Union **BUDGET**

2020-21

Decoding Finance Bill

Economic freedom and wealth creation

PROBUS ADVISORS

Foreword

While the global economy is battling with strong headwinds, India's economy is seeing a robust growth and is on the path to emerging as one of the fastest growing economies in the world. The Finance Minister presented her second Union Budget on February 01, 2020 amidst the usual fanfare. The budget has been presented in the backdrop of a sluggish world economy and India's lowest growth rate in the past decade by 5%. This Union budget 2020-21 focused on three aspects viz. Aspirational India, Economic Development for all and Caring Society with the underlying philosophy of Wealth Creation leading in turn to its automatic distribution to the grass root levels via the faith driven market economy. In each of these themes, several policy initiatives have been announced to continue towards the goal to achieve the USD 5 trillion.

The Government with union Budget has announced a slew of policy measure and schemes including:

- Measures to fulfill the commitment of doubling farmers income by 2022 including funding of viability gap for setting up efficient warehouses at the Block/Taluka level, setting up "Kisan Rail" of refrigerated coaches and "Krishi Udaan" on International & National routes.
- Infrastructure projects with investments of INR 100 Lacs Crore over next five years.
- Promotion of tourism for growth and employment.
- Initiative in Good Governance by incorporating "Taxpayer Charter" in the Tax Laws.

Synopsis of the Union Budget 2020-21

- Promotion of overseas funding tax exemption for Sovereign Funds and extensions of concessional tax regime of 5% to interest earned on overseas bond offerings.
- Abolition of Dividend Distribution Tax with a backward movement towards taxing dividend in the hands of recipients.

With the thrust on Infrastructure and social spending and sluggish revenue the Finance Minister has ended up with her Fiscal Deficit of 0.5% in the Current Fiscal Year.

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.

Team
ProBus Advisors

MAJOR DIRECT TAX PROPOSALS

The Union Budget 2020-21 has focused on Simplification of Tax System, Building Trust of Taxpayers and Economic Development. The proposal for introducing a Taxpayers Charter, Vivad Se Vishwas Scheme clearly indicates the intent of the legislators towards reducing litigation.

The document analysis the impact of the Union Budget on various Stakeholders and broadly categorizes the amendments proposed in Direct Tax legislation into the following:

- ***Personal Taxation***
- ***Corporate Taxation***
- ***International Taxation***
- ***Transfer Pricing***
- ***Rationalization Provisions***
- ***Procedural Amendments***
- ***Assessment, Litigation***
- ***Incentives to Start-ups***

PERSONAL TAXATION

New Regime under Section 115BAC for personal taxation

Section 115BAC introduced to provide an option to individuals or HUFs to pay tax at reduced slab rates subject to foregoing of certain exemptions / deductions and satisfaction of certain conditions.

The option shall be exercised for every financial year where the individual or the HUF has no business income and in other cases, the option once exercised shall be valid for that financial year and all subsequent years.

The option can be withdrawn only once where it was exercised by the individual or HUF having business income for a financial year other than the year in which it was exercised and thereafter, the individual or HUF shall never be eligible to exercise option under this new tax regime, except where such individual or HUF ceases to have any business income. Provisions of alternate minimum tax (AMT) shall not be applicable to individual or HUF exercising this option.

Comparison of Old Regime vs. New Regime

Income	Tax Rates	
	Old Regime	New Regime
Upto INR 2,50,000	Nil	Nil
INR 2,50,001 to INR 5,00,000	5%	5%
INR 5,00,001 to INR 7,50,000	20%	10%
INR 7,50,001 to INR 10,00,000	20%	15%
INR 10,00,001 to INR 12,50,000	30%	20%
INR 12,50,001 to INR 15,00,000	30%	25%
Above INR 15,00,000	30%	30%

Surcharge and cess unchanged in the New Regime. Certain exemptions and deductions (around 70) will be removed under the new regime.

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

It is proposed to amend section 192 of the Act, and insert sub-section (1C) therein to clarify that for the purpose of deducting TDS being an eligible start-up responsible for paying any income to the employee being perquisite in any previous year relevant to the assessment year 2021-22 or subsequent assessment year, shall deduct or pay, as the case may be, tax on such income within fourteen days —

(i) after the expiry of forty-eight months from the end of the relevant assessment year; or

(ii) from the date of the sale of such specified security or sweat equity share by the assessee; or

(iii) from the date of which the assessee ceases to be the employee of the person;

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

Employer's aggregate contribution in excess of INR 7.5 Lakhs towards RPF, National Pension Scheme and Approved Superannuation Fund shall be taxable in the hands of employees, including any accretion on such amount.

Abolishing Dividend Distribution Tax and moving to classical system of taxing dividend in the hands of shareholders/unit holders

Further, it is proposed to insert new Section 80M as it existed before its removal by the Finance Act, 2003 to remove the cascading affect, with a change that set off will be allowed only for dividend distributed by the company one month prior to the due date of filing of return, in place of due date of filing return earlier.

Amendment in Section 194 to introduce the rate of 10 per cent for withholding of tax on dividend.

The amended section also proposed to increase the threshold from Rs 2,500/- to Rs 5,000/- for dividend paid other than cash.

It is proposed to insert a new Section 194K to provide for withholding tax deduction on income of a resident in respect of units of a Mutual Fund at the rate of ten per cent.

It is proposed to amend Section 194LBA to provide for tax deduction by business trust on dividend income paid to unit holder, at the rate of ten per cent. for resident. For non-resident, it would be 5 per cent for interest and ten per cent for dividend.

Section 194J - TDS on Payment to Professionals

TDS rate for fees for technical services (other than professional services) has been proposed to be reduced to 2% from existing 10%. TDS rates in case of other cases under section 194J to continue at 10%.

Section 194C - TDS on Payment to Contractors

It is proposed to amend the definition of "work" to provide that in a contract manufacturing, the raw material provided by the assessee or its associate shall fall within the purview of the 'work' under section 194C.

Further, the term 'Associate' is now defined to mean a person who is placed similarly in relation to the customer as is the person placed in relation to the assessee under the provisions contained in clause (b) of sub-section (2) of section 40A of the Act.

Section 194 – O TDS on E-Commerce

It is proposed to introduce Section 194-O to provide for 1% TDS on gross value of sale of goods or services or both facilitated by e-commerce operator through its digital or electronic facility or platform.

- The tax is required to be deducted by e-commerce operator at the time of credit or payment, whichever is earlier, to the e-commerce participant (seller);
- No TDS applicable to e-commerce participant, being an individual or HUF, whose gross amount of sales, through e-commerce operator does not exceed Rs. 5,00,000 subject to furnishing of PAN or Aadhar Card;
- No TDS applicable under other provisions of the Income-tax Act, 1961 on such sale of goods / services; and
- It is proposed to amend section 206AA to limit the tax deduction at source in Non-PAN cases to 5% instead of 20% where the transaction is subject to TDS under section 194-O.

These amendments will take effect from April 01, 2020 i.e. A.Y. 2020-21 and onwards.

Section 35 - Expenditure on scientific research

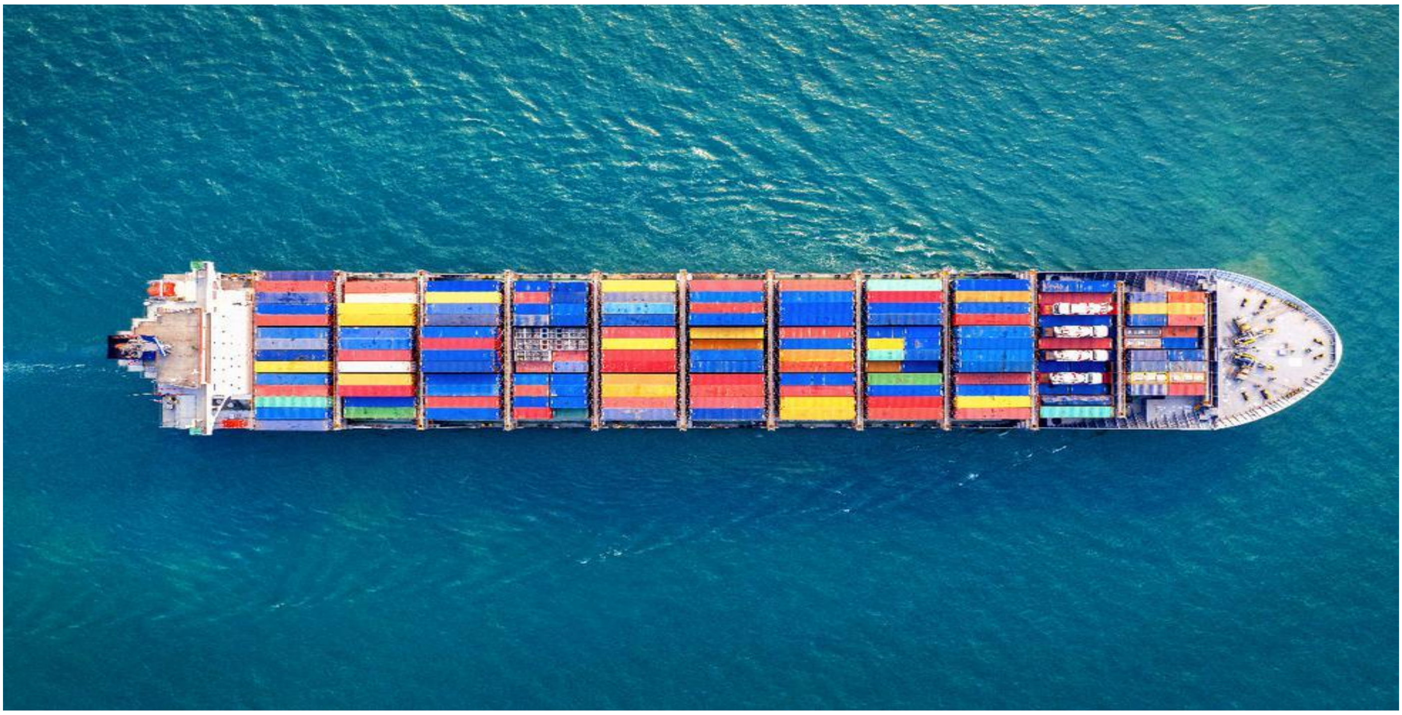
It is proposed to amend the Explanation of section (1)(iii) so as to provide that the assessee shall not be denied the deduction in respect of any sum paid to a company referred to in clause (ii) which it is entitled to, merely on the ground that, subsequent to the payment of such sum, the approval granted to the company has been withdrawn.

Section 139 - Return of income

It is proposed to extend the due date for filing return of income for an assessee referred to in clause (a) of Explanation 2 of section 139(1) (i.e. companies and other assessee (whose accounts are required to be audited under the Act) to October 31 of the assessment year as against September 30 earlier. It is also proposed to extend this relaxation to non-working partner of firm whose accounts are required to be audited.

15% concessional corporate tax rate will now be extended to new domestic companies engaged in generation of electric power.

Due date of filing of return proposed to be deferred from September 30 to October 31.



Section 6 - Modification in residency provision

At present, various NRIs and PIOs visiting India for their business or personal reasons and staying in India for a period less than 182 days are maintaining their non-resident status without any reporting requirements. It is proposed to amend the exception to reduce the number of **days to 120 days instead of the existing 182 days** for such individuals.

Further, a new clause (1A) is inserted to provide that irrespective of conditions given in section 6(1), an Indian citizen who is not liable to tax in any other country or territory by reason of his domicile or residence or any other criteria of similar nature shall be deemed to be resident in India.

Similarly, it is also proposed to amend the clause (6) to Section 6, to relax the conditions whereby an individual or the manager of HUF has been non-resident in India in 7 out of 10 previous years preceding that year to be "not ordinarily resident" in that year. These amendments will take effect from April 01, 2021 i.e. from AY 2021-22 and onwards.

"Further clarification has been issued by CBDT stating that income earned outside India by such deemed resident shall not be taxed in India unless it is derived from an Indian business or profession"

Section 9 - Income deemed to accrue or arise in India

Deferring Significant Economic Presence (SEP) proposal

Explanation 2 to Section 9(1)(i) has been replaced with new Explanation 2A which defines SEP to include transactions in respect of any goods, services or property carried out by a non-resident with any person in India. Further, SEP shall also mean systematic and continuous soliciting of business activities or engaging in interaction with such number of users in India. For this purpose, the threshold limit of interactions resulting into SEP may be prescribed.

A corresponding amendment has also been proposed in clause (a) of Explanation 1 to section 9(1)(i) to provide that only such part of income from business which is reasonably attributable to the operations carried out in India is considered deemed to accrue or arise in India.

It is also provided that newly inserted Explanation 3A relating to income attributable to the operations carried out in India will also apply to cases where business connection is established through SEP.

These amendments will be effective from April 01, 2022 i.e. AY 2022-23 and onwards. However, the erstwhile Explanation 2 shall be omitted w.e.f. April 01, 2021 i.e. from AY 2021-22 and onwards.

Source Rule extended

Clarification has been provided through proposed Explanation 3A to section 9(1) clarifying that the income attributable to the operations carried out in India, as referred in Explanation 1 to section 9(1), shall include:

(a) income from advertisement that targets customers who resides in India or a customer who accesses the advertisement through internet protocol address located in India;
(b) income from sale of data collected from person who resides in India or who accesses the data through internet protocol address located in India; and
(c) income from sale of goods and services using data collected from a person who resides in India or from a person who uses internet protocol address located in India.

Rationalising the definition of royalty

It is proposed to amend the definition of "Royalty" in Explanation 2 of section 9(1)(vi), to even include consideration received from the sale, distribution or exhibition of cinematographic films under its scope. This will also impact tax required to be deducted under section 194J. This amendment will take effect from April 01, 2021 i.e. AY 2021-22 and onwards.

Aligning exemption from taxability of Foreign Portfolio Investors (FPIs), on account of indirect transfer of assets, with amended scheme of SEBI

It is proposed to amend exception provided in Explanation 5 to section 9(1)(i) is amended to cover both erstwhile Category I and II FPIs under the SEBI (FPI) Regulations, 2014 and investment in Category-I FPI under the SEBI (FPI) Regulations, 2019 in order to align it with amendments notified by SEBI. These amendments will take effect from April 01, 2020 i.e. AY 2020-21 and onwards.

"Further clarification issued by CBDT stating that income earned outside India by such deemed resident shall not be taxed in India unless it is derived from an Indian business or profession "

Section 115A - Tax on dividends, royalty and technical service fees in case of foreign companies

With a view to reduce the burden of compliance, the relaxation from filing of Return of Income is proposed to be extended to non-resident or foreign company earning income in the nature of royalties or FTS on which appropriate tax has been deducted with effect from April 01, 2019 i.e. from AY 2020-21 and onwards.

Section 9A - Relaxation in conditions of special taxation regime for offshore funds

The benefit under section 9A is available subject to the conditions provided in sub-sections (3), (4) and (5) of the section 9A. Such conditions, particularly in clause (c) and clause (j) of subsection 3, are proposed to be modified so as to provide that –

(i) For the purposes of calculation of the aggregate participation or investment in the fund as mentioned in clause (c), any contribution made by the eligible fund manager during the first three years of operation of the fund, not exceeding twenty-five crore rupees, shall not be taken into account;
(ii) It is proposed to amend the first proviso to said clause (j) of said sub-section so as to provide that where the fund has been established or incorporated in the previous year, the fund shall be required to fulfil the condition of maintaining the corpus of one hundred crore rupees within a period of twelve months from the end of the month of its establishment or incorporation.

These amendments will apply from April 01, 2020 i.e. AY 2020-21 and onwards.

Section 90 and 90A - Aligning purpose of entering into Double Taxation Avoidance Agreements (DTAA) with Multilateral Instrument (MLI)

In order to align with the purpose of Article 6 (purpose of Covered Tax Agreement) of MLI to which India is a signatory, it is proposed to include that the Central Government may enter into said agreement for the avoidance of double taxation without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance.

These amendments will take effect from April 01, 2021 i.e. from AY 2021-22 and onwards.

Section 94B: Interest paid to PE of a Non-Resident Bank to be excluded from interest disallowance

Section 94B of the Act disallows the deduction of interest exceeding the specified limit and subject to other thresholds mentioned in the section in case of an Indian company (or a PE of a foreign company in India) if the interest is paid to an AE. Section 94B does not apply where the payer of interest is an Indian banking company or a PE of a foreign company engaged in the banking business.

Also, in cases where the lender is a PE of a foreign company (which has extended loans aggregating to 51% or more of the book value of the total assets of the borrowing company), the lender and the borrower are deemed to be AEs for the purposes of section 94B.

It is proposed to amend section 94B to provide that the provisions of deemed AE (and consequently the disallowance of interest deduction) under section 94B will not apply in a situation:

- where the borrower is an Indian company/ Indian PE of a NR company; and
- lender is the Indian PE of an NR engaged in the business of banking

Section 92CB and 92CC – Attribution to Permanent Establishment

To reduce controversy and provide certainty, scope of safe harbour rules & Advance Pricing Agreement has been expanded to determine attribution of profits to PE. This amendment will apply for APAs signed after 1 April 2020 and safe harbour applications for AY 2020 21 and subsequent AYs.

Section 194LC - Extension of sunset clause for concessional rate on interest payable on bonds listed in stock exchanges in IFSC

It is proposed to amend section 194LC with effect from April 01, 2020 and onwards to -

(i) Extend the period of concessional rate of TDS of 5% from to July 01, 2020 to July 01, 2023;

(ii) Provide rate of TDS of 4% on the interest payable to a non-resident, in respect of monies borrowed in foreign currency from a source outside India, by way of issue of any long term bond or RDB on or after 1 April 2020 but before 1 July 2023 and which is listed only on a recognized stock exchange located in any IFSC.

Section 194LD - Extension of sunset clause for concessional rate to municipal debt securities

It is proposed to amend section 194LD to provide that the concessional rate of TDS of 5% shall also apply on the interest payable, on or after April 01, 2020 but before July 01, 2023, in respect of the investment made in municipal debt securities as FPI's have been permitted to invest in municipal bonds.

It is further proposed to provide that the rate of interest in respect of rupee denominated bond of an Indian company shall not exceed the rate as may be notified by the Central Government in this behalf. This amendment will take effect from April 01, 2020 i.e. A.Y. 2020-21 and onwards.

Financial Year 2020-21 onwards, due date for filing of TP Audit Report is proposed to be revised to 31st October (as against 30th November). Consequently, the TP Documentation shall require to be prepared considering revised due date of TP Audit.

Rationalization Measures

Section 115JC and 115JD - Alternate Minimum Tax not applicable to concessional regime and Amendment to tax credit of Alternate Minimum Tax

It is proposed to insert a sub-section (5) to provide that Alternate Minimum Tax shall not apply to individuals or HUF mentioned under section 115BAC and co-operative societies mentioned under section 115BAD opting for concessional tax regime. These amendments will take effect from April 01, 2021 i.e. AY 2021-22 and onwards.

Widening the applicability of TCS under section 206C W.e.f. April 01, 2020

To widen the tax net, it is proposed to amend section 206C to levy TCS on overseas remittance and overseas tour package as under:

- Authorised dealer receiving an amount of INR 0.7 million or more in financial year for remittance under LRS of RBI, shall be liable to collect TCS at the rate of 5 percent on sum received from a buyer remitting such amount.
- A seller of an overseas tour package shall be liable to collect TCS at the rate of 5 percent on any amount received from buyer of such package

In both the above cases, if the buyer does not have PAN/Aadhar, the rate of applicable TCS shall be **10 percent.**

It is further proposed to amend section 206C to levy TCS on sale of goods above specified limit stated below:

- A seller, whose turnover from business exceeds INR 100 million during the immediately preceding financial year, shall be liable to collect TCS at the rate of 0.1 percent on consideration received from a buyer in excess of INR 5 million. In non-PAN/Aadhar cases, the rate shall be 1 percent.
- TCS provision shall not be applicable on certain buyers such as government authorities and other buyers notified the government.

Rationalization of provision relating to Form 26AS with effect 1st June, 2020

It is proposed to omit section 203AA and insert a section 285BB whereby the an annual information statement with respect to tax collected or deducted at source will be uploaded on the assessee's designated portal of the Income-tax Department, so that the same can be used by the assessee for filing of the return of income and Form 26AS will not be issued henceforth.

Increase of safe-harbour limit from 5% to 10% in section 43CA, section 50C and section 56(2)(x)

It is proposed to allow a safe-harbour variation of 10% between the stamp duty value and consideration received/accrued in place of existing safe-harbour variation of 5%. These amendments will take effect from April 01, 2020 i.e. AY 2020-21.

Section 55 - Rationalization of provisions to compute cost of acquisition

It is proposed to insert a proviso below subclause (ii) of clause (b) of sub-section (2) of Section 55 to provide that in case of a capital asset, being land or building or both, the fair market value of such an asset on April 01, 2001 shall not exceed the stamp duty value of such asset as on April 01, 2001 where such stamp duty value is available. This amendment will take effect from April 01, 2021 i.e. AY 2021-22 and onwards.

Section 35AD - Deduction in respect of expenditure on specified business

it is proposed to amend sub-section (1) of section 35AD to make the deduction thereunder optional and to amend to provide that no deduction will be allowed in respect of expenditure eligible from deduction under Section 35AD incurred in any other section in any previous year or under this section in any other previous year, if the deduction has been claimed by the assessee and allowed to him under this section. The amendments will be effective for AY 2021-2022 and onwards.

For MSMEs, the turnover threshold for tax audit to be increased from INR 10m to INR 50m subject to cash transactions less than 5%.

Form 26AS to be replaced with Annual Information Statement w.e.f. June 2020

Due date of Tax Audit is proposed to be defined one month prior to due date of filing of return

Section 119A - Insertion of Taxpayer's Charter in the Act

It is proposed to insert a new section 119A in the Act to empower the Board to adopt and declare a Taxpayer's Charter and issue such orders, instructions, directions or guidelines to other income tax authorities as it may deem fit for the administration of Charter. This amendment will take effect from April 01, 2020 i.e. AY 2020-21.

Section 80IBA - Deferring sunset clause

Under existing provisions, to avail the deduction u/s. 80-IBA one of the conditions is that the project should be approved by competent authority on or before 31.03.2020. Now, it is proposed to extend the time limit for approval by one year i.e. approval shall be obtained on or before 31.03.2021.

Section 133A - Power of Survey

It is proposed to substitute the proviso after Section 133(6) to provide that in a case where the information has been received from prescribed authority, no income-tax authority below the rank of a Joint Director, or a Joint Commissioner, shall conduct any survey under the said section without prior approval of a Joint Director or a Joint Commissioner, as the case may be and in any other case, no income-tax authority below the rank of a Director or a Commissioner, shall conduct any survey under the said section without prior approval of the Director or the Commissioner, as the case may be.

This amendment will take effect from April 01, 2020.

Section 140 – Verification of Return

It is proposed to empower the Board to prescribe persons who may verify the return of income in the cases of a company and a limited liability partnership.

Currently in case of company the return of income is required to be verified by the managing director (MD) and where the MD is not able to verify for any unavoidable reason or where there is no MD, any director of the company can verify the return of income.

These amendments will take effect from April 01, 2020.

Section 12AB - New regime for registration of trust or institution

A new regime for registration of trust or institution has been formulated to take effect from June 01, 2020.

Proposed amendment in section 197

Section 197 of the Act provides for a certificate for deduction of TDS at a rate lower than that prescribed under different TDS provisions. This section is proposed to be amended to include reference to the newly inserted section 194-O, i.e., an amount paid by e-commerce operators to e-commerce participant.

Rationalization of provisions relating to trusts or institution

Sections 11, 12, 12A, and 12AA provide for the registration process and taxation scheme for an eligible trust or institution and funds. It is proposed to alter the registration process and time period for such eligible trust or institution. The existing registration process under section 12AA of the Act will apply until 31 May 2020, and a new section 12AB is proposed to be inserted to apply from 1 June 2020. The new registration is proposed to apply for a defined period of 3 or 5 years as applicable, unlike the unlimited time period under the existing provision.

Further, it is proposed that any existing or new trust or institution desirous of availing the exemption regime will have to re-apply or apply, as the case may be, for exemption.

Also, similar to the exclusion provided to a trust or institution eligible to claim benefit of exemption under section 10(23C) (relating to inter alia exemption of income of hospitals, etc.), entities eligible for exemption under section 10(46) (constituted under central or state enactments) are also proposed to avail the benefit. It is also proposed that exemption either under section 10(23C)/10(46) or under section 11/12 will be granted. In other words, benefit of both exemptions will not be granted simultaneously.

ASSESSMENT LITIGATION PENALY

Section 143 – E-Assessment

It is proposed to amend sub-section (3A) of section 143 of the Act to expand the scope of E-assessment Scheme, 2019 so as to include the reference of section 144 of the Act relating to best judgement assessment in the said sub-section. It is also proposed to extend the deadline for issuing direction by the Board to give effect to E-assessment Scheme, 2019 up to 31st March, 2022. These amendments will take effect from April 01, 2020.

Section 144C - Reference to Dispute Resolution Panel

It is proposed to amend the sub-section (1) of Section 144C expanding the scope for the eligible assessee to file objection to any variation irrespective whether it pertains to income or loss returned. It is further proposed to include other non-resident assesses besides foreign company in the definition of 'eligible assessee'. These amendments will take effect from April 01, 2020.

Section 245 - Clarity on stay by the Income Tax Appellate Tribunal (ITAT)

It is proposed to amend first proviso to section 254(2A) to provide for an additional condition that Income Tax Appellate Tribunal (ITAT) may grant stay only when the assessee deposits not less than twenty per cent of the amount of tax, interest, fee, penalty, or any other sum payable under the provisions of this Act, or furnish security of equal amount in respect thereof. These amendments will take effect from April 01, 2020.

Section 250 - Provision for e-appeal scheme for Commissioner Appeals

It is proposed to amend section 250 by inserting a clause 6B, to empower Central Government to notify an e-appeal scheme for disposal of Commissioner Appeals so as to impart greater efficiency, transparency and accountability.

It is also proposed to insert a clause 6C allowing Central Government to create exceptions, modifications and adaptations with respect to the scheme notified for e-appeals. Such directions by central government are to be issued on or before 31st March, 2022. This amendment will take effect from April 01, 2020.

Section 274 - Provision for e-penalty

It is proposed to amend section 274 by inserting a sub-section 2A, to empower Central Government to notify a scheme for imposing penalty as to impart greater efficiency, transparency and accountability. It is also proposed to insert a sub-section 2B allowing Central Government to create exceptions, modifications and adaptations with respect to the scheme notified for imposing penalty which are to be issued on or before 31st March 2022. This amendment will take effect from April 01, 2020.

Section 271AAD - Penalty for false or omission of entry in books of accounts

It is proposed to introduce a new section 271AAD to provide for a levy of penalty equal to the aggregate amount of false entries or omitted entry found during any proceeding under the Act. It is also proposed to provide that any other person, who causes in any manner a person to make or cause to make a false entry or omits or causes to omit any entry, shall also pay by way of penalty a sum which is equal to the aggregate amounts of such false entries or omitted entry. This amendment will be effective from April 01, 2020.

Proposed Dispute Resolution Scheme ('Vivad Se Vishwas')

The Finance Minister announce in her Budget speech that currently, there are 483,000 direct tax cases pending in various appellate forums. In the last budget, the Sabka Vishwas Scheme was launched to reduce litigation in indirect taxes. It is proposed to bring a scheme similar to the indirect tax 'Sabka Vishwas' scheme for reducing litigations related to direct taxes. The following are the key features of the proposed scheme:

- The proposed scheme to be called the 'Vivad Se Vishwas' scheme.
- Under the proposed scheme, a tax payer would be required to pay only the amount of the disputed taxes and get complete a waiver of interest and penalty provided he/she pays by 31 March 2020.
- Those who avail this scheme after 31 March 2020 will have to pay some additional amount.
- The scheme shall remain open until 30 June 2020.
- Tax payers in whose cases appeals are pending at any level can benefit from this scheme.

After implementation of faceless assessments, faceless Appeal regime is proposed to be introduced.

INCENTIVES TO START-UPS & OTHER

Section 191 - Direct Payment-ESOPS

It is proposed to insert a sub-section (2) in the said section so as to provide that where income of the assessee of any assessment year, beginning on or after the 1st day of April, 2021, includes a perquisite arising out of specified security or sweat equity shares allotted or transferred directly or indirectly by the current employer, being an eligible start-up referred to in section 80-IAC, then income-tax on such income shall be payable by the assessee within fourteen days –

a) after the expiry of forty-eight months from the end of the relevant assessment year; or
b) from the date of the sale of such specified security or sweat equity share by the assessee; or
c) from the date of the assessee ceasing to be employee of the employer who allotted or transferred him such specified security or sweat equity share,

whichever is the earliest.

As a consequential amendment, it is proposed to insert clause (vi) to sub-section 1 of Section 140A for the purpose of taking into consideration income-tax or interest payable under section sub-section 2 of section 191 while determining tax payable, interest payable and assessed tax and a sub-section 2 in section 156 so as to provide for issue of notice of demand.
This amendment will take effect from April 01, 2020 i.e. AY 2020-21 and onwards.

Section 80IAC - Tax Holidays for Eligible Start-ups

Under existing provisions, deduction u/s 80-IAC is allowed for 3 consecutive years out of 7 years from the date of incorporation. Now, it is proposed that deduction u/s 80-IAC is allowed for 3 consecutive years out of 10 years from the date of incorporation.

Further, one of the condition to become eligible start-up u/s 80IAC is that the company/LLP should not have a turnover exceeding INR 25 crores. Now, it is proposed to amend the turnover limit from INR 25 Crores to INR 100 Crores.

The said amendment will be effective from April 01, 2021 i.e. AY 2021-22 and onwards.

Exemption in respect of certain income of wholly owned subsidiary of Abu Dhabi Investment Authority and Sovereign Wealth Fund

It is proposed to insert a new section 10(23FE), to provide exclusion from total income, any dividend, interest or long-term capital gains income of a specified person arising from an investment made in India, in the form of debt or equity, in a company or enterprise carrying on the business of developing, or operating and maintaining, or developing, operating and maintaining any infrastructure facility as defined in the Explanation to clause (i) of sub-section (4) of section 80-IA or such other business as the Central Government may, by notification in the Official Gazette, specify in this behalf, on or before 31st March, 2024 and holds the same for at least three years.

This amendment will be effective from April 01, 2021 i.e. AY 2021-22 and onwards.

TDS on ESOP & its taxability deferred for Five (5) years i.e. after the expiry of forty-eight months from the end of the relevant assessment year.

Period for claiming income tax holiday relaxed from 7 years to 10 years.

Annual turnover proposed to be increased from INR 25 Crores to INR 100 Crores.

MAJOR INDIRECT DIRECT TAX PROPOSALS

The amendment to Indirect Tax Legislations were restricted to minimum in Union Budget 2020, however, certain amendments introduced to Goods and Service Tax Act have far reaching impact on the corporates as the same are stringent in nature.

In the following para analyses the impact of the Union Budget on various Stakeholders and broadly categorizes the amendments proposed in Indirect Direct Tax legislation into the following:

- ***CGST Amendments***
- ***IGST Amendments***
- ***Changes in Customs Duty Rate***
- ***Levy of Health Cess***
- ***Central Excise – Amendments***

INDIRECT TAX

CGST Amendments

- The definition of "Union territory" is being amended to update the definition of "Union territory" to include U.T. of Ladakh and newly merged U.T. of Dadra and Nagar Haveli and Daman and Diu.
- Section 10 is being amended, so as to exclude certain categories of taxable persons from the ambit of the Composition scheme, who are engaged in exempted or inter-state supply of services or supply of services through an e-commerce operator.
- **Due date for claiming ITC on Debit Note as per Section 16(4) is no more linked to date of its original invoice, rather date of such debit note is to be referred for claiming ITC.**
- Section 29(1)(c) is being amended to provide for cancellation of registration which has been obtained voluntarily under section 25(3).
- Proviso to Section 30(1) is being substituted to provide for additional 30 days for filing application for revocation of cancellation of registration, in deserving cases by Additional Commissioner or Joint Commissioner and another 30 days by Commissioner.
- **Section 31 is being amended to provide enabling provision to prescribe the manner of issuance of Tax invoices in case of services or supplies.**
- Section 51 is being amended to provide for issuance of TDS Certificate in a prescribed form and in a prescribed manner. Further, to omit the corresponding provision of late fees for delay in issuance of TDS certificate.
- Section 109 is being amended to bring the provision for Appellate Tribunal under the CGST Act in the Union Territory of Jammu and Kashmir and Ladakh.
- **Section 122 is being amended by inserting a new sub-section to make the beneficiary of the transactions of passing on or availing fraudulent Input Tax Credit liable for penalty similar to the penalty leviable on the person who commits such specified offences.**
- Section 132 is being amended to make the offence of fraudulent availment of input tax credit without an invoice or bill a cognizable and non-bailable offence; and to make any person who commits, or causes the commission, or retains the benefit of transactions arising out of specified offences liable for punishment.
- **Section 140 is being amended w.r.e.f. 1.July 2017, to prescribe the manner and time limit for taking transitional credit.**
- Section 168 is being amended to remove power of Commissioner to give instructions and directions as per Section 66(5) and second proviso to Section 143(1).
- Section 172 is being amended to make provision for enabling issuance of removal of difficulties order for another 2 years, i.e. till 5 years from the date of commencement of the said Act.
- **Entries at 4(a) & 4(b) in Schedule II is being amended w.r.e.f. 1 July 2017 to make provision for omission of supplies relating to transfer of business assets made without any consideration from Schedule II of the said Act.**

IGST Amendments

Section 25 is being amended to make provision for enabling the issuance of removal of difficulties orders for another 2 years, i.e. till 5 years from the date of commencement of the said Act.

Changes in Customs Duty Rate

- Increase in BCD of Tuna bait (fish), whey, butter, ghee, butter oil, walnuts, shelled, meslin, molasses, preparation for infant use, preserved potatoes, peanut butter, sacramental wine, fin fish feed;
- Exemption from BCD to Milk and cream (in powder or granules or any sold forms) upto 10,000 metrics tons of such imports in financial year;
- Changes in rate of BCD for raw sugar, Naphtha for generation of electrical energy, Japanese Encephalitis vaccine, Parts of Cellular Mobile phones;
- Increase in BCD for import of footwear, Kitchen-ware, Glass-ware and household appliances, furniture goods;
- Increase in BCD for compressor of refrigerator and A/C, water cooler, catalytic convertor, Chargers and power adaptors, SKD form electrical vehicles;
- Reduction in BCD for import of newsprint, uncoated paper, platinum or palladium;
- Increase in BCD on import of rough semi precious stones, Rubies, Emeralds.

Levy of Health Cess

- Imposition of Health Cess on import of Medical devices at the rate of 5%;
- Export Promotion scrips cannot be be utilised for payment of such Health Cess.

Central Excise – Amendments

- Increase in Excise duty on Cigarettes and tobacco products, by way of increase in National Calamity Contingent Duty (NCCD);
- No change in rate of duty for Bidis;
- Increase in Excise duty on Petroleum crudes.

Union BUDGET

2020-21

Sectoral Highlights

SECTORAL PROPOSALS

The Union Budget 2020-21 is an 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 document analysis the impact of the Union Budget on various Stakeholders and broadly categorizes the key policy and tax amendments proposed into the following sectors:

- ***Farm & Agro***
- ***Banking & Financial Services***
- ***Chemical & Automotive***
- ***Infra, Media & Entertainment***
- ***Real Estate, E-Comm & Healthcare***

FARM & AGRO

Key Policy Initiatives

- Introduction of 16 point action plan to double farmer's income by year 2022;
- States have been encouraged to implement central Model Agriculture Laws with an intent of having uniform agriculture laws across the country;
- Support measures for the farmers of the 100 water stressed districts;
- Incentives for farmers to go solar by setting up solar pumps;
- Promotion to sustainable farming by balanced use of all fertilizers to reduce excessive use of chemical fertilizers;
- Allocation of INR 1.6 Lakh Crores for agricultural, irrigation and allied activities;
- Allocation of INR 1.23 Lakh Crores for rural Development and Panchayati Raj;
- Boost for agricultural warehouses, cold storage and other inventory storages by Mapping and geo tagging and Providing Viability Gap Funding at block or taluka level;
- Village Storage Scheme for helping farmers store more and reduce logistics costs;
- Introduce Kisan Rail through public private partnership (PPP) arrangement for transportation of perishable goods;
- Introduction of Krishi Udaan scheme for agricultural exports on international and national routes;
- Focus on One Product One District in horticulture sector to increase better marketing and export opportunity;
- Focus on zero budget farming and expansion of integrated farming systems in rainfed areas;
- Integration of financing of negotiable warehousing receipts with e NAM;
- Proposal to increase fishery exports upto 1 Lakh Crores by FY 2024-25;
- Proposal to increase Agriculture credit target by INR 3 Lakh Crores for FY 2020-21.

Key Tax Proposals

- It is proposed to provide Co-operative societies such as Farmer co-operative societies, an option to tax at reduced rate of 22% (no exemptions or deductions) from existing 30% rate;
- Proposal to also exempt Co-operative societies from Alternate Minimum Tax if opted for reduced rate of 22%;
- Retrospective changes in GST rates:
  - 12% GST on pulley, wheels and other parts falling under chapter heading 8483 and used as parts of agricultural machinery of Chapter headings 8432, 8433 and 8436 for the period from 1 July 2017 to 31 December 2018;
  - The earlier rate on the goods falling under chapter heading 8483 was 28%/18%.
- Exemption from Social Welfare Surcharge;
- Exemption from Social Welfare Surcharge on Maize (Custom Tariff head: 1001 90), wheat and meslin (custom tariff head: 1001 1100, 1001 9100, 1001 9920) with effect from 2 February 2020;

The earlier surcharge rate on the said products at 10%.

Key Policy Initiatives

- The Union Budget 2020 proposes an enhanced DICGC deposit insurance cover for bank deposits (i.e., both principal and interest). The existing cover of INR 1 Lakhs per depositor is proposed to be increased to INR 5 Lakhs per depositor.
- With a view to strengthening co-operative banks, it has been proposed to amend the Banking Regulation Act to increase professionalism, provide access of capital, and improve governance and oversight for sound banking. These measures are also expected to aid in streamlining the existing multi-regulatory framework (of RBI, Registrar of Societies, and state governments) under which co-operative banks operate.
- It has been proposed to permit banks to extend subordinated debt to entrepreneurs of MSMEs. Such subordinated debt will be considered quasi-equity to ensure that it is fully guaranteed under the Credit Guarantee Trust **for medium and small entrepreneurs.**
- Earlier only NBFCs with an asset size of INR 500 Crore or more were allowed to exercise the right of recovery of dues under the provisions of the SARFAESI Act, for a sum of INR 1 Crore and above. It has been proposed in the Budget to reduce these thresholds and extend aforesaid relief to small NBFCs with an asset size of over INR 100 crores for a loan size of INR 50 Lakhs or more.
- In order to enhance economic and financial sustainability, NBFCs have been permitted to extend invoice financing to MSMEs through the TReDS platform. TReDS is an electronic platform for facilitating the financing/discounting of trade receivables of MSMEs through multiple financiers.
- The Union Budget 2020-21 proposes to devise a mechanism to further supplement the recently formulated Partial Credit Guarantee scheme to address liquidity constraints of NBFCs/HFCs.
- It has been proposed to expand the NABARD re-finance scheme for NBFCs that are active in the agriculture credit space.
- The government has proposed to divest its stake in IDBI Bank to private, retail, and institutional investors through the Indian capital markets.
- The government has also proposed to unlock economic value of Life Insurance Corporation, by disinvesting a part of its holding in LIC through an Initial Public Offer.
- With a view to increase the flow of capital into the country, it has been proposed to permit non-residents to implement investments in certain specified categories of government securities that were open only to domestic investors earlier.
- In order to further strengthen the bond market, it has been proposed to increase the current limit of FPI investment in corporate bonds from 9% to 15% of the outstanding stock of corporate bonds.
- The Union Budget 2020-21 has also proposed to introduce a new Debt-ETF consisting primarily of government securities. This will be in addition to the existing Bharat Bond ETF. The constitution of the new Debt-ETF is likely to serve as an attractive investment avenue for retail investors, pension funds, and long-term investors, as well as help in further widening the Government securities market.
- In order to improve investor confidence and expand the scope of credit default swaps, it is proposed to introduce a new scheme to provide for netting of financial contracts. This scheme will also aid in strengthening the Indian derivatives market.
- It is also proposed to set-up an International Bullion Exchange in the IFSC-GIFT City, as an additional option for trading by global market participants

Key Tax Proposals

- In light of the proposed merger of 10 public sector banks into 4 public sector banks, it has been proposed to allow the resulting public sector banks to carry forward and set off losses and unabsorbed depreciation of the amalgamating public sector banks. The amendment will come into effect from AY 2020-21.
- The Union Budget 2020-21 also proposes to amend the thin capitalisation rules to provide that the interest limitations that are contained in section 94B of the Act will not apply to interest paid in respect of a debt issued by the Indian bank branch of a foreign bank to its customers.
- To further widen and deepen the tax base, it has been proposed that an authorised dealer receiving an amount of INR 7 Lakhs or more, in a financial year for remittance out of India under the Liberalized Remittance Scheme ('LRS') of RBI shall collect TCS at the rate of 5 percent (10 percent if the remitter does not have a PAN/Aadhar). The amendment will come into effect from 01 April 2020.

- It has been proposed to extend the concessional tax rate of 5 percent for interest received by non-residents from foreign currency borrowings made to an Indian company or a business trust, or rupee denominated bond issued by an Indian company or a business trust. The extension has been proposed up to 30 June 2023.
- It has been proposed to reduce the concessional tax rate for interest income from 5% to 4%, in respect of interest paid on monies borrowed in foreign currency from a source outside India by way of issuance of any long-term bonds or rupee denominated bonds listed on the stock exchange located in any IFSC and issued on or after 01 April 2020 but up to 30 June 2023. The amendment will come into effect from 01 April 2020.
- Given the changes in the commodity derivative markets, and to encourage commodity transactions, settled by physical or actual delivery of goods, it is proposed to charge Commodity Transaction Tax ('CTT') on new commodity derivative products at the prescribed rates tabulated below:

Particulars	Rate of CTT
Sale of commodity derivative based on prices or indices of prices of commodity derivative	0.0001 percent payable by the seller, which is the same rate at which CTT is currently charged on sale of commodity derivative
Sale of an option in goods, where option is exercised resulting in actual delivery of goods	0.0001 percent payable by the purchaser
Sale of an option in goods, where option is exercised resulting in a settlement otherwise than by the actual delivery of goods	0.125 percent payable by the purchaser, which is the same rate at which securities transaction tax (STT) is levied on sale of an option in securities, where the option is exercised

- To ensure that there is no cascading impact of multi-layered shareholding structures, domestic companies will be entitled to a tax deduction for dividends received from other domestic companies, to the extent of dividends distributed by the recipient domestic company up to one month before the income-tax return filing due date for the recipient domestic company.
- Shareholders will not be entitled to claim a tax deduction for expenses incurred to earn such dividend income, other than a tax deduction for interest expense which is to be capped at 20% of the dividend income.

- Starting 1 April 2020, dividends declared by Indian companies will be taxable in the hands of the recipient shareholders at the respective tax rates applicable to shareholders. The Indian company will be required to withhold tax on dividend at the following rates:

Particulars	Tax rate
Dividends paid to resident shareholders, exceeding INR 5,000	10%
Dividends paid to non-resident shareholders, including NRIs	20% or the applicable tax treaty rate
Dividend paid to FPIs	20%
Dividends paid on GDRs / ADRs	10%

*(excluding surcharge and cess)

- Starting 1 April 2020, income distributed by an Indian mutual fund will be taxable in the hands of its unit holders at the respective tax rates that are applicable to the unit holders. The Indian mutual fund will be required to withhold tax on the income distributed at the following rates:

Particulars	Tax rate *
Income distributed to resident unitholders, exceeds INR 5,000	10%
Income distributed to non-resident unitholders, including NRIs	20%
Income distributed to FPIs that are unitholders	20%

*(excluding surcharge and cess)

Proposals affecting FPIs

- It has been proposed to extend the due date for filing income-tax returns for corporate tax payers (including FPIs) that do not have any Indian transfer pricing implications from September 30 (following the close of the Indian financial year) to October 31.
- It has been proposed to extend the concessional tax rate of 5 percent granted to FPIs on interest income earned on qualifying rupee denominated bonds and government securities, upto 30 June 2023. This concessional tax rate of 5 percent is proposed to be extended to FPIs on interest that they earn on municipal debt securities also.

- Starting AY 2020-21, it has been proposed to extend the carve-out from the applicability of indirect transfer provisions that is provided to non-resident investors in FPIs that were regarded as Category 1 and Category 2 FPIs under the erstwhile SEBI (FPI) Regulations, 2014, even after the repeal of the aforesaid regulations.
- Starting AY 2020-21, Budget 2020 proposes to extend the carve-out from the applicability of indirect transfer provisions that is provided to non-resident investors in FPIs that get registered with SEBI as Category I FPIs under the SEBI (FPI) Regulations, 2019.
- It has been proposed to tax the dividend income earned by FPIs from their investments in shares of Indian companies, at the tax rate of 20% or applicable tax treaty rate. TDS shall be required to be deducted by the Indian companies at the rate of 20 percent on the dividends payable to FPIs.
- Similarly, it has been proposed that FPIs will be taxable in India on the income distribution they earn from their investments in units of Indian mutual funds at the rate of 20 percent or applicable tax treaty rates. Indian mutual funds will be required to withhold tax at the rate of 20 percent on the income that they distribute to the unit holders that are FPIs.
- It has been proposed to permit the Non corporate FPIs (e.g., business trusts, firms, etc.) to pursue tax matters before the Dispute Resolution Panel.

Proposals affecting Sovereign Wealth Funds

- It has been proposed that from April 01, 2020, (1) sovereign wealth funds, which satisfy the prescribed conditions and are notified by the Central Government, and (2) any wholly owned subsidiary of ADIA, which is a resident of the UAE and makes investments directly/indirectly out of funds owned by the government of the UAE, shall be tax exempt in India on any dividends, interests, and long-term capital gains realised from an investment made in India, whether in the form of debt or equity.

  The above-mentioned exemption shall be subject to the investment satisfying the following conditions:
  1. It is made on or before 31 March 2024;
  2. It is held for at least 3 years;
  3. It is in a company/enterprise carrying on the business of developing, or operating and maintaining, or developing, operating, and maintaining any infrastructure facility defined in Explanation to clause (i) of section 80-IA(4), or such other business as may be notified by the Central Government.

- Further the Budget has proposed few more amendments affecting the Mutual Funds, REITs/InVITs and India based fund managers.

CHEMICAL SECTOR

Key Policy Initiatives

- Allocation of INR 11,500 crore under 'Jal Jeevan Mission', to provides piped water supply for all households. The mission would be first implemented at cities with over a million population.
- The Finance Minister has proposed the National Technical Textile Mission to boost manufacturing of technical textiles in India and its exports. This will provide a boost to the industry participants dealing in dye and intermediaries, colourants and paints, speciality chemicals, etc.
- The Union Budget has emphasised on the importance and effect of technology innovations like artificial Intelligence, quantum computing and 3D printing on economy. The FM has proposed to announce Policy to build data centre parks across country. Industry participants dealing in varied speciality chemicals including 3D printing chemicals will have a positive impact of such policy initiatives.

Key Tax Proposals

- It has been proposed to increase Basic Customs Duty on noble metal compounds, noble metal solutions and butile acrylate from 5 percent to 7.5 percent and reduce Basic Customs Duty for platinum and palladium reduced from 12.5 percent to 7.5 percent (subject to user condition).
- It has been proposed to increase the Basic Customs Duty ammoniacal gas liquors and other products from 10 percent to 17.5 percent.
- In respect of goods originating in and export from People's Republic of China, Iran, Indonesia, Malaysia, Taiwan, Korea RP and Thailand, Anti-dumping duty has been revoked on import of following items under 2917 36 00 of First Schedule to Customs Tariff Act, 1975:
  - Purified Terephthalic Acid
  - Medium Quality Terephthalic Acid
  - Qualified Terephthalic Acid

AUTOMOTIVE SECTOR

Key Policy Initiatives

- Roadmap for monetisation of road assets by 2024 has been provided in the Union Budget;
- Scheme to boost mobile, electronic manufacturing and semi-conductor packaging will help EV manufacturing and encourage newer technologies for connected cars;
- Income tax exemption provided for income of specified sovereign wealth funds for their investment in infrastructure as well as removal of DDT is likely to spur investments in infrastructural projects and thereby eventually benefit the automotive sector;
- Higher customs duty has been imposed on import of electric vehicles (EVs) in any form;
- Higher customs duty on import of completely built units of commercial vehicles will be partially compensated by exemption of Social Welfare Surcharge;
- Higher customs duty has been imposed on import of various parts used in the auto sector;
- In line with observations in the Economic Survey, no direction have been provided for reduction in GST for the industry;
- The National Infrastructure Pipeline launched few months ago is likely to benefit the commercial vehicle and construction equipment makers;
- Proposed National Logistic Policy will be announced.

INFRASTRUCTURE SECTOR

Key Policy Initiatives

- Proposal for introduction of a National Logistics Policy to create a single window e-logistics market and augment inclusion of MSMEs and generate employment.
- It is proposed to extend the beneficial corporate tax rate of 15% to new companies engaged in the generation of electricity.
- The Budget also acknowledged the industry's needs, for announcement on measures to bring relief to power distribution companies (DISCOMs).
- Announcement of tax exemption for investment income earned by a sovereign wealth fund from new investment (whether debt or equity) in infrastructure companies viz roads, ports, airports, etc,.
- Budget proposed for consideration of solar power generation on land owned by railways alongside railway tracks.
- Monetization of at least 12 highway projects covering 6000km before 2024 will be announced.
- The Budget also proposed for development of 5 smart cities in collaboration with State under Public-Private-Partnership (PPP) model.
- To further propel the UDAAN Scheme, 100 more airports will be developed by 2024.
- Proposal for redevelopment of stations and operations of more passenger trains through PPP mode. More trains akin to Tejas will be announced to connect tourist destinations across India.
- Measures, such as funding and private sector inclusion, will be announced for the setting up of warehouses. Furthermore, digital tools to map and geotag agricultural and cold storage warehouses will also be brought forth.
- It has been contemplated that the government will set up project preparation facility to propel infrastructure projects by harnessing the skilled talent pool.

MEDIA AND ENTERTAINMENT SECTOR

Key Tax Proposals

- The Definition of "royalty" has been amended to omit exclusion of "sale, distribution or exhibition of cinematographic films" effective 1 April 2020. This being theatrical and other receipts from exploitation of cinematographic films within the ambit of taxation and withholding requirements.
- The Budget has deferred the provisions relating to "Significant Economic Presence" of a non-resident to tax digital economy transactions, to 1 April 2021 onward in light of ongoing G20 and OECD Base Erosion and Profit Shifting Project.
- It is proposed to expand the Scope of source rule under the Income-tax Act, 1961 in the event of a "business connection" to include income from:
  - Advertisements targeting an Indian customer or a customer who accesses the advertisement through an Internet Protocol ('IP') address located in India;
  - Sale of data collected from an Indian resident or a person who uses an IP address located in India;
  - Sale of goods or services using data collected from an Indian resident or a person using IP address located in India.
- The Budget has proposed reduced the TDS rate on "fees for technical services" (not being professional services) from 10% to 2%. This might help reduce potential litigation on the rate of TDS applicable to production services.
- The Budget has proposed to introduce Policy to enable private sector to build Data Centre parks throughout the country.
- Basic customer duty on imports of news print and light-weight coated paper has been proposed to be reduced from 10% to 5%.

Real Estate, E-comm & Health Care

REAL ESTATE SECTOR

Key Tax Proposals

- It has been proposed to extend the concessional rate of TDS of 5 percent to non-residents for interests paid on monies borrowed by way of issue of Rupee Denominated Bonds (RDBs) and external commercial borrowings. This extension has been proposed for by 3 years, i.e.; until 1 July 2023.
- The Concessional rate of WHT of 5% for interests payments made to Foreign Institutional Investors (FII) and Qualified Foreign Investors (QFI) on investments made in government securities and RDBs of Indian companies has also been proposed to be extended by 3 years.
- The government has proposed to extend the Tax holiday for affordable housing projects that have obtained approval from competent authorities up to 31 March, 2021.
- It has been proposed to extend the Tax holiday for affordable housing projects on loans availed up to 31 March, 2021
- The Finance Bill has also proposed to increase the variance between stamp duty value (SDV) and actual sale consideration (SC) for sale of land and building from 5% to 10%.

It has been proposed to tax the Dividend earned by Business Trust (including Real Estate Investment Trust) in the hands of unit holders and is subject to deduction of TDS at the rate of 10 percent.

E-COMMERCE

Key Tax Proposals

- The Budget has proposed to introduce a new section to widen the scope of TDS on ecommerce transactions. It has been proposed that E-commerce operators, who facilitate supply of goods or provision of services to customers through their platforms, shall be required to deduct TDS at 1 percent on gross amount of sales or services payable to e-commerce participants.
- It has been further clarified that the e-commerce operator shall also be required to deduct TDS on the amounts directly collected by such e-commerce participants other than who are individuals or HUFs, where gross amount of sales or services does not exceed INR 5,00,000/- and who have furnished a Permanent Account Number or Aadhar number to the E-commerce operator.

HEALTHCARE

Key Policy Proposals

- The Union Budget 2020-21 has proposed to strengthen efforts to eradicate tuberculosis from India by 2025.
- It has been proposed to further strengthen and expand Health care schemes, such as Jan Aushadhi and Ayushman Bharat.
- The FM has proposed to announce two new national level schemes to support the mapping of India's genetic landscape. Such schemes are critical for next-generation medicine, agriculture and for biodiversity management.
- The Health care budget has been increased by approx. INR 6,400 crores in FY 2020-21.
- It has been proposed to bring more hospitals in tier 2 and tier 3 cities under the ambit of Ayushman Bharat Scheme. For this purpose, the government has proposed Public-private-partnership (PPP) model for hospitals. The government further proposed to incentivize the hospitals providing facilities for medical college.
- It has been proposed to announce a scheme to encourage manufacturing of medical devices in India.
- The Budget has proposed to levy a New levy of Health Cess at the rate of 5 percent ad valorem on the import value as duty of customs on import of medical devices (unless exempted) (w.e.f. February 02, 2020). The collection from such cess shall be used for creating health infrastructure in selected districts.
- It has also been proposed to levy Social Welfare Surcharge at 10 percent of the BCD on certain medical equipment under Chapter 90 (w.e.f. 2 February 2020).
- It is also proposed to establish an Institute of Excellence for working on the complexity and innovation in the field of IP. The government also proposes to promote a digital platform to facilitate seamless filing of application and capturing of IPRs.