excess 10% shall be limited to the amount of related penalty and interest, if any) and 30% in case of penalty, interest and fee. The scheme will remain open till 30 June 2020.

There is no amendment in this respect in the Finance Bill. Detailed guidelines and provisions would be announced later.

Increase in safe harbour limit for real estate transactions

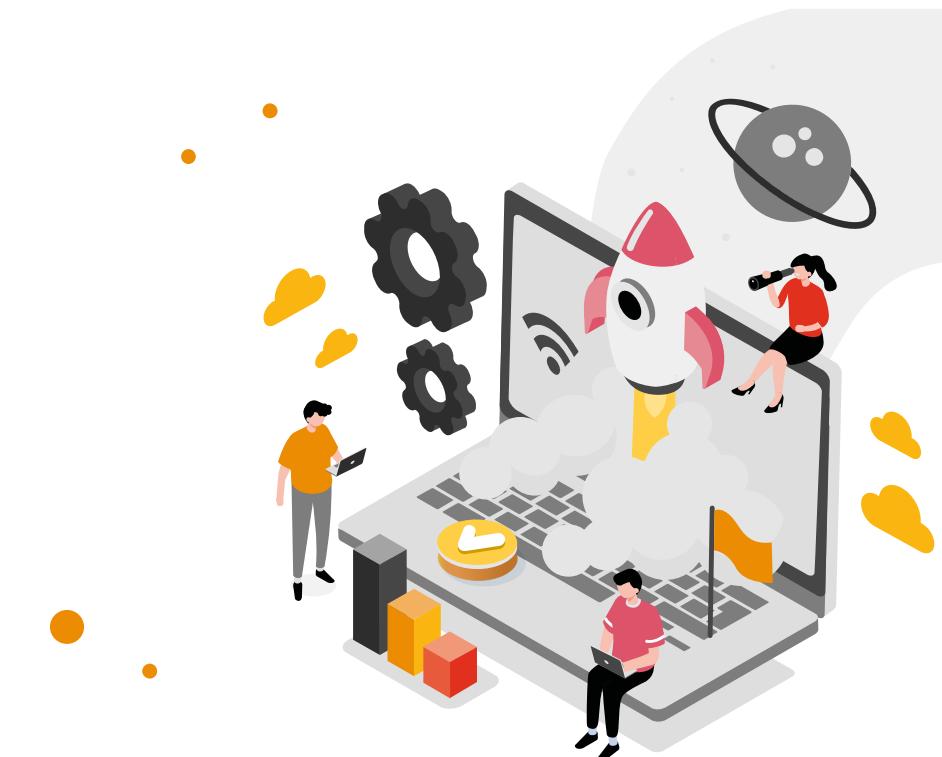
Currently, in case of transfer of immovable property being land or building or both, if the sale consideration is less than the value adopted or assessed or assessable for payment of stamp duty, then the stamp duty value is taken as the full value of consideration for computing business profits (section 43CA of the Act) or capital gains (section 50C of the Act).

Correspondingly, in case of receipt of immovable property being land or building or both, if the same is received for a consideration that is less than the stamp duty value by an amount exceeding INR 0.05m, then the difference between the stamp duty value and consideration is taxable under section 56(2)(x) of the Act as 'income from other sources' in the hands of the recipient.

For the purposes of section 43CA, 50C and 56(2)(x) of the Act, safe harbour is provided to the extent of 5%. In other words, if the stamp duty value does not exceed 105% of the consideration, then there are no implications under sections 43CA, 50C and 56(2)(x) of the Act.

It is proposed to increase such safe harbour from 5% to 10%.

The proposed amendment will take effect from 1 April 2021 and will accordingly apply from AY 2021–22 onwards.



Tax Proposals

Deduction in respect of capital expenditure incurred for specified business

Currently, section 35AD of the Act provides for the deduction of capital expenditure (other than expenditure on acquisition of land, goodwill and financial assets) incurred wholly and exclusively for the purpose of specified business. Specified business inter alia includes:

- building and operating a hotel of two star or above category as classified by the Central Government;
- building and operating a hospital with at least 100 beds for patients;
- Developing and building a housing project under a slum redevelopment or rehabilitation scheme;
- Developing and building housing project under affordable housing scheme;
- Setting up and operating a warehousing facility for storage of agricultural produce or sugar, or developing; or
- Maintaining and operating or developing, maintaining and operating a new infrastructure facility (road, highway, port, airport, etc.).

Currently, claiming deduction under section 35AD of the Act for capital expenditure is mandatory. Once deduction is claimed and allowed under section 35AD of the Act, no deduction is allowed in respect of the said expenditure under other provisions of the Act.

Finance Bill, 2020 proposes to make a deduction under section 35AD of the Act optional (i.e. deduction for capital expenditure would be allowed only if the taxpayer opts for the same).

In case any taxpayer opts not to claim deduction under section 35AD of the Act, then depreciation can be claimed under section 32 of the Act in respect of such capital expenditure.

The decision on claiming deduction under section 35AD of the Act would need to be based on (a) the analysis for opting for concessional tax rates under section 115BAA/ 115BAB; and (b) carry forward of business loss vs unabsorbed depreciation in case of losses in the initial years.

The proposed amendment will be effective from 1 April 2020 and will accordingly apply from AY 2020–21 onwards.

Exempting NR taxpayers/ foreign company from filing tax returns in certain conditions

Currently, NR taxpayers/ foreign companies are not required to furnish their tax returns in India, if the following conditions are satisfied:

- Their total income consists only of dividend or interest; and
- Taxes under the provisions of chapter XVII-B of the Act relating to TDS have been deducted from such income.

It is proposed that the above relief will be extended to the NR taxpayers/ foreign companies whose total income consists of royalty or FTS as well. Under the proposed provision, NR taxpayers/ foreign companies will not be required to furnish their tax returns in India, if the following conditions are satisfied:

- Their total income consists only of dividend or interest, or royalty or FTS; and
- Taxes under the provisions of chapter XVII-B of the Act relating to TDS have been deducted at the rates prescribed under section 115A(1) of the Act from such incomes.

The proposed amendment will be effective from 1 April 2020 and will accordingly apply to AY 2020–21 and onwards.

On the basis of the language of the amended provisions, relief may not be available to the NR taxpayers/ foreign companies whose taxes will be deducted at the beneficial rates provided under the respective tax treaties. Further, the requirement to file Accountants Report under transfer pricing provisions has not been relaxed.

Tax Proposals

Carry forward of accumulated loss and unabsorbed depreciation allowed on amalgamation of specified personal services businesses and general insurance companies

As per the existing tax laws, accumulated losses and unabsorbed depreciation of an amalgamating banking company shall be deemed to be the accumulated losses and unabsorbed depreciation of the amalgamated banking institution, provided the scheme of amalgamation is sanctioned under section 45(7) of the Banking Regulations Act, 1949. This benefit of carrying forward the losses on amalgamation is allowable only in case of certain specific public sector mergers.

It has now been proposed to extend the above benefit to the amalgamation of the following:

- Corresponding new banks under the scheme sanctioned under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970; and/ or
- Corresponding new banks under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980; and
- One or more Government companies or companies with any other Government company under a scheme sanctioned and made effective under section 16 of the General Insurance Business (Nationalisation) Act, 1982.

The proposed amendment will benefit the approved amalgamation of ten PSBs into four PSBs during 2019 and other similar amalgamation schemes announced earlier.

The proposed amendment will be effective from 1 April 2020 and will accordingly apply to AY 2020–21 and onwards.

Definition of 'business trust' aligned with SEBI regulations to include unlisted InvITs

Section 115UA of the Act provides for a beneficial tax regime applicable to business trust, which, inter alia, provides for tax pass through status accorded to income by way of interest and rent received by a business trust from a SPV.

Business trust is currently defined to mean a trust registered as an InvIT or a REIT under the relevant regulations made under the SEBI Act, 1992 and the units of which are required to be listed on a recognised stock exchange in accordance with the relevant regulations.

It is proposed to modify the above definition of 'business trust' to extend the beneficial tax regime to unlisted InvITs as well.

The proposed amendment will be effective from 1 April 2021 and will accordingly apply from AY 2021–22 onwards.

Measures to provide tax certainty

Allowance of deduction under section 43B on payment basis to the insurance sector

Currently, any expenditure or allowance that is not admissible under the provisions of sections 30 to 43B is added back while computing the taxable profits of non-life insurance business.

Under the Act, in case of other taxpayers, items listed under section 43B of the Act are allowed as deductions in the subsequent years on payment basis. However, in case of non-life insurance companies, while Rule 5 provides for an add back of expenses debited to the profit-and-loss account under section 43B of the Act, there is no explicit provision for allowing such expenditure in the subsequent years once the payment is made.

The amendment proposed to Rule 5 provides that non-life insurance companies, like other taxpayers, will be able to claim allowance of expenses covered by section 43B in the year of payment.

The proposed amendment will be effective from 1 April 2020 and will accordingly apply from AY 2020–21 onwards.

Tax Proposals

Reducing TDS rates on FTS payable to resident payees

Currently, section 194J of the Act provides that the payments relating to FTS, royalty, professional services, etc. to resident payees (other than those engaged in the business of operation of call centre) are subjected to TDS at the rate 10%.

Presently, section 194J of the Act casts an obligation on an individual or HUF carrying on a business or profession to deduct tax at source on such payments, if they are liable for tax audit.

It is proposed to reduce the applicable TDS rate under section 194J of the Act on FTS (other than professional services) to 2%. The TDS rate in all other cases under section 194J of the Act will remain unchanged.

The above amendment is proposed to provide certainty and reduce the litigation on the issue of short deduction where the payer deducts taxes under section 194C of the Act at the rate of 2%, while the tax authorities claim that the tax should have been deducted under section 194J of the Act.

It is also proposed that an individual or HUF carrying on business or profession will be required to deduct taxes under section 194J of the Act if their total sales, gross receipts or turnover in the immediately preceding FY exceeds INR 10m in case of business carried on or INR 5m in case they are carrying on a profession.

The proposed amendment will be effective from 1 April 2020.

Widening of tax base

Tax deduction at source on interest other than ‘interest on securities’

Currently, tax withholding obligation under section 194A on interest payments (other than interest on securities) applies to an individual or HUF payer only if they are required to undertake a tax audit as per section 44AB of the Act. It is also proposed that an individual or HUF carrying on a business or profession will be required to deduct taxes under section 194A of the Act if their total sales, gross receipts or turnover in the immediately preceding FY exceeds INR 10m in case of business carried on or INR 5m in case they are carrying on a profession.

It is also proposed that withholding under section 194A will be applicable on a co-operative society where:

- Total sales, gross receipts or turnover of such co-operative society exceeds INR 500m in the preceding financial year to the year in which such interest is paid; and
- The amount of interest or the aggregate amount of such interest credited or paid by co-operative society to a payee exceeds INR 40,000 (in case of senior citizens, INR 50,000).

The proposed amendment will be effective from 1 April 2020.

Tax Proposals



Tax deduction at source in respect of payments by e-commerce operators to e-commerce participants

To bring e-commerce participants under the tax regime, a new section 194O is proposed to be introduced. The section proposes for 1% TDS rate on the gross amount of sales of goods or services facilitated by e-commerce operators through digital or electronic platform to the participants. The TDS rate of 1% would apply either at the time of credit to e-commerce participants or payment by any mode or where purchaser of goods or services makes payment directly to e-commerce participants.

No such deduction is required in case of an individual or HUF, where the aggregate gross sale of goods or services or both is not likely to exceed INR 0.5m during the FY and such person has furnished a PAN or an Aadhar to the e-commerce operator.

To avoid double deduction, it has been provided that the payments which are covered under this section (for TDS or exclusion therefrom) shall not be liable to TDS under any other provisions of the Act. However, such dispensation would not apply on the amount received/ receivable by e-commerce operators on account of hosting advertisement or providing any services not related to sale or service to an e-commerce participant.

Consequential amendments are being proposed in the following sections:

- Section 197 now provides that lower withholding certificate may be obtained for tax deduction under section 194O; and
- Section 206AA now provides that the tax would be deducted at the rate of 5% instead of 1% as prescribed in section 194O, if PAN/ Aadhaar is not provided.

The proposed amendment shall be applicable on resident and NR e-commerce operators making payments to resident e-commerce participants in relation to the sale of goods or services facilitated through its digital or electronic facility or platform.

The proposed amendment will be effective from 1 April 2020.

Widening the meaning of “person responsible for paying” –

It is proposed that provisions of section 204 will be expanded to include a NR, person authorized by such NR or their agents as persons responsible for paying for the purpose of Chapter XVII relating to TDS and section 285.

The proposed amendment will be effective from 1 April 2020.

Tax collection at source in respect of foreign remittance through LRS, selling of overseas tour packages and sale of goods above specified limits

Currently, section 206C of the Act provides for the collection of TCS on business of trading in alcohol, liquor, forest produce, scrap, etc.

It is proposed to amend section 206C to levy TCS on overseas remittance under the LRS of Reserve Bank of India. Taxes would be collected by the authorized dealer at the rate of 5% on receiving an amount or an aggregate of amounts of INR 0.7m or more in a financial year for remittances out of India.

Further, the seller of an ‘overseas tour program package’ would be required to collect taxes at the rate of 5% on the amount received from any buyer purchasing such package. ‘Overseas tour program package’ is 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. In case PAN or Aadhaar is not provided by the buyer, the tax would be collected at 10% instead of 5% by the seller.

It is also further proposed to levy TCS on sale of goods at the rate of 0.1% on consideration received from the buyer in excess of INR 5m in a FY. However, such provision would apply only if total sales, gross receipts or turnover of seller from the business carried on by it exceeds INR 100m during the immediately preceding the FY. In case PAN or Aadhaar is not provided by the buyer, the tax would be collected at 1% instead of 0.1% by the seller.

The above provisions would not apply where the buyer is liable to deduct TDS under any other provisions of the Act and has deducted such amount.

Further, the aforesaid provisions would not apply on certain specified persons.

The proposed amendment will be effective from 1 April 2020.

Tax Proposals

Revenue mobilisation measures

Widening the scope of CTT

The definition of "derivatives" has been changed recently in clause 2(ac) of the Securities Contract (Regulation) Act, 1956, to include "option in goods." This change has paved the way for the launch of new derivative products.

Further, to provide a range of derivative products to market participants and to develop a commodities derivative market in India, "commodity futures" based on prices or indices of prices of "commodity futures" are likely to be introduced.

In light of the aforesaid changes in the commodity derivatives market, it is proposed to rationalise the definition of "taxable commodities transactions" for the purpose of levying CTT.

Additionally, to encourage settlement of transactions by actual delivery of commodities, a lower CTT rate has been proposed.



The proposed CTT rates for the commodities derivative market are provided below.

Sr. No.	Taxable commodities transaction	Existing	Proposed	Value of taxable transaction	Payable by
1	Sale of commodity derivative	0.01%	0.01%	Price at which the commodity derivative is traded	Seller
2	Sale of an option on commodity derivative	0.05%	0.05%	Option premium	Seller
3	Sale of an option on commodity derivative, where option is exercised	0.0001%	0.0001%	Settlement price	Purchaser
4	Sale of option in goods, where option is exercised resulting in actual delivery of goods	-	0.0001%	Settlement price	Purchaser
5	Sale of option in goods, where option is exercised resulting in a settlement otherwise than by the actual delivery of goods	-	0.125%	Difference between the settlement price and strike price	Purchaser
6	Sale of commodity derivative based on prices or indices of prices of commodity derivatives	-	0.01%	Price at which the commodity derivatives based on prices or indices of prices of commodity derivatives are traded	Seller
7	Sale of option in goods	-	0.05%	Option premium	Seller

The proposed amendment will be effective from 1 April 2020.

Tax Proposals

Improving effectiveness of tax administration

Extending the scope of e-proceedings to best judgement assessment, proceedings before Commissioner (Appeals) and penalty proceedings

The e-assessment provisions introduced in previous years was restricted to regular assessment made under section 143(3) of the Act. The operational guidelines for conducting such e-assessment have been subsequently notified. It has been proposed to extend the scope of these e-proceedings to include best judgement assessment made under section 144 of the Act. It has been further proposed to extend the timeline for issuance of directions by Government in this regard to 31 March 2022.

In order to bring greater efficiency, transparency and accountability in the tax administration, enabling provisions for similar e-proceedings have been introduced in respect of:

- Proceedings before the Commissioner (Appeals); and
- Imposition of penalty under chapter XXI of the Act.

The directives for implementing these schemes would be issued on or before 31 March 2022.

The proposed amendment will be effective from 1 April 2020.

Expanding the scope of cases where objections may be filed before the Dispute Resolution Panel

Currently, where any variation is proposed in the income or loss returned, in the case of certain eligible taxpayers, the tax officer is required to forward a draft of the assessment order to such taxpayer.

Eligible taxpayers include foreign companies and any person in whose case transfer pricing adjustments have been made. Such taxpayers have the option of filing objections before the DRP against such draft assessment order.

It has been proposed to expand the scope of such provisions to

- Include cases where any variation prejudicial to the interest of the taxpayer is proposed (i.e. even where the returned income or loss remains unchanged—for instance, change in tax rate applied on returned income); and
- Include all NRs within the scope of eligible taxpayers (and not just foreign companies).

The proposed amendment will be effective from 1 April 2020 and will be applicable to any variation proposed after such date in the case of any eligible taxpayer.

Checking misuse of power for survey operations

Section 133A of the Act empowers the tax authorities to conduct survey at the business premise of the taxpayers. Currently, prior approval of the Joint Director or Joint Commissioner is required to conduct such survey.

It is proposed to amend these provisions to provide that prior approval from the Director or the Commissioner shall be required to conduct such survey. However, in case any information is received from the prescribed authority, prior approval from the Joint Director or Joint Commissioner shall suffice for conducting survey. The proposal aims to prevent misuse of power and provide stringent check before any survey is undertaken.

The proposed amendment will be effective from 1 April 2020.

Tax Proposals

Powers of Tribunal to grant stay of demand

Provisions of section 254 of the Act inter alia grants power to the Tribunal to grant stay for a period of 180 days based on merits of the application made. It is proposed that a payment of 20% of the amount of tax, interest, fee, penalty, or any other sum payable under the provisions of the Act or on furnishing of security of same amount shall be made a pre-condition for grant of stay by the Tribunal.

In respect of the extension of stay by the Tribunal beyond 180 days due to pendency of appeal, it is proposed that above condition of payment of 20% of amount in dispute or furnishing of security should be complied with for granting extension of stay subject to a maximum combined period of 365 days. It is also proposed that the Tribunal shall dispose the appeal within the period of stay/ extended period of stay.

The proposed amendment will be effective from 1 April 2020.

Introduction of Taxpayer's Charter

To build trust between the taxpayer and administration and to enhance the efficiency of the delivery system, it is proposed to insert a new provision empowering the CBDT to adopt and declare a Taxpayer's Charter. The contents of this charter shall be notified in due course.

The proposed amendment will be effective from 1 April 2020.

Preventing tax abuse

Tax deduction at source in respect of payment to contractors

Currently, payments to contract manufacturers are covered within the ambit of TDS under section 194C of the Act. The definition of work, for the purposes of these provisions, includes the activity of manufacturing or supplying a product, according to the requirement or specification of a customer, by using material purchased from such customer. However, cases where the material is purchased from any person other than the customer are currently excluded from the purview of these provisions.

To clarify the intent of these provisions and plug the tax leakage, the definition of work is proposed to be amended to include contract manufacturing, where the material has been provided by the customer or its associate. The term 'associate' has been prescribed to include person as provided under section 40A(2)(b) of the Act.

At present, withholding under section 194C of the Act is required on contractual payments made by an individual or HUF or association of person (AOP) or body of individuals (BOI) only if they were required to undertake tax audit as per section 44AB of the Act. The threshold for requiring tax audit under section 44AB for business has now been increased from INR 10m to INR 50m in certain cases. It is proposed that tax withholding would continue to apply on contractual payments to individuals, HUF, AOP or BOI having gross receipts or turnover exceeding INR 10m in case of business and INR 5m in case of profession (in the immediately preceding financial year).

The proposed amendments will be effective from 1 April 2020.

Introduction of penalty for false entry in books of accounts

A new section 271AAD is proposed to be introduced wherein penalty has been prescribed for furnishing any false entry or omission of any entry which is relevant for the tax computation in the books of accounts. The term 'false entry' has been defined to include use or intention to use:

- Forged or falsified documents, such as false invoice or false piece of documentary evidence;
- Invoice for supply or receipt of goods and/ or services without actual supply or receipt; and
- Invoice for supply or receipt of goods and/ or services to or from a non-existent person.

The penalty prescribed is equivalent to the aggregate amount of such false or omitted entry. Further, such penalty can also be levied on any other person who causes the person to make such false entry or omission.

Tax Proposals

Rationalisation of provisions of the Act

Aligning the purpose of entering into DTAAs with MLI

Section 90 of the Act empowers the Central Government to enter into agreement (commonly known as DTAAs) with foreign countries or specified territories, *inter alia*, for avoidance of double taxation of income under the laws of India and the foreign country or foreign territory.

India has signed and ratified the MLI with many countries as part of measures to prevent base erosion and profit shifting practices; the provisions of the MLI will be applicable on India's DTAAs from FY 2020–21 onwards.

To prevent the granting of DTTA benefits in inappropriate circumstances and to align it with MLI, an amendment is proposed in sections 90 and 90A of the Act which provide that the Central Government shall enter into said agreement(s) for the avoidance of double taxation without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in the said agreement for the indirect benefit to residents of any other country or territory).

The proposed amendment will be effective from 1 April 2021 and will accordingly apply from AY 2021–22 onwards.

Deferment of SEP provisions, widening the scope of income attributable

Section 9 of the Act contains provisions in respect of income which are deemed to accrue or arise in India. With an intent to tax certain specified transactions without requiring physical presence of the NR in India, Finance Act, 2018, *inter alia*, Explanation 2A to section 9(1)(i) of the Act was inserted to provide that the SEP of an NR in India shall constitute 'business connection' in India.

It was provided that, for the purposes of determining SEP of an NR in India, the threshold limit for the aggregate amount of payments arising from the specified transactions and for the number of users will be prescribed. Since the discussion on this issue is still on going in G-20-OECD BEPS Project, these limits have not yet been notified. Therefore, it is proposed that the current SEP provisions shall be omitted from AY 2021–22 and the amended provisions will be effective from AY 2022–23 onwards.

Widening the scope of income attributable to operations in India

As per Explanation 1 to section 9(1)(i) of the Act, in the case of a business whose operations are not all carried out in India, only that part of the income shall be deemed to accrue or arise in India as is reasonably attributable to the operations carried out in India.

On the basis of discussions in the international forum, it is proposed to widen the scope of attribution of income to operations in India by way of insertion of new Explanation 3A to provide that the income attributable to the operations carried out in India, as referred to in explanation 1, shall include income from:

- Such advertisement which targets a customer who resides in India or a customer who accesses the advertisement through an Internet protocol address located in India;
- Sale of data collected from a person who resides in India or from a person who uses an Internet protocol address located in India; and
- Sale of goods or services using data collected from a person who resides in India or from a person who uses an Internet protocol address located in India.

The proposed amendment will be effective from 1 April 2021 and will accordingly apply from AY 2021–22 onwards.

It has also been proposed that the above provisions shall also apply to the income attributable to the transactions or activities carried out through SEP. The proposed amendment will be effective from AY 2022-23 onwards.

Power of the Board to make rules in respect of the business connections of NRs in India

It is proposed to amend section 295 of the Act to empower the Board to make rules that provide for the manner and procedure through which income shall be arrived at in the case of

- Operations carried out in India by an NR and
- Transaction or activities of an NR.

The amendment for clause (i) will take effect from 1 April 2021 and will accordingly apply from AY 2021-22 onwards. The amendment for clause (ii) will take effect from 1 April 2022 and accordingly apply from AY 2022–23 onwards.

Tax Proposals

Widening the definition of royalty

Currently, the consideration for the sale, distribution and exhibition of cinematographic films has been excluded from the definition of royalty as provided in Explanation 2 to section 9(1)(vi) of the Act. Thus, such royalty is not taxable in India even if DTAAs give India the right to tax such royalty.

It is proposed to amend the definition of royalty such that the consideration for sale, distribution and exhibition of cinematographic films is not excluded from the definition of royalty under the Act.

These amendments will be effective from 1 April 2021 and will accordingly apply from AY 2021–22 onwards.

Amendment to Explanation 5 of section 9 – investments by FPIs

As per the current provisions of section 9 of the Act, the overseas transfer provisions do not apply to the transfer of capital assets held as investments in category-I or category-II FPIs under the 2014 SEBI FPI Regulations.

In view of the new FPI regulations announced in 2019 in supersession of the erstwhile FPI regulations of 2014, it is now proposed to amend the provisions of explanations 5 of section 9 to restrict the exemption to investments in a category-I FPI under the 2019 SEBI FPI Regulations.

Investment by NRs in category-I and category-II FPIs registered under the 2014 SEBI FPI Regulations are proposed to be grandfathered, provided such investment were made before 23 September 2019.

The proposed amendments will be effective from 1 April 2020 and will accordingly apply from AY 2020–21 onwards.

FMV of immovable property acquired before 1 April 2001

Currently, sections 55(2)(i) and (ii) of the Act provide for the cost of acquisition of property in case of property acquired [directly by the taxpayer or by way of modes specified in section 49(1) of the Act] before 1 April 2001. In such a case, at the option of the taxpayer, the cost of acquisition can be taken as the FMV of the property as on 1 April 2001.

It is proposed that, in case of land or building or both acquired [directly by the taxpayer or by way of modes specified in section 49(1) of the Act] prior to 1 April 2001, the FMV as on 1 April 2001 shall not exceed the stamp duty value, wherever available, of such an asset as on 1 April 2001.

The proposed amendment will be effective from 1 April 2021 and will accordingly apply from AY 2021-22 onwards.



Tax Proposals

Abolition of DDT in the hands of the company, and taxing of dividend in the hands of the shareholders

Currently, as per section 115O of the Act, an additional tax of 15% (plus surcharge and cess) is required to be paid on any amount declared, distributed or paid as dividend by domestic companies.. Such dividend income is exempt under section 10(34) of the Act in the hands of the shareholders.

It is now proposed that dividend be taxed in the hands of shareholders or unit holders at the applicable rates, and, correspondingly, the domestic company or mutual fund is not required to pay any additional tax on distribution of income. Therefore, the following has been proposed:

- Section 115O will not be applicable on dividends declared, distributed or paid on or after 1 April 2020.
- Sections 10(34)providing for exemption in the hands of the shareholder/ unit holder will not be applicable on or after 1 April 2020.
- Deduction will be allowed to the shareholder only in respect of interest expense under section 57 of the Act, with an overcall capping of 20% of dividend income;
- Section 115BBDA (which provides for tax on dividend income in the hands of shareholders at the rate of 10% in excess of INR 1m) shall not be applicable on or after 1 April 2020;
- Consequential amendments are proposed in sections 115A, 115AC, 115ACA, 115C and 195 of the Act to remove the reference of section 115O;

- Section 194 has been amended to provide for levy of TDS at the rate of 10% on the dividend paid (through any mode) to a resident shareholder by a domestic company. Further, there shall be no TDS where the aggregate payment does not exceed INR 5,000 during a year, if paid by any mode other than cash; and
- NR shareholders may seek to claim relief in respect of lower TDS, if any, under the respective DTAs as well as for credit in their home country.

The proposed amendments will be effective from 1 April 2021 and will accordingly apply from AY 2021–22 onwards. However, the amendment related to withholding of taxes under sections 194 and 195 of the Act will be effective from 1 April 2020.

Removal of the cascading effect of tax on dividend received by a domestic company

Section 80M (which was omitted vide Finance Act 2003) has been inserted to remove the cascading effect of tax on dividend income received by a domestic company from another domestic company forming part of its gross total income, where the recipient company pays further dividend to its shareholders on or before the due date. The deduction in respect of dividend income shall be limited to the extent of dividend distributed by the recipient company.

The proposed amendments will be effective from 1 April 2021 and will accordingly apply from AY 2021–22 onwards.

The proposed deduction shall also be available to companies opting to pay tax under sections 115BAA and 115BAB of the Act.

Tax Proposals

Distribution tax on income distributed by mutual funds to unitholders abolished

Section 115R(2) of the Act states that a specified company or mutual fund shall be liable to pay additional income tax on any income distributed to its unit holders.

It is proposed that mutual funds will not be required to pay additional income tax on income distributed to unit holders on or after 31 March 2020.

This amendment has been proposed to align with the broader removal of distribution taxes on dividend in this budget.

Consequently, section 194K has been inserted to provide for levy of TDS at the rate of 10% on any income, in respect of a) units of Mutual Fund specified under section 10(23D) or b) units from the Administrator of the specified undertaking or c) units from the specified company.

The proposed amendments will be effective from 1 April 2021 and will accordingly apply from AY 2021–22 onwards. However, the amendment related to withholding of taxes will be effective from 1 April 2020.

Amendment to section 115AD – consequent to the amendment to section 115O

Consequent to the proposed amendment to section 115-O of the Act to abolish DDT, section 115AD is proposed to be amended to exclude income by way of dividends referred to in section 115-O of the Act.

With the proposed amendment, the dividend income will now be taxable in the hands of FPIs.

The proposed amendments will be effective from 1 April 2021 and will accordingly apply from AY 2021–22 onwards.

Impact of the removal of DDT in the cases of REITs and InvITs

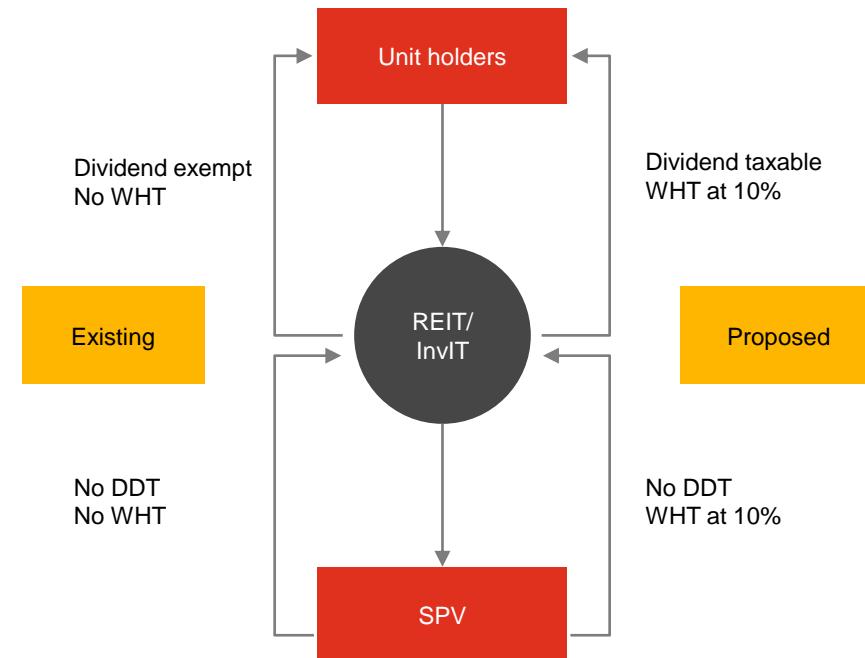
Section 10(23FC) of the Act provides for an exemption on dividends received by REITs and InvITs. Further, such dividend distributed by REITs/ InvITs is exempt in the hands of the unitholders under section 10(23FD) of the Act.

It is proposed to amend the above provisions to tax such dividend received from REIT/ InvIT in the hands of the unit holders at applicable rates.

The corresponding amendment is proposed in section 194LBA of the Act for the deduction of tax at source at the rate of 10% on dividend income paid by a REIT/ InvIT to its unit holder.

Further, the amendment under section 194 of the Act in relation to TDS on dividends that requires companies to withhold tax at 10% should also apply to SPVs paying dividends to REITs/ InvITs.

The proposed amendment will be effective from 1 April 2021 and will accordingly apply to AY 2021–22 onwards.



Tax Proposals

Change in the due date for filing the tax return – Section 139 of the Act

Currently, under section 139(1) of the Act, the due date for furnishing the tax return in case of a company or person other than the company or working partner of a firm, whose accounts are required to be audited, is 30 September of the relevant AY. In case a taxpayer is required to furnish the transfer pricing report, due date to file tax return is 30 November of the relevant AY.

It is proposed to extend the due date for furnishing the tax return from 30 September to 31 October. However, where transfer pricing provisions apply, no change is proposed in filing the tax return.

Furthermore, it is proposed to remove the distinction between a working and non-working partner of a firm with respect to the due date of filing their personal tax return. The tax return is now proposed to be filed by 31 October of the AY in these cases.

The following table summarises the proposed due date for furnishing the audit reports and tax return:

Taxpayer	Due date of furnishing of tax audit report/ other reports	Due date of filing the return of income
In case of a company/ persons having PGBP income (other than transfer pricing cases)	30 September of the relevant AY	31 October of the relevant AY
In case of a company/ persons having PGBP income (transfer pricing cases)	31 October of the relevant AY	30 November of the relevant Y

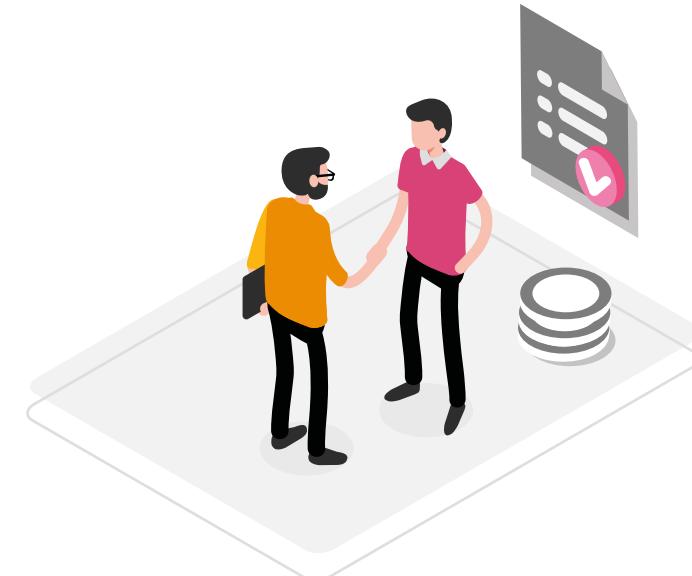
The proposed amendments will be effective from 1 April 2020 and will accordingly apply from AY 2020–21 onwards.

Furnishing of audit report under the Act

Currently, the due date for filing the tax audit report under section 44AB of the Act and other reports under specified sections* for claiming exemption/ deductions under the Act is aligned with the date specified under section 139(1) of the Act for filing the return of income.

Since, the Government's initiative is to provide pre-filled tax return forms to ensure ease of compliance, it is proposed that, in case of persons having income under the head of profits and gains from business and profession , the abovementioned reports shall be furnished by the taxpayers one month prior to the due date of filing the tax return. The proposed amendments will be effective from 1 April 2020 and will accordingly apply from AY 2020–21 onwards.

*Under sections 10, 10A, 12A, 32AB, 33AB, 33ABA, 35D, 35E, 44DA, 50B, 80-IA, 80-IB, 80JJAA, 115JB, 115JC and 115VW



Tax Proposals

Tax Audit Requirement - Section 44AB of the Act

Currently, under section 44AB of the Act, every person carrying on a business or profession is required to get its accounts audited if the total sales, turnover or gross receipts in business exceed INR 10m or, in case of a profession, exceed INR 5m in any previous year.

To reduce the compliance burden on small and medium enterprises, it is proposed that the threshold limit for persons carrying on business shall be increased from INR 10m to INR 50m, provided the aggregate of;

- all receipts including sales, turnover and gross receipts in cash does not exceed 5% of total receipts; and
- all payments including expenditure in cash does not exceed 5% of total payments.

However, in case of individuals or HUF, for the purpose of tax withholding compliances under section 194A, 194C, 194H, 194I, 194J and 206C of the Act, the aggregate limit has not been changed: INR 10m in the case of business and INR 5m in the case of profession (in the preceding financial year).

This proposed amendment will be effective from 1 April 2020.

Rationalisation of provisions relating to Form 26AS

Currently, as per section 203AA of the Act, the income-tax authority prepares and delivers a statement in Form 26AS to every person, showing details of the TDS and other prepaid taxes.

It is proposed to introduce a new section 285BB that requires the income-tax authority to upload a comprehensive annual information statement in respect of the taxpayer. Such statement will also include other financial information such as sale or purchase of immovable property and shares in possession of the income-tax authority. Consequently, section 203AA will be deleted and Form 26AS will be replaced by the comprehensive annual information statement. The form and manner of the annual information statement shall be prescribed later separately.

This proposed amendment will be effective from 1 June 2020.

Rationalisation for taxation in respect of segregated portfolios

In December 2018, SEBI permitted the creation of a segregated portfolio of debt and money market instruments by mutual fund schemes. As per the circular, all existing unitholders in the affected scheme as on the day of the credit event are allotted an equal number of units in the segregated portfolio as held in the main portfolio. On segregation, the unitholders come to hold the same number of units in two schemes – the main scheme and the segregated scheme.

It is proposed to rationalise the provisions of section 49 of the Act to provide that the cost of acquisition units in segregated portfolio shall be proportionate to the NAV of assets transferred to the segregated portfolio to NAV of the total portfolio immediately before segregation.

It is also proposed that the cost of the acquisition of the original units held by the unitholder in the main portfolio shall be deemed to have been reduced by the acquisition cost of units in the segregated portfolio.

The period of holding for units in the segregated portfolio shall be reckoned from the period for which the taxpayer holds the original units in the main portfolio.

The proposed amendments will be effective from 1 April 2020 and will accordingly apply from AY 2020–21 onwards.

Tax Proposals

Amendment in the provisions of the Act relating to verification of return of income and appearance of an authorised representative

Currently, under section 140 of the Act, the return of income is verified for

- a company by the managing director or any director where the managing director is not able to verify the return or there is no managing director; or
- an LLP by the designated partner or any partner where the designated partner is not able to verify the return or there is no designated partner.

To remove the practical challenges faced by the insolvency professionals appointed under the Insolvency and Bankruptcy Code, 2016, it is proposed to expand the scope of section 140 of the Act wherein the CBDT can prescribe any other persons who can verify the tax return in case of a company or LLP.

Similarly, it is also proposed to amend section 288 to enable an insolvency professional (to be prescribed by the CBDT) to appear before any income-tax authority or appellate tribunal as an “authorised representative” in any proceedings under the Act.

The proposed amendment will be effective from 1 April 2020.

Rationalisation of the process of the registration of charitable trusts and specified institutions

Currently, under sections 12AA and 10(23C) of the Act, trusts and specified institutions receive registration for an indefinite period. In addition, the process of obtaining registration/ approval is manual and has some practical challenges.

To simplify the registration process, a new section 12AB of the Act is proposed to be inserted in place of section 12AA to enable the registration process to be completed electronically. It is also proposed that approval, registration or notification for exemption shall be for a limited period of five years at one time. This would act as check to ensure that the conditions of approval, registration or notification are adhered to. Moreover, an entity making a fresh application for approval under clause (23C) of section 10 for registration under section 12AA shall be provisionally approved or registered for three years based on the application without detailed

enquiry. This will be done even in cases wherein the entity's activities are yet to begin. Then, such entity has to again apply for approval or registration, which, if granted, shall be valid from the date of such provisional registration. The application for registration subsequent to the provisional registration should be at least six months prior to expiry of the provisional registration or within six months of the start of activities, whichever is earlier.

Corresponding amendments are made in sections 115TD and 253.

A similar amendment is proposed in section 10(23C) of the Act as well.

The time limit to apply for registration under section 12A/ 10(23C) of the Act has been proposed as under:

Trusts and institutions	Time limit for the application
Already registered	Within three months from 1 June 2020
Registration period is due to expire	At least six months prior to expiry of the registration period
Provisionally registered (for the first time)	At least six months prior to expiry of the registration period or within six months of commencement of its activities, whichever is earlier
Registered under section 12A/ 12AA, which becomes inoperative due to the first proviso to section 11(7)	At least six months prior to commencement of the assessment year from which said registration is sought to begin operation
Seeking adoption or modification of the objective, which do not conform to the conditions of registration under section 12AB	Within 30 days from the date of said adoption or modification
Any other case (including first timers)	At least one month prior to the commencement of the previous year for which registration is sought

The proposed amendment will be effective from 1 June 2020.

Tax Proposals

No general exemption if registered for specific exemptions

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. Similarly, certain trusts, etc., avail a specific or general exemption under section 10 of the Act.

The existing provisions of section 11 (7) of the Act provide that, if the trusts or institutions are registered under section 12A/ 12AA of the Act, then no exemption shall be granted under section 10 of the Act except for agricultural income [as referred under section 10(1)] and income referred to in section 10 (23C) of the Act.

To provide relief to trusts or institutions established by or constituted under the Central Government or State Government for the benefit of general public that were not able to be notified under clause (46) of section 10 due to registration under section 12A/ 12AA, an amendment has been proposed to carve out an exception for such entities as well.

Simultaneously, it has been proposed to discourage the practice of routine switching between section 10 and section 11, in case trusts or institutions have obtained approval under both the sections (i.e., sections 10 and 11 read with 12A/ 12AA). Their registration under section 12A or 12AA shall become inoperative from the date of their approval under section 10(23C) or 10(46), as the case may be, or from 1 June 2020, whichever is later.

However, to facilitate one-time switching, it is proposed to give an option to trusts to get their registrations operative again under 12AB subject to giving-up the approval under section 10(23C) or 10(46) of the Act.

The proposed amendment will be effective from 1 June 2020.

Rationalisation of provisions relating to research associations, university colleges, scientific research companies and other institutions

Currently, section 35 inter alia provides that where the payment has been made to a specified association, university, college or other approved institution, deduction should be allowed even where approval granted to such a specified association, university, college or other approved institution is subsequently withdrawn. Similar relaxation has now been proposed in respect of scientific research companies referred in section 35(1)(iia) of the Act.

Further, the following amendments have been proposed:

- Such research associations, university colleges, scientific research companies and other institutions will have to make an intimation in the prescribed manner within three months of such a provision coming into effect.;
- Notification referred to under section 35 of the Act will now remain valid for a period of five years from the assessment year beginning from the assessment year commencing on or after 1 April 2021.;
- No deduction will be allowed unless such research associations, university colleges, scientific research companies and other institution deliver a statement to the income-tax authorities in the prescribed form and manner.; and
- Such research associations, university colleges, scientific research companies and other institutions will furnish a certificate to the donor specifying the prescribed details.

Further, it has been proposed that, in case of failure to deliver such a statement or furnish such a certificate, a fee and/ or penalty may be levied.

The proposed amendment will be effective from 1 June 2020.

Tax Proposals



Transfer Pricing

• Safe Harbour Rules for profit attribution to PEs

Currently, section 92CB of the Act encapsulates SHR, providing an option to taxpayers having specified international related party transactions (such as provision of IT)/ IT enabled services, KPO services, etc.), to achieve TP certainty by adopting pre-defined mark-ups (or safe harbour). This is subject to an approval process and conditions outlined in SHR. This, however, does not include instances wherein profit is attributable to PEs under section 9(1)(i) of the Act.

It is proposed to cover profit attribution to PEs also under the SHR. This amendment is effective from 1 April 2020 and will accordingly apply in relation to the AY 2020-21 and subsequent AYs.

• APA for profit attribution to PEs

Currently, section 92CC of the Act empowers the CBDT to enter into an APA with any taxpayer, determining the ALP or specifying the manner in which the ALP is to be determined, in relation to international related party transactions. APA provides certainty on TP for a maximum of five years in future and for four rollback years.

While the APA FAQs issued by the CBDT clarified that it is possible for a taxpayer to file an APA in relation to profit attribution to PE, there appeared to be an ambiguity that section 92CC in its current form does not cover such cases.

It is proposed to cover profit attribution to PEs also under the APA. It is further proposed that the manner of determination of profit attributable to PEs in an APA may include methods to be prescribed in this regard.

The above amendment shall take effect from 1 April 2020 and therefore will apply to an APA entered into on or after 1 April 2020.

• Due date for filing the Accountants' Report (Form 3CEB)

Section 92F of the Act provides that the due date for filing Accountants' Report would be the same due date for filing the ROI.

It is proposed as it is to prepone the due date for filing Accountants' Report to one month prior to the due date for filing ROI. This amendment is effective from 1 April 2020 and will accordingly apply in relation to AY 2020-21 and subsequent AYs.

• Amendment to section 94B – relaxation on disallowance of interest

Deduction of interest expenditure incurred by an Indian company or a permanent establishment of a foreign company, in respect of debt issued by an NR, AE, shall be restricted to 30% of the EBIDTA provided such interest exceeds INR 10m and is deductible under the head "business income."

This restriction on deduction also extends to loans provided by an unrelated lender (e.g., foreign bank branch in India) but guaranteed by an AE.

These provisions do not apply to an Indian company or a PE of foreign company that is engaged in the business of banking or insurance.

The term AE, *inter alia*, includes an entity that has advanced a loan to another entity, and such loan constitutes at least 51% of the book value of total assets of the borrower enterprise. In such a situation, the provisions with regard to limitation on the deduction of interest expenditure are attracted.

Said provisions discourage companies from raising debt from the PE of a foreign bank. Further, the branches of foreign banks are taxable in India on their income.

In view of this, it is now proposed to provide a relaxation with regard to disallowance of interest expenditure incurred in respect of debt issued by a branch of the foreign bank in India.

The proposed amendment will take effect from 1 April 2021 and will accordingly apply from AY 2021–22 onwards.

Tax Proposals



Indirect Tax

Key GST proposals

1. Stringent measures to curb fake ITC

The Government has proposed a plethora of measures, by imposing stringent penalty and punishments, to curb the availment of fraudulent ITC:

- Any person, being beneficiary of passing or availing fraudulent ITC, will be liable for similar penalty leviable to the person who commits specified offences; and
- It has been proposed to amend the provisions to make the offence of fraudulent availment of ITC without an invoice or bill a cognisable and non-bailable offence and to make any person who commits or causes the commission and retains the benefit or transactions arising out of specified offences liable for punishment.

2. ITC allowed on debit notes basis date of issue

It has been proposed to delink the date of debit notes from the date of issuance of underlying invoice for availment of ITC.

3. Transitional credit

Retrospective amendment with effect from 1 July 2017 has been made to prescribe the manner and time limit for taking transitional credit.

4. Composition scheme

It has been proposed to exclude from the ambit of the composition scheme, the following categories of taxable person, engaged in making:

- Supply of services not leviable to tax; or
- Inter-State outward supply of services; or
- Outward supply of services through an e-commerce operator.

5. Withholding tax

An amendment has been proposed to remove the requirement of issuance of tax withheld certificate by the deductor, and to omit the corresponding provision of late fees for delay in issuance of tax withheld certificate.

6. Transfer of business assets

The transfer of business assets without consideration shall not be deemed as supply of goods or services or both from a retrospective effect, i.e., with effect from 1 July 2017.

7. Removal of difficulty order

Period of issuance of removal of difficulty order has now been extended for a further two years, i.e., five years from date of commencement of the Act.

8. Definition of Union Territory

Amendments have been made to update the definition of Union Territory to give force to the Jammu and Kashmir Reorganisation Act, 2019 and Dadra and Nagar Haveli and Daman and Diu (Merger of union territories) Act, 2019.

9. Manner of issuance of invoice

Enabling provision has been provided to prescribe the manner of issuance of invoices for supply of taxable services.

10. No refund of accumulated credit of compensation cess

Refund on account of accumulated credit of compensation cess arising from the inverted duty structure on tobacco products has been disallowed with retrospective effect from 1 July 2017.

11. Rate amendment

Retrospective amendment to exempt the following:

- Supply of fishmeal (falling under chapter 2301) from the levy of GST for the period 1 July 2017 to 30 November 2017;
- Concessional GST rate of 12% has been prescribed on supply of pulley, wheels and other parts and used as parts of agriculture machinery from 1 July 2017 to 31 December 2018.

The aforesaid proposed changes in the GST law will come into effect from the date when the same will be notified, unless otherwise specified.

Tax Proposals

Excise

Excise duty rates on cigarettes and other tobacco products (excluding bidis) have been increased.

Key customs proposals

1. Imposition of health cess on import of medical devices into India

It is proposed to levy a nominal “health cess” on the import of specified medical equipment to promote domestic manufacturing. The proceeds will be used for financing health infrastructure and services.

Tariff heading on which health cess is applicable	Description of goods as per tariff	Rate of health cess imposed
All goods under chapter heading 9018 of the First Schedule to the Customs Tariff Act, 1975	Instruments and appliances used in medical, surgical, dental or veterinary sciences, including scientigraphic apparatus, other electromedical apparatus and sight-testing instruments	5%
All goods under chapter heading 9019 of the First Schedule to the Customs Tariff Act, 1975	Mechano-therapy appliances; massage apparatus; psychological aptitude-testing apparatus; ozone therapy, oxygen therapy, aerosol therapy, artificial respiration or other therapeutic respiration apparatus	5%
All goods under chapter heading 9020 of the First Schedule to the Customs Tariff Act, 1975	Other breathing appliances and gas masks, excluding protective masks having neither mechanical parts nor replaceable filter	5%
All goods under chapter heading 9021 of the First Schedule to the Customs Tariff Act, 1975	Orthopaedic appliances, including crutches, surgical belts And trusses; splints and other fracture appliances; artificial parts of the body; hearing aids and other appliances that are worn or carried, or implanted in the body, to compensate for a defect or disability	5%
All goods falling under headings 9022 of the First Schedule to the Customs Tariff Act, 1975	Apparatus based on the use of x-rays or of alpha, beta or gamma radiations, whether or not for medical, surgical, dental or Veterinary uses, including radiography or radiotherapy apparatus, x-ray tubes and other x-ray generators, high tension generators, control panels and desks, screens, examination or treatment tables, chairs and the like	5%

Additional comments

- The health cess levied as a duty of customs, will be applicable with immediate effect, and will be levied at the value computed in accordance with the provisions of section 14 of the Customs Act, 1962.
- Any export promotion scrips shall not be used for payment of said cess.
- Health cess will not be imposed on the following:
 - Medical devices that are exempt from BCD;
 - Inputs/ parts used in the manufacture of medical devices;
 - All goods falling under heading 9022, other than those for medical, surgical, dental or veterinary uses.

Tax Proposals

2. Preferential tariff treatment regime under trade agreement

To protect domestic manufacturers against the threat of imported goods from preferential trade countries, an enabling provision has been proposed for administering the preferential tariff treatment regime under trade agreements.

The proposed new section seeks to impose certain obligations on importers and prescribes for time-bound verification from the exporting country in case of doubt.

Additionally, the goods imported on claim of preferential tariff treatment in relation to which a specified provision has been contravened shall be liable to confiscation.

3. Prohibition of import or export of goods in specified cases

The ambit of prohibition of goods for prevention of injury to the economy of the country because of uncontrolled import or export of goods has now been extended to "any other goods." Earlier, this prohibition was limited to the import of gold and silver.

4. Introduction of electronic duty credit ledger under customs

It is proposed to create an Electronic Duty Credit Ledger in the customs system to enable credit of duty credit (in respect of exports), or such other benefits in electronic form for its usage, transfer, etc. The provisions for recovery of duties provided are also being expanded to include such electronic credit of duties.

5. Safeguard measure

The Government has been empowered to apply safeguard measures if any article is imported into India in such increased quantities and under such conditions so as to cause or threaten to cause serious injury to domestic industry.

The safeguard measure shall include the imposition of safeguard duty or application of a tariff rate quota or any other measure considered appropriate.

6. Anti-dumping duty

As a benefit to the domestic textile sector, the anti-dumping duty is proposed to be abolished on Purified Terephthalic Acid (critical input for textile fibres and yarns). The benefit is to be available in case of Purified Terephthalic Acid originating in or exported from South Korea, China, Iran, Indonesia, Malaysia and Taiwan.

7. Social welfare surcharge

It is proposed to exempt certain products from the levy of customs duty and on certain products exemption of social welfare surcharge, which was available earlier on certain products, has been withdrawn. The illustrative list of goods is as follows:

Illustrative list of goods	Impact
All commercial vehicles (including electric vehicles),* if imported or completely built unit, cheese, bulbs or tubers, other live plants, walnuts in shell, walnuts shelled, maize, orange juice, etc.	Exempted
Specified goods falling under Chapters 84, 85 and 90 (word processing machines, calculating machines, accounting machines, personal computers, MP3 players, audio compact disc player, etc.)	Exemption withdrawn

*exemption available with effect from 1 April 2020

Tax Proposals

8. Changes in rates of customs duties

The Union Budget 2020-21 being the first Budget for the decade, emphasises the empowerment of the domestic manufacturing industry, to generate employment opportunities in labour intensive sectors.

Accordingly, the BCD rates and exemptions have been tweaked, which are provided in a summary form for specific sectors as follows:

Electric vehicles	To promote the Make in India initiative under phased manufacturing programme it is proposed to increase customs duty rates on electric vehicles and parts of cellular mobile phones with effect from 1 April 2020 .
Automobile and automobile parts sector	Customs duty is proposed to be increased on import of specific auto parts that are being manufactured domestically.
Parts of cellular mobile phones	To promote the Make in India initiative under the phased manufacturing programme, it is proposed to increase customs duty rates on parts of cellular mobile phones with effect from 1 April 2020 .
Electronics sector	To boost the Make in India initiative in the electronics sector, customs duty is proposed to be increased on specified goods.
Household goods and appliances	To provide a level playing field for domestic producers, customs duty is proposed to be increased on household goods and appliances.
Newspaper sector	To reduce the burden on print media, the customs duty of 10% imposed vide Budget 2019-20 is proposed to be reduced to 5%.
Labour intensive sectors	To protect the labour intensive sectors in MSME for employment generation, customs duty is proposed to be increased on items such as footwear and furniture.
Defence sector	Exemption from import duty for specified military equipment, has also been extended to the equipment imported by defence PSUs and other PSUs for defence forces.
Custom duty changes for other domestic manufacturers	Customs duty is being reduced on certain inputs and raw materials imported by domestic manufacturers.

9. Exemptions withdrawn

Customs exemption have been reviewed to weed out such entries that are redundant, outdated or have outlived their utility; 80 exemptions are being withdrawn by making suitable amendment/ rescission of relevant notifications. The exemptions being pruned include withdrawal of exemption/ concessional rates. Some illustrative goods are as follows.

Category of goods	Illustrative list of products
Agro and animal-based products	Tuna bait, skimmed milk and certain milk products, raw sugar, etc.
Items of metal	Lead bars, rods, zinc tubes, tin plates, etc.
Machinery	Machinery imported for use in certain projects (specified electricity generation project, specified metro projects, etc.), specified goods required for construction of roads.
Electronic items	Copper and copper articles used in manufacture of specified electronic items, parts for manufacture of printers, CD writers, MP3, MP4, MPEG4 players, pre-recorded cassettes, audio cassettes, colour television tubes, etc.

Tax Proposals

The detailed impact from the customs duty perspective on key industries will be as follows:

Electric Vehicles (Duty Hike applicable from 01 April, 2020)				
Chapter	Commodity	Rate of Duty		
		From	To	
87	Completely Built Units (CBUs) of commercial vehicles (other than electric vehicles)	30%	40%	
	Completely Built Units (CBUs) of commercial electric vehicles	25%	40%	
	Semi Knocked Down (SKD) forms of electric passenger vehicles	15%	30%	
	Semi Knocked Down (SKD) forms of electric vehicles- Bus, Trucks and Two wheelers	15%	25%	
	Completely Knocked Down (CKD) forms of electric vehicles - Passenger vehicles, Three wheelers, Two wheelers, Bus and Trucks	10%	15%	
Automobile and Automobile parts				
Chapter	Commodity	Rate of Duty		
		From	To	
84	Catalytic Convertors	10%	15%	
28	Noble metal solutions and noble metal compounds used in manufacture of catalytic converter and their parts	5%	10%	
84 or any other Chapter	1. Parts of catalytic converter for manufacture of catalytic converters. 2. The following goods for use in the manufacture of catalytic converters and its parts, namely: - <ul style="list-style-type: none">• Raw substrates (ceramics)• Wash coated substrates (ceramics)• Raw substrates (metal)• Wash coated substrates (metal)• Stainless steel wire cloth stripe• Wash coat	5%	7.50%	
87	Completely Built Units (CBUs) of commercial vehicles (other than electric vehicles) (applicable with effect from 01 April, 2020)	30%	40%	
87	Completely Built Units (CBUs) of commercial electric vehicles (applicable with effect from 01 April, 2020)	25%	40%	

Tax Proposals

Parts of Cellular Mobile Phones (Duty Hike applicable from 01 April, 2020)

Chapter	Commodity	Rate of Duty	
		From	To
85	PCBA of Cellular mobile phones	10%	20%
	Vibrator/Ringer of Cellular mobile phones	Nil	10%
	Display Panel and Touch Assembly of Cellular mobile phones	Nil	10%

Electronic Sector

Chapter	Commodity	Rate of Duty	
		From	To
74	Copper and articles thereof used in manufacturing of specified electronic items	Nil	Applicable rate
85	Specified Chargers and power adapters	Applicable rate	20%
	Headphones and Earphones	Applicable rate	15%
	Following parts of Microphone for use in manufacture of Microphone namely,		
	• microphone cartridge	10%	Nil
	• microphone holder		
	• microphone grill		
	• microphone body etc		
	Micro-fuse base, sub-miniature fuse base, Micro-fuse Cover and sub-miniature fuse cover for use in manufacture of micro fuse and sub-miniature fuse.	7.50%	Nil
	Static Converters	15%	20%
	Dip bridge rectifier	10%	20%
	Populated, loaded or stuffed printed circuit boards	10%	20%

Tax Proposals

Household Goods & Appliances			
Chapter	Commodity	Rate of Duty	
		From	To
69	<ul style="list-style-type: none"> Tableware, kitchenware, water filters (of a capacity not exceeding 40 litres) and other household articles, of porcelain or china; Ceramic table- ware, kitchen-ware, clay articles and other household articles 	10%	20%
70	Glassware of a kind used for table, kitchen, toilet, office, indoor decoration or similar purposes (other than that of heading 7010 or 7018)	10%	20%
73	Table kitchen or other household articles and parts thereof, of iron or steel, iron or steel wool; pot scourers and scouring or polishing pads, gloves and the like, of iron or steel, including pressure cookers pans utensils, misc articles such as iron & steel wool, polishing pads, gloves etc	10%	20%
83	Padlocks and locks (key, combination or electrically operated) of base metal; clasps and frames with clasps, incorporating locks of base metals; keys for any of the foregoing articles, of base metals (other than lock of a kind used for automobiles.)	10%	20%
84	<ul style="list-style-type: none"> Table Fans; Ceiling Fans Pedestal Fans Blowers, Portable 	10%	20%
85	<ul style="list-style-type: none"> Food Grinders; Hair-removing appliances; Water heaters and immersion heaters Coffee and Tea Makers Toasters Other Appliances Storage heating radiators Electrical or electronic devices for repelling insects Electric smoothing irons 	10%	20%

Tax Proposals

Newsprint Sector

Chapter	Commodity	Rate of Duty	
		From	To
48	<ul style="list-style-type: none"> Newsprint, if the importer, at the time of import is an establishment registered with the Registrar of Newspapers, India (RNI) 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) Lightweight coated used for printing magazines, subject to end-use conditions 	10%	5%

Labour Intensive Sector

Chapter	Commodity	Rate of Duty	
		From	To
64	Footwear	25%	35%
	Parts of footwear	15%	20%
94	a) Seats and parts of seats (other than aircraft seats and their parts); b) Other Furniture and parts; c) Mattress supports; Articles of bedding and similar furnishing ; d) Lamps and lighting fittings including searchlights and spotlights and parts thereof; Illuminated signs, illuminated name plates and the like, having a permanently fixed light source, and parts thereof except solar lantern and solar lamps.	20%	25%

Tax Proposals



Defence Sector			
Chapter	Commodity	Rate of Duty	
		From	To
73,84,85,87, 88,89,90,93	Exemption from import duty for specified military equipment, when imported by Defense PSUs and other PSUs for defence forces	Applicable rate	Nil
Machinery			
Chapter	Commodity	Rate of Duty	
		From	To
84	<ul style="list-style-type: none"> • Railway Carriage fans • Air Circulator • Industrial fans blowers and similar blowers • Other industrial fans • Pressure vessels 	7.50%	10%
	<ul style="list-style-type: none"> • Commercial freezer of chest type, not exceeding 800lt capacity • Electrical freezers of upright type, not exceeding 800 litre capacity • Other freezers of upright type, not exceeding 800 litre capacity • Refrigerating or freezing display counters, cabinets, showcases and the like • Heat pumps other than ac machines 		
	<ul style="list-style-type: none"> • Other chest type freezers • Water cooler • Vending machine, other than automatic 	7.50%	15%
	<ul style="list-style-type: none"> • Welding and Plasma cutting machines • Motors like Single Phase AC motors, Stepper motors, Wiper Motors etc. 	10%	15%
		7.50%	10%

Tax Proposals

Others Sectors		Rate of Duty	
Chapter	Commodity	From	To
27	Very low Sulphur fuel oil meeting ISO 8217:2017 RMG380 Viscosity in 220-400 CST standards/marine Fuel Oil 0.5% (FO), under the same conditions as available to IFO 180 CST and IFO 380 CST under entry at S. No. 139 of notification No. 50/2017–Customs dated 30.6.2017.	10%	Nil
	Calcined Petroleum Coke	10%	7.50%
39	Polyester Liquid Crystal Polymers (LCP) for use in manufacture of connectors	7.50%	Nil
	Calendared plastic sheets for use in manufacturing of smart cards	10%	5%



Section 6

Expert's Speak



Expert's Speak



Macro

Shyamal Mukherjee, Chairman - PwC India

"An important pivot for this Government has been to build trust in the market. Through this Budget, the Government continues to underline this aspect of building trust. Initiatives like the Tax Payer Charter, increasing the deposit insurance coverage, amendments to the Companies Act on clauses that lead to criminal liability, strengthening of Contracts Act bear testimony to this."

Gautam Mehra, Leader Tax & Regulatory, PwC India

The Union Budget 2020 tax proposals carry forward the theme of Simplification, Trust and Economic development in focussed areas. The lower and optional personal tax regime is aimed at simplification, while the proposals to de-criminalise civil offences, introduce a Taxpayers Charter, and the introduction of an income tax dispute resolution Scheme are aimed at building Trust and reducing litigation.

The tax exemption to sovereign and other funds for long term investment in Infra is a focussed and positive move, and the shift back to a shareholder model of taxing dividends should be beneficial to small shareholders.

Sanjay Tolia, Leader Markets, PwC India

The FM has paved the course for a vibrant India, riding high on inclusive growth and wealth creation. The focus on youth and technology on the one hand, and a governance structure underpinned by mutual trust and a recapitalised financial system on the other, will give a fillip not only to wealth creation but also to its distribution.

Deepankar Sanwalka, Leader Advisory, PwC India

It is a very elaborate, growth-oriented budget, with the right measure of pragmatism and aspiration. A lot of thought has been put in to address some long-term concerns, especially around agriculture and skill development. Measures to boost consumer confidence is likely to add the much-needed impetus to the economy. The thrust on optimally harnessing science and technology is pathbreaking and I personally look forward to seeing how these measures shape up.



Expert's Speak



Sector

Agriculture

Ajay Kakra, Leader Agriculture & Natural Resources, PwC India

Systematic coverage of agriculture sector through the 16 point agenda reflects a definite intention to bring fundamental development in agriculture and allied sector. Covering allied sector and important thematic areas can surely work towards aspirational agenda of the government. The initiative to develop 'Kisan Rail' for transport of perishable goods is a visionary move that can change the basic functioning of the cold chain industry. It will be revolutionary not only for India but all developing countries across the globe.

Adoption of 16 point agenda showcases a comprehensive coverage of agriculture sector and an overall vision towards transformation of the sector. Same is reflected in increased allocation of 1.6 lakh crores towards agriculture and allied sector. Agri and allied sector remains a focus for the current government. Among other the 'Blue Economy' initiative is a good move towards organising the aqua sector and creating capacities across the value chain. It is a step further to the last budget creating a fisheries development board to regulate the sector.

Transport & Logistics

Manish Sharma, Partner & Leader Transport & Logistics, PwC India

The FM's announcement on the National Infrastructure Pipeline, NSDC programme to help skill development in the infrastructure sector, PPP in passenger trains and making MSMEs competitive have been in discussion for some time and happy to note that the Budget has formalised this. Also, the project preparation facility is a good initiative and should focus on projects across central, state and local body projects. Additionally, Krishi UDAAN and Kisan Rail are good initiatives which can help plug gaps from farm to market for agri produce

Power

Kameswara Rao, Partner & Leader Government Reforms and Infrastructure Development, PwC India

- The time-bound proposal to shift to pre-paid smart meters can truly help utilities improve cash collection as well as for consumers get a competitive power supply. This is, eventually, a positive for generators too who currently suffer delays of 6-8 months and are sitting on surplus capacity that could be sold if they had access to consumers.
- Sovereign wealth funds with presence already in India's renewables, hydro, transmission and distribution sectors will see the 100% tax exemption on interest, dividend and capital gains as a huge positive. This, in addition to the corporate tax cut for power generators, should attract new investments, encourage early closure of inefficient plants and reduce marginal cost of generation.
- The continued government focus on decentralised renewable energy, closure of inefficient plants, and a restatement of our commitment to climate change actions is encouraging. This should translate into real actions, especially given the Budget proposals to attract external funding.

Healthcare

Dr. Rana Mehta, Partner & Leader Healthcare, PwC India

Viability gap funding to set up Hospitals and Medical Colleges in the most undeserved districts will go a long way in addressing the shortage of beds and enhance geographical accessibility under the PMJAY programme. Public Private Partnerships will help both unlock capacity and ensure cost effective delivery of care in rural areas.

However innovative business models will be critical for widespread private sector participation.

Expert's Speak



Sector

Real Estate

Bhairav Dalal, Partner & Leader Real Estate Tax, PwC India

Overall a moderately positive Budget for the Real Estate sector. Policy announcements such as Study In India, Data Park Centres and five new Smart Cities will drive the sentiment in the right direction. The extension of Affordable Housing tax benefits is in line with expectations, but the sense is more could have been done to bring much needed revival in the sector.

Financial Services Tax

Bhavin Shah, Partner & Leader Financial Service Tax, PwC India

The FM's marathon budget speech focusing on the trinity of aspirational India, economic development and caring society, has re-emphasized the importance of reliable and robust financial sector. While the reading of fine print will bring out the details, proposal to abolish DDT, exemption to sovereign wealth funds for investment in infrastructure and extension of lower withholding tax rate of 5% for interest income would be a big hit with foreign investors.

Indirect Tax

Pratik Jain, Partner & Leader Indirect Tax, PwC India

Central GST collection target for this financial year (FY 19-20) has been revised downwards from INR 526,000 crores to INR 514,000 crores. The target for FY 20-21 has been pegged at INR 580,000 crores, a growth of about 13% from the revised collection target, which seems to be a positive step towards setting up more realistic targets.

On GST, directionally, thrust towards simplification and technology led administration is expected to continue. The proposal of implementing a system of cash reward to incentivise customers seeking invoice should help create a more compliant GST ecosystem. Proposal to make fraudulent claim of input tax credit without any invoice or bill a cognizable and non-bailable offence is important and should help the Government enforce a check on tax evasion, though it needs to be ensured that the same is implemented well on the ground.

Changes incorporated in the Customs Act to provide for stringent checks on preferential duty claims on goods imported under a free trade agreement (FTA) based on rules of origin requirements would necessitate a complete review of current imports by the businesses.

There has been a decision to review all Customs duty exemptions by September 2020, which is a directional shift to provide additional incentive to domestic manufacturing. However, it will have to be seen if increasing Customs duty alone would help the Government meet this objective.

Expert's Speak



Deals perspective

Hiten Kotak, Partner & Leader M&A Tax, PwC India

Touted as the toughest budget in a decade, the Government had its task cut for pleasing the taxpayer and the investors. Whilst the direction is clear to eliminate tax harassment and simplify taxes, whether it would provide the necessary impetus and optimism in the economy only time would tell.

There have been significant changes proposed in the tax provisions which would have impact on the transactions / Mergers and acquisitions space:

- Elimination of Dividend Distribution tax –
This was the long standing demand of the industry. DDT was as an additional cost for repatriation of dividends from Indian companies. Hence, the acquisition of holding company or investment in Indian operating entity by foreign companies was expensive. Further, the foreign companies would also be able to take credit of withholding taxes on dividend paid in India.
- 15% concessional tax rate extended to Power sector –
The reduction in taxes should act as a catalyst for investment in the Power Sector. This can provide much needed relief and the foreign investors may look at the sector from positive lens.
- Start ups provided with additional tax benefits i.e. taxability of ESOPs in the hands of the employees, definition of start ups amended to increase turnover qualification criteria from Rs 25 crs to Rs 100 crs, increased period of deduction;
- Time period to obtain approval for affordable housing project extended to March 2021. This may attract foreign investment in the sector.
- Period for 5% withholding taxes extended for foreign currency borrowings

The above amendments/incentives may act as one of the key parameters during the M&A deal.



Expert's Speak



Economy

Ranen Banerjee, Leader Economic Advisory Services, PwC India

The Union Budget looks more realistic given the prevailing economic situation. The fiscal deficit of 3.8% for current year has been on expected lines. A deficit target of 3.5% for Fy20-21 though looks challenging to attain given the domestic sluggishness and global economic headwinds. It needs more government pump priming of the economy. The changes in tax slabs will put more disposable money in the hands of the majority of salaried taxpayers as they would have flexibility in going for lower tax rates and not go for forced savings. This is likely to provide the necessary boost to urban consumption.

There has been a lot of emphasis on allowing more space to the private sector taking cues from the Economic Survey recommendations. Some key announcements on these include part disinvestment of LIC, public sector banks being asked to raise money from capital markets, IDBI being fully divested, closure of old power plants and using their land for alternative uses, privatizing one major port and developing five new smart cities under PPP mode.

Private Equity

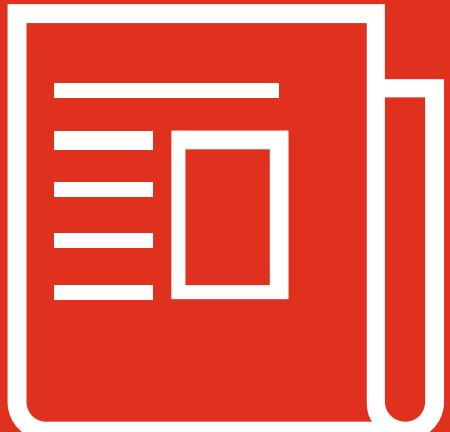
Sanjeev Krishan, Partner & Leader Deals, PwC India

The tax exemptions to Sovereign Wealth Funds (SWFs) is a good step by the Government - most of the developed assets have seen investments by SWFs and this can only be aided by the tax break. It should also help complete infrastructure projects which have been stuck due to lack of funds, but actually have good economic potential, as these can then become targets for long term, patient SWF capital.

Anita Rastogi, Partner, Indirect Tax & GST, PwC India

With an eye on the future of Indirect tax regime in India, this year's Budget has aimed at simplification of tax compliances. New GST return framework and E-invoicing would be implemented from April 1, 2020, primarily in an attempt to plug the tax revenue leakage on account of fake invoicing and fraudulent claims of input tax credit. Further, strict penal provisions have been introduced for the beneficiaries of tax fraudulent practices.

As anticipated, continuing with the Government's focus on "Make in India" initiative, custom duty has been increased on import of certain goods, such as electrical appliances and household items, in order to de-incentivise their imports. Government has also strengthened Safeguard duty provisions in order to protect domestic industry against the serious injury from surge in imports. Additionally, the provisions for checking dumping of goods and import of subsidised goods have also been strengthened for ensuring a level playing field for domestic manufacturing players. On import of certain medical equipments, Health Cess has also been imposed, over and above the Customs duties. Since undue claims under Free Trade Agreements have posed threat to domestic manufacturers of goods, certain measures such as review of Rules of Origin requirements would be taken, for certain sensitive items



Section 7

Sectoral Analysis



Sectoral Analysis

1. Pharmalife sciences medical devices

With a domestic pharma market size of US\$18.12bn in 2018, and an export market worth USD19.13bn, the Indian pharmaceutical industry is expected to grow by 10–12% between FY 2019 and FY 2022. The industry is the largest supplier of generic drugs in the world, accounting for around 20% of the global export volume and has been instrumental in shaping the generic drug industry globally. Indian drugs are exported to more than 200 countries, with the US receiving 30% by volume and about 10% by value of its generics requirement.

The industry is moving up the value chain, from the manufacturing of generic drugs to inventions and development. India's growing capabilities in contract manufacturing, R&D and clinical trials also make it a preferred partner for the global pharma industry, at every stage of the value chain. Indian pharma companies are looking at bigger opportunities, especially in the areas of specialty or niche segments in the regulated market. Having recognised the industry's significance for the country, the Government has paved the road ahead with "Pharma Vision 2020" to catapult India's contributions to the top of the global pharmaceuticals market. The Government is also streamlining its drug approval process and has amended the existing FDI policy to further tap into the potential of the sector. Indian pharma companies continue to face regulatory scrutiny for quality, pricing pressures across markets, genericisation, selling and marketing compliances.

Highlights of key changes

- Increased outlay for health and nutrition.
- Increased outlay for Ayushman Bharat.
- "TB Harega Desh Jeetega" campaign launched to end TB by 2025.
- "Mission Indradhanush" has been expanded to cover 12 diseases, including five new vaccines.
- Elimination of Foot and Mouth Disease and Brucellosis in cattle and PPR in sheep and goats by 2025.
- Exemption from basic customs duty on Japanese Encephalitis vaccine imported by the Andhra Pradesh Government through UNICEF falling under Chapter 30 is removed; these goods will attract basic customs duty at 5%.

- Expansion of Jan Aushadhi Kendra Scheme to all districts offering 2,000 medicines and 300 surgical by 2024.
- Handholding support of INR 10bn – for technology upgrades, R&D, business strategy, etc., for varied industries, including pharma.
- It is proposed that imports of medical devices falling under headings 9018 to 9022 be imposed with 5% health cess, except those exempt from basic customs duty. Export promotion scrips shall not be used for payments of said cess.
- It is proposed that schemes will focus on encouraging the manufacture of medical devices to be announced soon.

Implications

These initiatives will have a positive impact in improving the overall affordability and accessibility to health for all. It will generate more opportunities for pharma and medical devices companies to address the demand generated by health campaigns targeted for specific diseases and Ayushman Bharat.

Investment in technology upgrade for R&D will lead to better outcomes and cure.

Imposing health cess on the import of medical equipment will seek to give impetus to the domestic medical devices industry and create Ayushman empaneled hospital infrastructure in the aspirational districts.

PwC's point of view

Overall, the Budget has focused on improving the accessibility and affordability of health to all. This will generate demand for pharma. The push for local medical equipment manufacturing will boost the devices industry.

Sectoral Analysis

2. Logistics

Indian logistics, currently estimated to be around US\$160bn, is expected to continue to grow at 8–10% over the medium term. The scope for improvement in the logistics sector is huge. According to the Department of Commerce, the country spends about 14% of its GDP on logistics, which is far higher than other global economies. To support the growth in the logistics sector, various initiatives such as dedicated freight corridors, inland waterways, Bharatmala, Sagarmala and multi-modal logistics park form a part of the Government's ambitious agenda. To add to this, the Government is also working on a National Logistics Policy and a National Logistics Action Plan, which focus on reducing logistics cost and enhancing the manufacturing sector's competitiveness.

Highlights of key changes

- It is proposed to accelerate the development of highways, including the development of 2,500 km access control highways, 9,000 km of economic corridors, 2,000 km of coastal and land port roads and 2,000 km of strategic highways.
- A National Logistics Policy will be released soon. Inter alia, it will clarify the roles of the Union Government, State Governments and key regulators. It will create a single window e-logistics market and focus on the generation of employment, skills and making MSMEs competitive.
- The NSAD will give special impetus to infrastructure-focused skill development opportunities. The Budget proposes to set up a project preparation facility for infrastructure projects.
- To support the Udaan scheme, 100 more airports would be developed by 2024. It is expected that air fleet size shall increase from 600 to 1,200 during this period.
- It is proposed to provide about INR 1,700bn for transport infrastructure in 2020-21.
- Withholding tax rate of 5% extended in respect of money borrowed by an Indian company/business trust in foreign currency under loan agreement, or issue of long-term bonds or rupee-denominated bonds prior to 1 July 2023 (earlier, 1 July 2020).
- Interest payable in foreign currency to non-residents on long-term bonds or rupee-denominated bonds listed only on IFSC exchanges between 1 April 2020 and 30 June 2023 will enjoy a lower tax rate of 4%.

- It is proposed to eliminate double taxation by abolishing DDT, which brings cheer for foreign investors.

Implications

- The proposed Kisan Rail and Krishi Udaan are good initiatives to improve connectivity and accessibility to help bridge the gap between farms and the agri-produce markets. It would be important to concurrently address gaps in first and last-mile infrastructure and connectivity to ensure end-to-end supply chain.
- Acknowledging the potential in the sector for employment, the Finance Minister has emphasised that the NSAD will give special impetus to infrastructure-focused skill development opportunities.
- The proposed setting up of a project preparation facility for infrastructure projects will help address a critical capacity issue for infrastructure sector, as projects often fail to move from concept to implementation because of poor project preparation, resulting in failure to attract funding and project developers. However, these project preparation facilities will need to draw upon experienced manpower resources to help prepare projects, or it could result in sub-optimal realisation of objectives.
- The augmentation of airport capacity under the Udaan Scheme, through the proposed development of 100 new airports by 2024, is a big positive for the aviation sector.
- The National Logistics Policy, which will be released soon, is expected to help create a single window e-logistics market that focuses on driving efficiencies and reducing the overall logistics cost.

PwC's point of view

The Finance Minister's announcement on the NEP, NSDC programme for skill development in the infrastructure sector, PPP in passenger trains and making MSMEs competitive, have been in discussion for some time, and the Budget has formalised this. In addition, the project preparation facility is a good initiative, and it should focus on projects across Central, State and Local body projects. Additionally, Krishi UDAAN and Kisan Rail are good initiatives that can help plug gaps from farm to market for agri-produce.

Sectoral Analysis

3. Healthcare

The overall Indian healthcare market is sized at USD128bn and is expected to grow around 12% until FY 2024.

The overall spend of healthcare is 3.7% of the GDP, with the Government spending around 1.2%. To have universal coverage, the Government has launched the Ayushman Bharat scheme in September 2018. The scheme gives a cover of INR 0.5m to approximately 0.5bn individuals, making it the largest Government sponsored healthcare scheme in the world.

The Indian healthcare industry is recognised for its ability to deliver quality care with good clinical outcomes at costs that are significantly lower than those in developed countries. This has led to India being a leading player in the Medical Value travel industry and doctors, nursing and other paramedical professionals are in great demand overseas.

Highlights of key changes

- Increase in the healthcare budget allocation to INR 690bn from INR 626.59bn.
- VGF for setting up new hospitals in tier 2 and tier 3 cities under the PPP mode, focusing on underserved areas, and increasing the uptake of the Ayushman Bharat scheme.
- The Government has launched the TB campaign, "TB Harega, Desh Jeetega"; TB free target reinforced by 2025.
- It is proposed set up medical colleges attached to district hospitals under PPP model with VGF funding from Central Government to overcome the shortage of qualified medical doctors.
- National science schemes to set up genetic databases for use in medicine, agriculture, etc.
- Digital connectivity will cover all anganwadis.
- The Budget has allocated INR 30bn for skill development programmes for nurses, paramedical staff and caregivers going overseas, as a part of the overall skill development programme.

Implications

- These initiatives will have a positive impact on the sector and solve supply side constraints.
- New hospitals in tier 2 and tier 3 cities will improve access to care.
- New medical colleges will improve the supply of clinicians.
- Skill development will provide employment opportunities both in India and overseas and improve the overall service standards.
- PPP mode will provide business opportunities to private players with the Government continuing to transition to being a payor from a provider of healthcare services.

PwC's point of view

VGF to set up hospitals and medical colleges in the most undeserved districts will go a long way in addressing the shortage of beds and enhance geographical accessibility under the PMJAY programme.

PPPs will help unlock capacity and ensure cost effective delivery of care in rural areas. However, innovative business models will be critical for widespread private sector participation.

Sectoral Analysis

4. E-commerce

FY19 saw the Indian eCommerce industry record strong growth on the back of an increase in internet users, proliferation of smartphones and improving data affordability. The Indian e-Commerce market is expected to grow from USD 45bn to over USD 100bn by 2022*, with online financial services set to grow the fastest. Despite the volatile regulatory environment, India added nine start-ups to the Unicorn club in 2019, a list which continues to be dominated by eCommerce companies. The year also saw the emergence of new online categories such as food and grocery, fashion and B2B services as offline businesses and eCommerce players came together to build upon each other's strengths and serve consumers through an omni-channel model.

The eCommerce industry was impacted by significant regulatory developments in FDI guidelines, Draft eCommerce policy, Data localisation and privacy norms. The year also saw investors increasingly demand profitability and sustainable business models, thereby encouraging investments in improving operational efficiency, building digital trust and enhancing customer experience using voice-based and AI technologies. While eCommerce in India has grown substantially in recent years, it accounts for only 2-4% of the total retail sales compared to 14% globally. At a time when consumer sentiment is low due to economic concerns, building a robust physical, digital and payment infrastructure is imperative to spur consumption especially from Tier 2 and 3 cities.

Highlights of key changes

- Proposed a seed fund to support early-stage start-ups and setting-up of an investment clearance cell that will provide entrepreneurs end-to-end facilitation and support at the Centre and State level.
- Proposed deferment of ESOP taxation, and abolishment of DDT for corporates.
- MSME compliance burden reduced by raising auditing threshold five times, from INR 10mn to INR 5mn for MSMEs who transact over 95% via digital payments.

*Source: PwC report - Propelling India towards global leadership in e-commerce

- Allocation of INR 1,700bn for transport infrastructure and setting up of a governance framework for ports. In addition, proposed a National logistics policy to create a single-window e-logistics market.
- Proposed reduction of withholding tax on technical services to 2% from 10%, and introduction of 1% withholding tax on payments by eCommerce marketplace to seller for sale of good or services on its platform.

Implications

- The significant push from the Government towards building transport infrastructure will enable seamless flow of goods and ease challenges of eCommerce players related to last-mile delivery. This is a positive step towards reducing the logistics cost thereby improving global competitiveness of the industry.
- Financial support and slew of measures introduced to ensure ease of doing business for the Indian start-up ecosystem will act as a major boost for the domestic eCommerce segment and MSMEs, leading to creation of more jobs.
- Proposed withholding tax changes expected to have positive as well as negative cash flow implications for the eCommerce players. However, additional withholding tax obligation on eCommerce marketplace to lead to additional compliance burden.

PwC's point of view

Significant allocation for infrastructure is welcome, a key requirement to keep up pace with the rapid growth in eCommerce. This Budget has taken a significant step forward by strengthening and incentivising the Indian start-up ecosystem through proactive policy measures. In addition, proposed investments in harnessing new technologies such as AI, ML, Quantum computing will further open new frontiers in the online economy, a key driver of India's economic growth.

Sectoral Analysis



5. Real Estate and Infrastructure

Real estate and Infrastructure sectors continue to attract plenty of attention both from the regulators and investors. If India needs to become a USD 5 trillion economy both these sectors would play a significant role and have a major contribution.

The budget has also provided plenty of policy initiatives for both Real estate and infrastructure. Some of these will play out in the next 12 to 24 months but effects would be visible over the longer term.

Highlights of key policy changes

- Viability gap funding to be provided for setting up efficient warehouses and hospitals on PPP basis.
- Develop five new smart cities on PPP basis.
- “Kisan Rail” - a seamless national cold supply chain to be set up by Indian Railways on PPP basis.
- Proposal to attach a medical college to an existing district hospital on PPP basis.
- Farmers may be able to contribute to solar power generation by utilising barren lands.
- Land alongside rail tracks to be utilised for solar power generation.
- Development of 2,500 km access control highways, 9,000 km of economic corridors, 2,000 km of coastal and land port roads and 2,000 km of strategic highways to be undertaken.
- At least 12 lots of highway bundles of over 6,000 km to be monetised before 2024.
- At least one major port to be corporatised and listed on stock exchanges.
- Over 100 airports to be developed by 2024 to support Udaan scheme.
- Proposal to expand the national gas grid from the present 16,200 km to 27,000 km.
- Policy to enable private sector to build Data Centre parks to be rolled out soon.

Highlights of key tax changes

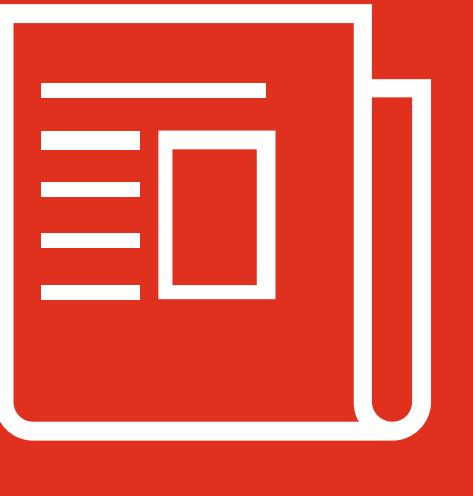
- Income from investments in equity and debt made by SWFs (fulfilling prescribed conditions) to be exempted from tax.
- Dividends from SPVs exempt for REITs/ InvITs would now be subject to WHT at 10%.
- Time limit for approval of affordable housing projects, eligible for tax holiday, extended to 31 March 2021.
- Interest on loans (up to INR 0.15m) for affordable houses sanctioned on or before 31 March 2021 eligible for deduction.
- Current safe harbour of 5% has been enhanced to 10% in cases where the transaction value is less than the stamp duty value.
- For determining cost of acquisition, FMV of land and building as on 1 April 2001 to be restricted to the stamp duty value as on 1 April 2001.

Implications

Given the exemption extended to SWFs, their investment in infrastructure projects is likely to go northwards. The additional tax on dividend in case of unitholders in REIT/ InvIT are likely to impact yields. The threshold limit (of stamp duty) is likely to result in higher capital gains tax for assets held as on 1 April 2001.

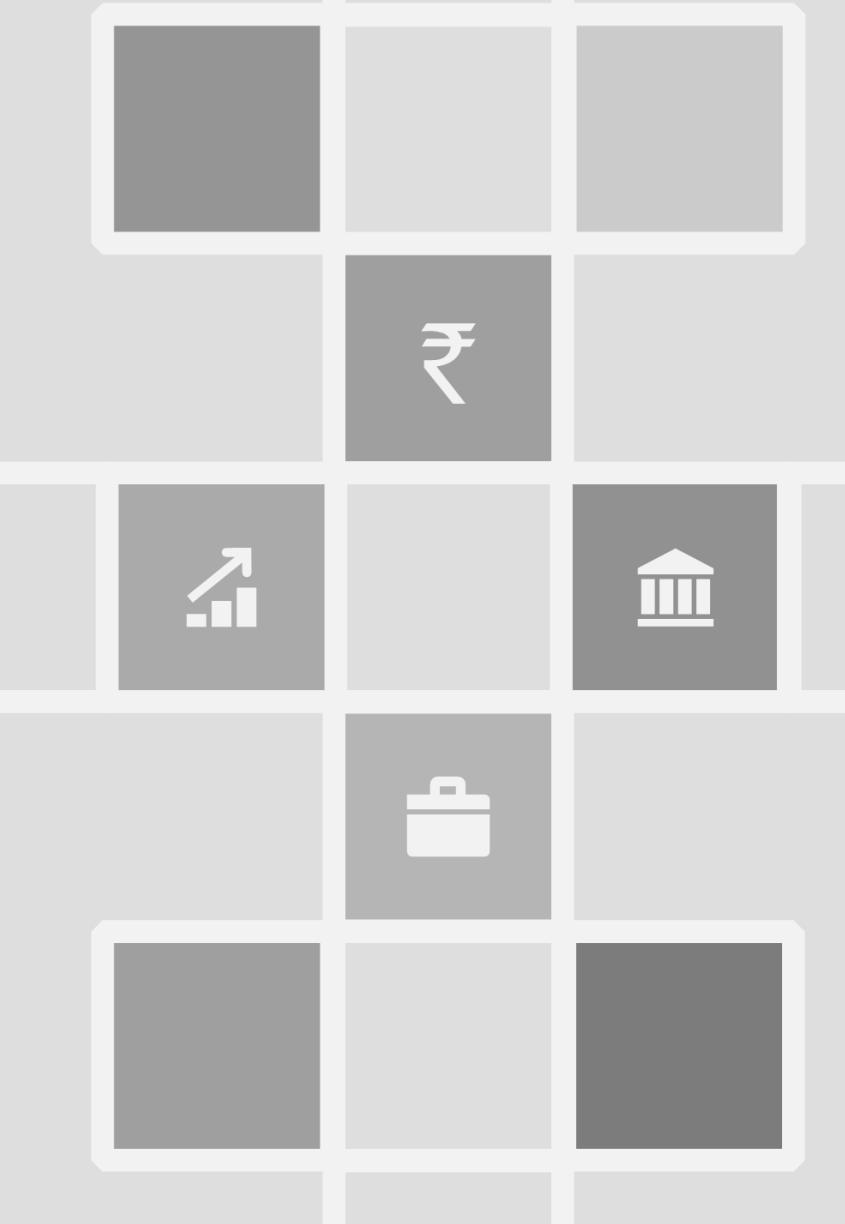
PwC's point of view

Some of policy measure such as creation of new smart cities, study in India, development of data centres and modernisation of railway stations are likely to keep the sector upbeat over a medium to long term. The initiatives would also help in aligning India with the overall global market dynamics. However, there are no effective proposal to address some of the immediate and important challenges such as liquidity and unsold inventory in the residential space.



Section 8

Glossary



Glossary



ADIA - Abu Dhabi Investment Authority	FPI - Foreign Portfolio Investment	MTFP - Medium-term Fiscal Policy	QR - Quick response
AE - Associated Enterprise	FY - Financial year	NAV - Net Asset Value	RBI - Reserve Bank of India
AI - Artificial Intelligence	GDP - Gross domestic	NBFC - Non-Banking Financial Companies	REIT - Real Estate Investment Trust
ALP - Arm's Length Price	GIFT - Gujarat International Finance Tec-City	NEP - National Infrastructure Pipeline	R&D - Research & Development
APA - Advance Pricing Agreement	GST - Goods and Services Tax Act	NIRF - National Institutional Ranking Framework	RDB - Rupee Denominated Bond
AY - Assessment Year	HRA - House Rent Allowance	NIP - National Infrastructure Pipeline scheme	RE - Revenue Expenditure
BCD - Basic Customs Duty	HUF - Hindu Joint Family	NIRVIK - Niryat Rin Vikas Yojana Scheme	ROI - Return of Income
B2B - Business to Business	Act - Income-tax Act, 1961	NPS - National Pension System	SEBI - Securities and Exchange Board of India
CBDT - Central Board of Direct Taxes	IFSC - International Financial Services Centre	NRIs - Non-resident Indians	SHR - Safe Harbour Rules
CIT(A) - Commissioner of Income-tax (Appeal)	IIP - Index of Industrial Production	NSDA - National Skills Development Agency	SME - Small and Medium Enterprises
CTT - Commodity Transaction Tax	InvITs - Infrastructure Investment Trust	NSDC - National Skill Development Corporation	STT - Securities Transaction Tax
DDT - Dividend Distribution Tax	IP - Intellectual Property	OCI - Overseas Citizens of India	SPV - Special Purpose Vehicle
Tax Treaties - Double Taxation Avoidance Agreement	IPO - Initial Public Offer	PAN - Permanent Account Number	TB - Tuberculosis
EBR - Extra Budgetary Resources	IMF's WEO - International Monetary Fund World Economic Outlook	PE - Permanent Establishment	TCS - Tax Collected at Source
EBITDA - Earnings before interest, taxes, depreciation and amortization	IT - Information Technology	PF - Provident Fund	TDS - Tax Deducted at Source
ECB - External Commercial Borrowings	ITC - Input Tax Credit	PLFS - Periodic Labour Force Surveys	TP - Transfer Pricing
ESOP - Employee stock ownership plan	KPO - Knowledge Process Outsourcing Services	PMI - Purchasing Managers' Index	UDAN - Ude Desh ka Aam Naagrik
ETF - Exchange Traded Fund	LIC - Life Insurance Company	PMJAY - Pradhan Mantri Jan Arogya Yojana	UD - Unabsorbed Depreciation
FDI - Foreign Direct Investment	LRS - Liberalised Remittance Scheme	PSB - Public Sector Banks	UNICEF - United Nations International Children's Education Fund
FTS - Fees for Technical Services	LTC - Leave Travel Concession	PSU - Public Sector Undertakings	VGF - Viability Gap Funding
FM - Finance Minister	MGNREGA - Mahatma Gandhi National Rural Employment Guarantee Act	PPP - Public Private Partnership	VRR - Voluntary Retention Route
FMV - Fair market value	MSME - Micro, Small and Medium Enterprises	PPR - Peste des petits ruminants	
		PY - Previous Year	



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