



KEY HIGHLIGHTS IN THE BUDGET 2020

RSA LEGAL SOLUTIONS

CUSTOMS ACT, 1962

- Enabling provisions for administering the preferential tariff treatment regime under trade agreement is introduced.
- In some goods, exemption has been provided to social welfare surcharge and in some cases, the exemption from social welfare surcharge which was available earlier has been withdrawn.
- Basic Custom Duty has been hiked in respect of many goods.
- Electronic duty credit ledger in the custom system will be created. New Section 51B incorporated for this.
- Section 8B is being substituted with a new section to empower the central government to apply safeguard measures, in case any article is imported into India in such increased quantities and under such conditions so as to cause or threatening to cause serious injury to domestic industry.
- Explanation inserted in Section 28 to clarify that any notice issued under the said section, prior to enactment of the Finance Act, 2018 shall continue to be governed by the Section 28 as it existed before the said enactment, notwithstanding order of any appellate tribunal, court, or any other law to the contrary
- Changes are being made in the Customs Tariff (Identification, assessment and collection of Anti-dumping duty on dumped articles and for determination of Injury)

Rules, 1995-Notification No. 09/2020-& 10/2020 of Customs (NT) dated 2nd Feb 2020

HEALTH CESS IMPOSED

- Health cess imposed on the medical devices under heading 9018 to 9012, at the rate of 5% ad valorem on the import value of such goods as determined under section 14 of the Customs Act,
- Health cess shall not be imposed on medical devices which are exempt from BCD.
- With respect to certain goods, exemption from health cess has been provided-Refer Notification No. 08/2020-Cus dated 2nd Feb 2020
- Export promotion scrips will not be used for payment of said cess

GOODS & SERVICES TAX

- Date of issuance of debit note delinked from the date of issuance of underlying invoice for the purpose of taking the credit in terms of Section 16(4)
- Section 51 of the CGST Act is being amended to remove the requirement of issuance of TDS certificate by the deductor and to omit the corresponding provision of late fees for delay in issuance of TDS certificate

- Section 132 of the CGST Act 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 and retains the benefit of transactions arising out of specified offences liable for punishment
- Entries at 4(a) & 4(b) in Schedule II of the CGST Act is being amended with effect from 01.07.2017 to make provision for omission of supplies relating to transfer of business assets made without any consideration from Schedule II of the said Act.
- The refund of accumulated credit of compensation cess on tobacco products arising out of inverted duty structure in Compensation cess has been disallowed with effect from 1.10.2019 vide notification No. 3/2019- Compensation Cess (Rate) dated 30.9.2019. This notification is being given retrospective effect from 1.7.2017 onwards. Accordingly, no refund on account of inverted duty structure shall be admissible on tobacco products for any period.

DIRECT TAX

- Optional Concessional rate of Income tax for Individuals & HUFs without certain exemptions or deductions

| Total Income (Slab) | Existing Tax Rate | New Tax Rate |
|------------------------|-------------------|--------------|
| Up to 2,50,000 | Nil | Nil |
| 2,50,001 to 5,00,000 | 5% | 5% |
| 5,00,001 to 7,50,000 | 20% | 10% |
| 7,50,001 to 10,00,000 | 20% | 15% |
| 10,00,001 to 12,50,000 | 30% | 20% |
| 12,50,001 to 15,00,000 | 30% | 25% |
| Above 15,00,001 | 30% | 30% |

- Deductions under Chapter VI-A are prohibited to Domestic Companies opting for concessional rate of tax except section 80JJAA (deduction in respect of employment of new employees) and section 80M (Holding Company dividend).
- Dividend Distribution Tax (Section 115O) has been abolished, thereby the Company/Mutual Funds distributing dividends will not pay any tax and the same will be taxable in the hands of recipients.
- Holding Company is allowed a deduction of dividend income received, provided the Holding Company further distribute equivalent dividend to its shareholders on or before the due date.

- TDS on fees for technical services (other than professional services) is reduced to 2% from existing 10%. The TDS rate in

other cases under section 194J would remain same.

- TDS @4% on interest payable to a non-resident for any long-term bond or Rupee Denominated Bond listed on a recognised stock exchange.
- TDS @5% on interest payable to FIIs and QFIs in respect of the fresh investment made in municipal debt security.
- TDS on interest paid to FIIs & QFIs on their investments in Government securities and RDB of an Indian company is extended upto 30th June 2023.
- TDS on interest paid to non-residents on borrowings, approved by the Central Government, made in foreign currency from sources outside India is extended upto 30th June 2023.
- Concessional tax rate under section 115BAB is applicable for electricity generation companies.
- Benefit of 100% deduction is extended to all Start-ups with turnover of upto Rs. 100 Crores for 3 consecutive assessment years out of 10 years.
- Tax payment of ESOPs deferred for Start-ups
- Tax Audit limit of business assessee increased from Rs. 1 crores to Rs. 5 crores provided cash receipts and payments are not more than 5% of total receipts and payments of such business.
- Resident cooperative societies are given similar incentive as given to Companies under The Taxation Laws (Amendment) Ordinance, 2019 whereby 22% income tax rate is available without claiming any incentive or deduction.
- Exemption on income being, dividend, interest or long-term capital gains, for wholly owned subsidiary of Abu Dhabi Investment Authority and Sovereign Wealth Fund when investment made in business of developing, operating or maintaining any infrastructure facility.
- Additional deduction upto Rs. 1.5 Lakhs for interest paid on loans taken for an affordable house extended till 31st March 2021.
- Date of approval of affordable housing projects for availing tax holiday on profits earned by such developers extended till 31st March 2021.
- “Vivad Se Vishwas” scheme to be launched with a deadline of 30th June 2020 wherein all interest and penalty waived off till 31st March 2020.
- Faceless appeals to be enabled similar to Faceless assessments

Detailed Analysis will Follow