



Insights and Business Perspective



INDIA BUDGET 2020

- Highlights



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Includes

- **Multilateral Instruments – An Overview**
- **The CFO's Tax Checklist – Income Tax**
- **Concessional Tax Regime for Businesses – Section 115BAA & 115BAB**

February 2020

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1.0 DIRECT TAXES

1.1 Effective Tax Rates

1.1.1 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- The option can be withdrawn only once where it was exercised by the individual or HUF having business income for a financial year other than the year in which it was exercised and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 AMT shall not be applicable to individual or HUF exercising such concessional tax rate option.
- The tax rates remain unchanged for the individuals / HUFs, who are not opting for the concessional tax regime and for AOPs / BOIs, etc.
- No change in surcharge and and education cess.

1.1.2 Corporate Taxation

- The benefit of concessional tax regime which was introduced in September 2019 through TLAA has further extended to the business of generation of electricity.
- No change is proposed in the tax rate of the companies which are not opting for concessional tax regime. The MAT rate reduced to 15 % (plus surcharge and health and education cess) as introduced by the TLAA continues.
- No change in surcharge and and education cess.
- DDT is proposed to be abolished. Taxation of dividend income is restored to classical system of taxing dividend in the hands of shareholders / unit holders.

1.1.3 Partnership Firms / LLP

- Tax rates for Partnership Firms and LLPs remain unchanged.
- No change in surcharge and and education cess

1.1.4 Co-operative Societies

- No change is proposed in the tax rate. As such, the tax rates for co-operative societies for FYs 2020-21 and 2019-20 remain the same.

- Section 115BAD introduced for resident co-operative societies providing them an option of reduced tax rate of 22% subject to specified conditions. Surcharge applicable at the rate of 10% in such case. AMT provisions not applicable for societies opting for such concessional tax rate.

1.2 Tax Incentives and Proposals for Business

- DDT is proposed to be abolished. Taxation of dividend income is restored to classical system of taxing dividend in the hands of shareholders / unit holders. Deduction under section 57 for interest expenditure in connection with dividend income is restricted to 20% of dividend income. No other expense shall be allowed.
- The concessional tax regime under sections 115BAA and section 115BAB is amended to restrict the deduction under any provisions of Chapter – VIA except for section 80JJAA and section 80M. It is now proposed to extend concessional rate under section 115BAB of the IT Act to companies engaged in business of generation of electricity.
- Under the proposed 'Vivad Se Vishwas' scheme, a taxpayer would be required to pay only the amount of the disputed taxes and will get complete waiver of interest and penalty provided he pays the tax amount by 31 March 2020. Those who avail this scheme after 31 March 2020 will have to pay some additional amount. The scheme will remain open till 30 June 2020. Taxpayers in whose cases appeals are pending at any level can benefit from this scheme. The detailed scheme is awaited.
- In order to incentivize building affordable housing to boost the supply of such houses, the period of approval of the project for claim of deduction under section 80-IBA is proposed to be extended to 31 March 2021.
- Section 194-O introduced 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).
- Section 115BBDA which provided for 10% tax on dividend income above Rs. 10,00,000 amended to be applicable for dividend declared, distributed or paid by domestic company on or before 31 March 2020.
- Section 195 would be applicable for withholding tax on dividends to non-resident shareholders as per the applicable rates. Section 115A provides for taxability of dividends in the hands of non-resident shareholders at 20% (plus applicable surcharge and cess) subject to beneficial rates as per the relevant tax treaty.
- In case of start-ups, the deduction to be available for a period of 3 consecutive assessment years out of 10 years beginning from the year in which it is incorporated; (earlier it was 3 consecutive years out of 7 years). The deduction to be available if the total turnover of its business does not exceed Rs. 100,00,00,000 in any of the financial years beginning from the

- year in which it is incorporated. (earlier it was Rs. 25,00,00,000)
- In order to reduce compliance burden on SMEs, the threshold limit for audit under section 44AB of the IT Act increased from Rs. 1,00,00,000 to Rs. 5,00,00,000 subject to restriction on cash transactions.
- Due date for filing ROI to be 31 October of AY to whom due date of 30 September was applicable
- In order to grant depreciation under section 32 to the companies opting for concessional tax regime, deduction under section 35AD to be optional in nature.
- Section 194 and 194K specifies the withholding tax rate of 10% for residents earning dividend / income from units above Rs. 5,000.
- Consideration for the sale, distribution or exhibition of cinematographic films shall be taxable as royalty. Earlier the same was excluded.

1.3 Personal Taxation

- 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 has been proposed to revise the limit to 120 days from existing 182 days.
- Further, an individual or an HUF shall be said to be 'not ordinarily resident' in India in a previous year, if such individual or the manager of the HUF has been a non-resident in India in 7 out of 10 previous years preceding that year. Earlier, this condition was 9 out of 10 years.
- An Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India
- Scope of section 206C widened to include TCS on foreign remittance through LRS (5% in case remittance exceed Rs. 7,00,000 in a FY; 10% – no PAN/Aadhar) and on selling of overseas tour package (5%; 10% – no PAN/Aadhar) as well as TCS on sale of goods over a limit. (0.1% of consideration exceeding Rs. 50,00,000; 1% – no PAN/Aadhar). Said TCS provisions not applicable in certain specified cases.
- Combined upper limit of Rs. 7,50,000 provided in respect of employer's contribution in a year to NPS, superannuation fund and recognised provident fund and any excess contribution to be taxable. Consequently, any annual accretion by way of interest, dividend or any other amount of similar nature during the previous year to the balance at the credit of the fund or scheme may be treated as perquisite to the extent it relates to the employer's contribution which is included in total income.
- Concession to pay tax on perquisite in the form of ESOP to employees of the eligible start-ups at delayed time line.
- In order to continue promoting purchase of affordable housing, the period of sanctioning of loan by the financial institution for claim of deduction

under section 80EEA to be extended to 31 March 2021.

1.4 Non-residents

- Non-resident shall not be required to file return of income if his or its total income consists of only dividend or interest income or royalty or FTS income and TDS on such income has been deducted
- Concessional rate of TDS of 5% under section 194LC is extended to 1 July 2023.
- Extension in the period of concessional rate of TDS on interest to FII/ QFI and also extend this concessional rate to municipal debt securities
- The current SEP provisions under section 9 for constitution of business connection for a NR shall be omitted from AY 2021-22 and the new provisions will take effect from 1 April 2022 and will, accordingly, apply in relation to the AY 2022-23 onwards
- It is proposed to grant exemption from taxability of FPIs on account of Indirect Transfer aligned with the amended scheme of SEBI
- The current SEP provisions under section 9 for constitution of business connection for a NR shall be omitted from AY 2021-22 and the new provisions will take effect from 1 April 2022 and will, accordingly, apply in relation to the AY 2022-23 onwards
- Income from advertisement that targets Indian customers or income from sale of data collected from India or income from sale of goods and services using such data collected from India, to be taxable in India from AY 2021-22 onwards.
- Provide rate of TDS of 4% on the interest payable to a NR, 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 90 to be amended to provide that the CG may enter into an agreement with the Government of any country outside India or specified territory outside India for, inter alia, the avoidance of double taxation of income under the Act and under the corresponding law in force in that country or specified territory, as the case may be, 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 this agreement for the indirect benefit of residents of any other country or territory). The same is in lines with MLI. Similar amendment to be made in section 90A.

1.5 Transfer Pricing

- It is proposed to amend section 94B of the IT Act so as to provide that provisions of interest limitation would not apply to interest paid in respect of a debt issued by a lender which is a PE of a NR, being a person engaged

in the business of banking in India.

- It is proposed to amend section 144C of the IT Act to expand the scope of the said section by defining eligible assessee as a NR not being a company, or a foreign company. Further, it also proposes that the provisions of section 144C of the IT Act to apply where the AO proposes to make any variation which is prejudicial to the interest of the assessee.
- It is proposed to provide that 'specified date' for transfer pricing shall be 31 October as against 30 November at present.
- The attribution of income in case of a NR person to the PE to be covered under the provisions of the SHR and the APA.
- It is proposed to amend section 144C so as to enable the eligible assessee to file his objection to dispute resolution panel where the AO proposes to make any variation which is prejudicial to the interest of such assessee. It is also proposed to include a NR, not being a company under the definition of 'eligible assessee'.

1.6 Other Proposals

- It is proposed to insert a new section 119A in the IT 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.
- Provision introduced to provide for penalty in case of fake invoice
- The present provisions of section 43CA, section 50C and section 56 which relates to transfer of immovable property, being land or building or both, provides for safe harbour of 5% between transfer value and stamp duty value. The said limit is increased to 10%.
- In order to reduce litigation, TDS rate for FTS (other than professional services) reduced to 2% from existing 10%. TDS rates in case of other cases under section 194J to continue at 10%.
- It is proposed to charge CTT on the new commodity derivative products at prescribed rates
- FMV of the asset as on 1 April 2001 for computation of capital gains on asset acquired before 1 April 2001 shall not exceed stamp duty value of such asset as on that date.
- The definition of 'work' under section 194C amended 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.
- In order to ensure that the reforms initiated by the Income-tax department to eliminate human interface from the system reach the next level, an e-appeal scheme and e-penalty scheme to be launched on the lines of faceless e-assessment scheme.
- It is proposed to amend section 143(3A) to expand its scope so as to include the reference of section 144 of the IT Act relating to best

judgement assessment under e-assessment scheme.

- Form 26AS has been extended to capture information beyond TDS/TCS by insertion of new section 285BB in the IT Act
- The entities receiving donation/ sum may be made to furnish a statement in respect thereof, and to issue a certificate to the donor/ payer. In order to ensure proper filing of the statement, levy of a fee and penalty provided in cases where there is failure to furnish the statement.
- For taxation under section 115UA, it is proposed to amend section 2(13A) of the Act to modify the definition of 'business trust' so as to do away with the requirement of the units of business trust to be listed on a recognized stock exchange.
- Provisions related to charitable trust, certain specified institution and funds in respect of registration and approval have been rationalised
- It is proposed to provide that any other person as prescribed by the CBDT can verify the return of income in case of the company and a LLP. Further, any other person as prescribed by the CBDT can appear as an authorised representative to appear before income-tax authority or the Appellate Tribunal on behalf of the assessee.
- Due date of tax audit report to be 1 month prior to due date of filing of ROI

2.0 INDIRECT TAXES

2.1 GST & Customs

2.1.1 CGST Amendments

- Presently, time limit for claiming of input tax credit in respect of any debit notes is dependent on the date of issuance of original invoice. As per the amendment, time limit for claiming input tax credit in respect of debit note is now not linked to date of its original invoice, rather date of such debit note is to be referred for claiming Input Tax Credit.
 - Under the existing provisions of Section 122 of the CGST Act, 2017:
 - Person making Supply without issuing Tax Invoice
 - Person issuing Tax Invoice without actual Supply of Goods and Services / Fake Invoicing
 - Claim of Input Tax Credit without actual receipt of Goods and Services
 - Distribution of credit under ISD (Input Service Distribution)Registration in contravention of Section 20
- Shall be liable for penalty. It is proposed that not only the person committing the offense will be liable for penalty but also the beneficiary shall be liable for penalty. Penalty for the above shall be an amount equivalent to the:
- Tax Evaded or,

- Input Tax credit (ITC) availed or
- ITC passed on.

Further, Section 132 of the CGST Act, 2017 is proposed to be amended to make offense of fraudulent availment of ITC without tax invoice or bill, a cognizable and non bailable offense. Accordingly, any person who commits or causes or is a beneficiary, shall be liable to punishment.

- Section 172 of the CGST Act, 2017 dealing with provisions relating to Anti Profiteering is proposed to be amended to make a 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 CGST Act.
- To achieve higher export credit disbursement and to provide enhanced insurance cover, NIRVIK Scheme is being introduced. Under the Scheme, it has been proposed to digitally refund to the exporters:
 - Duties and taxes levied by centre/state
 - Electricity duties,
 - Vat on fuel used for transportation etc

which are not exempted or refunded under any other mechanism. It may be pointed out that most of the indirect taxes such as CSGT/SGST/IGST are eligible for refunds under the GST Laws itself and hence not covered by the above scheme. The scheme for reversion of duties and taxes on exported products will be launched in Financial Year 2020–21.

2.1.2 Major Amendments in Customs Act.

- New Levy called 'Health Cess' has been introduced in the Finance Bill 2020, on import of medical equipments except for those medical equipments which are exempted from BCD. To motivate the domestic industry, this Health Cess has been imposed keeping in mind that these medical equipment are significantly made in India. The Health Cess will be levied at the rate of 5% on the value of goods as determined under Section 14 of the Customs Act, 1962 for the purpose of levy of BCD. Input/parts used in manufacturing of medical equipment will also be exempted from Health Cess. Further, it is pertinent to note that Export Promotion Scrips cannot be used for making payment of the said Cess.
- The BCD exemption available on certain goods is being withdrawn by omitting certain entries of Notification No. 50/2017–Customs dated 30 June 2017 with effect from 2 February 2020.
- Section 11(2) of the Customs Act, 1962, has been amended so as to include all other goods along with previously included gold or silver to enable the Central Government to prohibit either absolutely or conditionally the import or export of such goods to prevent injury to the economy on account of uncontrolled import or export of such goods.
- Section 111 of the Customs Act, 1962 is being amended to prescribe that

goods imported on claim of preferential tariff treatment shall be liable for confiscation if any provisions of chapter VIAA have been contravened.

2.1.3 Amendment in the Customs Tariff Act, 1975:

- Amended Section 8B of the Customs Tariff Act, 1975, empowers Central Government to apply safeguard measures in case any article is imported in India in such increased quantities which would cause injury to the domestic industry. Safeguard measures includes imposition of safeguard duty.

2.1.4 Exemption from levy of Social Welfare Surcharge (SWS):

- Certain major goods such as Whey, Cheese, Almonds, Maize, Marble etc. are exempted from levy of SWS with effect from 2 February 2020.
- However, all commercial vehicles (including electronic vehicles), if imported or completely built unit (CBU) are exempted from levy of SWS w.e.f 1 April 2020.

2.1.5 Central Excise

- Amendment in rates of National Calamity Contingent Duty (NCCD) applicable to Cigarettes, tobacco products, Hookah, and petroleum Crude in Seventh Schedule of Finance Act, 2001 is carried out through clause 145 of the Finance (No. 26) Bill, 2020 which will come into effect from 2 February 2020

Background

The Indian economy is now the 5th largest economy of the world with GDP of US\$ 2.9 trillion and growth rate of 5% for the current financial year. It is expected to become a US\$ 5 trillion economy by 2025. The GDP growth rate has been projected at 6 to 6.5% and fiscal deficit at 3.5% of the GDP for FY 2020–21. The Budget 2020 has been presented in the backdrop of a slowdown in economic growth and employment. The objective of the Budget 2020 is to revive economic growth and investment with thrust on infrastructure, agriculture and reduce tax disputes.



The Taxation Laws (Amendment) Act 2019 ('Taxation Act') made certain path breaking changes in corporate tax rates. The Union Budget 2020 has reiterated its commitment to continue this regime. As per the said Taxation Act, the base corporate tax rate for certain domestic companies is reduced to 22% (plus applicable surcharge and education cess) and the effective tax rate is 25.17%, provided the domestic companies do not avail specified deductions. Additionally, the companies opting for the lower tax regime would not be subject to MAT. It also introduced a special provision which allows any new domestic company incorporated on or after 1 October 2019 making fresh investment in manufacturing, an option to pay income-tax at the rate of 15%. This benefit is available to companies which do not avail any exemption / incentive and commence their production on or before 31 March 2023. The effective tax rate for these companies shall be 17.16% inclusive of surcharge & cess. Further, such companies shall not be required to pay MAT. The Union Budget has extended this benefit to power generation companies.

One of the key highlights of this Budget 2020 is the abolition of Dividend Distribution Tax wherein now the classical system of dividend taxation is being adopted. All the dividends are proposed to be taxed in the hands of shareholders / unit holders. This will enable foreign investors to claim the benefit of DTAAs and also credit for withholding tax in their home countries. However, Indian promoters and HNIs may have significantly higher tax incidence in case of personal shareholding or through trusts/LLPs.

Non-resident Indians (NRIs – Indian citizens and PIOs) would be adversely impacted by the reduction in the period of physical stay in India from 182 days to 120 days, for purpose of determination of residential status as resident in India. It has also been proposed that "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 and hence shall be liable to tax on his/her worldwide income in India.

Tax rates for other Companies / LLPs / Firms / entities remain unchanged.

The personal tax rate structure has remained unchanged with basic exemption limit of Rs.250,000 and slab rates of 5%, 20% and 30% (plus surcharge and cess). However, it is proposed to introduce a new taxation scheme for personal taxation based on revised slab rates. Individuals opting to pay tax under the new regime will have to forego almost all tax deductions and exemptions, which they were claiming in the current tax structure. The tax deductions which would not be available include Section 80C (Investments in PF, 5 years Bank Deposits, NSCs, NPS, Life insurance premium), Section

80D (medical insurance premium), tax breaks on HRA and on interest paid on housing loan for self-occupied property, donations, etc. As the scheme is optional for the taxpayers, it may be worthwhile to work out the tax liability under the old regime and new regime and then, decide the appropriate tax regime. No other major reliefs have been announced for personal taxation and the thrust on increasing savings has reduced.

A combined upper limit of Rs. 7,50,000 has been provided in respect of employer's contribution in a year to NPS, superannuation fund and recognised provident fund and any excess contribution to be taxable. Consequently, any annual accretion by way of interest, dividend or any other amount of similar nature during the previous year to the balance at the credit of the fund or scheme may be treated as perquisite to the extent it relates to the employer's contribution which is included in total income.

In order to reduce litigation, TDS rate for fees for technical services (other than professional services) reduced to 2% from existing 10%. TDS rates in case of other cases under section 194J to continue at 10%.

Another key highlight of this Budget 2020 is levy of 1% TDS on gross value of sale of goods or services or both, facilitated by an e-commerce operator through its digital or electronic facility or platform.

In order to reduce compliance burden on small and medium enterprises, the turnover threshold limit for a person carrying on business increased from Rs. 1,00,00,000 to Rs. 5,00,00,000 in cases where aggregate of all receipts and payments in cash does not exceed 5% of such total receipts and payments respectively. Further, the due date of filing tax audit report has been preponed to 1 month prior to the due date of filing of return of income.

In order to widen and deepen the tax net and to track the overseas remittances under the Liberalized Remittance Scheme (LRS) of US\$ 250,000, it is proposed to collect TCS by Authorized dealer for on overseas remittance worth Rs. 700,000 or more in a financial year for remittance out of India from the remitter, @ 5% and 10% in non-PAN/Aadhaar cases. This move effectively results in tax on capital. Similarly, TCS @ 5% shall be collected by the seller of an overseas tour program package from any buyer, being a person who purchases such package. In non-PAN/Aadhaar cases, TCS rates would be 10%. Further, a seller of goods is liable to collect TCS at the rate of 0.1% on consideration received from a buyer in a financial year in excess of Rs. 50,00,000. Only those seller whose total sales, gross receipts or turnover from the business carried on by it exceed Rs. 10,00,00,000 during the financial year immediately preceding the financial year, shall be liable to collect such TCS. In non-PAN/ Aadhaar cases the TCS rate shall be 1%.

It is proposed in case of foreign companies where taxes on Royalties and Fees for Technical Services are paid and taxes have been deducted in India at a rate not less than that prescribed in that section, there shall be no requirement to file the tax return in India.

The Sabka Vishwas Scheme to reduce litigation in indirect taxes has resulted in settling over 1,89,000 cases. It is proposed to bring a similar scheme for the direct taxes. Under the proposed '**Vivad Se Vishwas**' scheme, a taxpayer would be required to pay only the amount of the disputed taxes and will get complete waiver of interest and penalty provided he pays by 31 March 2020. Those who avail this scheme after 31 March 2020

will have to pay some additional amount. The scheme will remain open till 30 June 2020. Taxpayers in whose cases appeals are pending at any level can benefit from this scheme. One should list all pending litigation and evaluate the scheme once announced to resolve pending litigation. The Scheme does not appear to be as attractive as the Indirect Taxes Dispute Resolution Scheme which provided for partial waiver of Disputed Tax (30% to 70%) apart from complete waiver of interest and penalty and immunity from prosecution.

One of the widespread apprehensions HNIs had was the possible introduction of Inheritance Tax or Estate Duty. HNIs can now heave a sigh of relief as the Budget does not contain any such proposals.

The Deposit Insurance Coverage has been increased from Rs. 1,00,000 to Rs. 5,00,000 per depositor.

The present provisions of Section 43CA, Section 50C and Section 56 which relate to transfer of immovable property, being land or building or both, provides for safe harbour of 5% between transfer value and stamp duty value. The said limit is proposed to be increased to 10%.

In case of fake invoice, it is proposed to levy penalty in case of (i) false entry or (ii) any entry relevant for computation of total income has been omitted to evade tax liability. The penalty payable, to be the aggregate amount of false entries or omitted entries. Any other person abetting a false entry or omit any entry, shall also be liable to same penalty.

Scope and Limitations

In this booklet compiled by us, we intend to offer a broad outline of the highlights of the Finance Bill, 2020 presented on 1 February 2020. We have discussed the significant proposals of general interest in respect of direct taxes. In respect of indirect taxes and other policy initiatives, only the highlights have been briefly enumerated. Preceding the budget proposals are the macro indicators of Indian economy which provide a backdrop to the legal and financial proposals.

This booklet is not an offer, invitation or solicitation of any kind and it does not purport to be comprehensive, or to render legal, economic or financial advice. This booklet should not be relied upon for taking actions or decisions without appropriate professional advice as the facts of each case have to be studied and the legal position analysed properly before taking any action or decision in the matter. Further, this booklet contains only the proposals and amendments as given in the Finance Bill, 2020, which may be modified before it receives the approval and assent of the Parliament and the President. The proposals regarding direct taxes would become effective from Assessment Year 2021-22 (Financial Year 1 April 2020 to 31 March 2021), unless otherwise specified. In this booklet, the terms 'IT Act', 'the Rules' and 'the Bill' are used for the "Income-tax Act, 1961", "Income-tax Rules, 1962" and "Finance Bill, 2020" respectively.

While all reasonable care has been taken in preparation of this booklet, we accept no responsibility for any errors it may contain or for any omissions or otherwise or for any loss, howsoever caused or sustained, by the person who relies on it.

2.1 India at a glance



GDP: 2019

- US\$ 11.33 trillion in terms of PPP



Rapid Advancement

- India to be US\$ 5 trillion economy by 2025



GDP Growth Rate

- 5.0% in 2019–20
- Expected to grow at 6% to 6.5% in 2020–21
- Expected to grow by 5.8% in 2020–21, as per International Monetary Fund and World Bank estimates (January 2020).



Demography

- Working age population to grow by roughly 9.7 million per year during 2021–31 and 4.2 million per year during 2031–41



Forex reserves (as on 17 January 2020)

- US\$ 462.16 billion



Exchange Rate

- 1 US\$ = Rs. 71.51 (as on 31 January 2020)



Equity Market Capitalisation (BSE)

- US\$ 2.19 trillion as on 31 January 2020



Political System

- Federal Republic with Parliamentary democracy
- Largest Democracy in the world

2.2 General Review

The year 2019 was a difficult year for the global economy with world output growth estimated to grow at its slowest pace of 2.9% since the global financial crisis of 2009. These global headwinds and challenges in the domestic financial sector moderated the growth of the Indian Economy in 2019–20 with the real GDP growth at 5% as compared to 6.8% in 2018–19. Despite of this moderation, the fundamentals of Indian economy remain strong and GDP growth is expected to rebound with estimated growth of 6% to 6.5% in 2020–21.

Major challenges for the Indian economy arising from the external front are geo-political tensions in Middle East resulting in rising crude oil prices due to supply disruption and protectionist tendencies of US and Iran, which may decelerate growth and increase inflation. Challenges on the domestic front are revival of investments and savings.

The positive prospects for the economy are continuation of structural reforms (viz. various steps were taken to boost manufacturing, employment generation, financial inclusion, digital payments, improving ease of doing business via schemes such as Make in India, Skill India and Direct Benefit Transfer etc.) that will revive growth and expected normalization of credit flow as investment picks up induced by a cut in the corporate tax rate and the interest rate cuts earlier

implemented. Government has also announced the National Infrastructure Pipeline of projects worth Rs.102 lakh crore, which will commence in phases from 2020–21 to 2024–25. Further, global economic growth is expected to pick up in 2020 which would also support India's growth.

The World Economic Outlook has estimated India's economy to be at US\$ 2.9 trillion in 2019 and having moved past UK and France to become the 5th largest economy in the world.

Top 10 Economies in the world in terms of GDP at current US\$ trillion

Sl. No.	Country	2017	2018	2019 (E)	Change in position in 2019
1	United States	19.5	20.6	21.4	–
2	China	12.1	13.4	14.1	–
3	Japan	4.9	5.0	5.2	–
4	Germany	3.7	4.0	3.9	–
5	India	2.7	2.7	2.9	▲
6	United Kingdom	2.6	2.8	2.7	▼
7	France	2.6	2.8	2.7	▼
8	Italy	2.0	2.1	2.0	–
9	Brazil	2.1	1.9	1.8	–
10	Korea	1.6	1.7	1.6	–

Data Source: World Economic Outlook, October 2019 database

Notes: E: IMF's estimate

Global confidence in the Indian economy improved as reflected in growing inflows of net FDI and an all-time high accumulation of foreign exchange reserves of US\$ 457 billion as in end December, 2019.

The Current Account Deficit, which was 2.1% of GDP in 2018–19, has improved to 1.5% in 1st half of 2019–20 on account of significant reduction in trade deficit.

Consumer Price Index (Combined) inflation, which had declined to 3.4% in 2018–19, has now averaged to 4.1% in 2019–20 (April to December). Inflation measured in terms of Wholesale Price Index which stood at 4.3% in 2018–19, has averaged to 1.5% in 2019–20 (April to December).

The average monthly exchange rate of rupee (RBI's reference rate) was Rs. 70.41 per US\$ in 2019–20 (April–December), as compared to Rs. 69.92 per US\$ during 2018–19.

The primary market resource mobilization through 85 public and rights issues was Rs. 73,896 crore during 2019–20 (up to 31 December 2019) as against Rs. 44,355 crore raised during 2018–19 (up to 31 December 2018).

2.3 India – Key Economic Indicators

Data Categories	Unit	2016–17	2017–18	2018–19	2019–20
GDP and Related					
GDP at constant market prices	Rs. thousand crores	12,298	13,180	14,078	14,779 ^a
	US\$ billion	1,833	2,043	2,014	2,099
GDP Growth Rate	%	8.2	7.2	6.8	5.0 ^a
Per Capita Net National Income	Rs.	104,659	114,958	126,406	135,050 ^a
Production					
Food grains	Million tonnes	275.1	285.0	285	140.6 ^b
Index of Industrial Production (growth)	%	4.6	4.4	3.6	0.6 ^c
Electricity Generation (growth)	%	4.7	4.0	3.5	0.3 ^c
Prices					
WPI Inflation (average)	%	1.7	3.0	4.3	1.5 ^d
CPI (Combined) Inflation (average)	%	4.5	3.6	3.4	4.1 ^d
External Sector					
Foreign Exchange Reserves (end of year)	USD Billion	370.0	424.5	412.9	457.5 ^e
Average Exchange Rate	Rs. / USD	67.1	64.5	69.9	70.4 ^d
Gross Fiscal Deficit	% of GDP	3.5	3.5	3.4	3.3 ^f

Notes:

a: First advance estimate,

c: (April – November) 2019,

e: End of December 2019,

b: Fourth AE for 2018–19 and first AE for 2019–20,

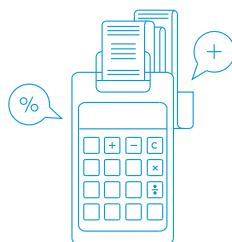
d: (April – December) 2019,

f: Budget Estimate

3.1 Individuals, HUFs, AOPs and BOIs

3.1.1 Tax rates under new tax regime – Optional

The Bill proposes that individuals / HUFs can opt for a new tax regime with new income tax slabs and lower tax rates, subject to fulfillment of certain conditions. The new income tax slabs and rates are as under:



Sr. No.	Income Slabs (Rs.)	Proposed Tax Rates (excluding Health and Education Cess)
1.	0 – 2,50,000	Nil
2.	2,50,001 – 5,00,000	5%*
3.	5,00,001 – 7,50,000	10%
4.	7,50,001 – 10,00,000	15%
5.	10,00,001 – 12,50,000	20%
6.	12,50,001 – 15,00,000	25%
7.	15,00,001 and above	30%**

*Before considering rebate under section 87A

**Excluding surcharge as applicable

The new regime is optional and available to individuals/ HUFs, subject to foregoing of certain exemptions / deductions and satisfaction of certain conditions as mentioned below:

- a) without any exemption or deduction under the provisions of:
 - Clauses referred in section 10 as follows:
 - Clause (5) – Leave travel concession;
 - Clause (13A) – House rent allowance;
 - Clause (14) – Special allowance detailed in Rule 2BB (such as children education allowance, hostel allowance, transport allowance, per diem allowance, uniform allowance, etc.);
 - Clause (17) – Allowances to MPs/MLAs;
 - Clause (32) – Allowance for income of minor.
 - Exemption for SEZ unit under section 10AA

- Standard deduction, deduction for entertainment allowance and employment / professional tax as contained in Section 16;
 - Interest under section 24 in respect of self-occupied or vacant property (loss under the head IFHP for rented house shall not be allowed to be set off under any other head and would be allowed to be c/f as per extant law;
 - Additional depreciation under section 32(1)(iia);
 - Deductions under sections 32AD, 33AB and 33ABA;
 - Various deductions for donation or expenditure on scientific research contained in sub-clause (ii) or sub-clause (iia) or sub-clause (iii), of sub-section (1) or sub-section (2AA) of section 35;
 - Deduction under section 35AD or section 35CCC;
 - Deduction from family pension under clause (iia) of section 57;
 - Any deduction under chapter VI-A (like section 80C, 80CCC, 80CCD, 80D, 80DD, 80DDB, 80E, 80EE, 80EEA, 80EEB, 80G, 80GG, 80GGA, 80GGC, 80IA, 80-IAB, 80-IAC, 80-IB, 80-IBA, etc.). However, deduction under sub-section (2) of section 80CCD (employer contribution on account of employee in notified pension scheme) and section 80JJAA (for new employment) can be claimed.
- b) without set off of any loss-
- i. carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred to in para (a) above;
 - ii. under the head IFHP with any other head of income;
 - iii. by claiming the depreciation, if any, under any provision of section 32, except clause (iia) of sub-section (1) of the said section, determined in such manner as may be prescribed; and
 - iv. without any exemption or deduction for allowances or perquisite, by whatever name called, provided under any other law for the time being in force.

If an individual or HUF fails to satisfy the conditions mentioned in any previous year, the option to pay tax as per above slab rates shall become invalid in respect of the assessment year relevant to that previous year and other provisions of this Act shall apply, as if the option had not been exercised for the assessment year relevant to that previous year.

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 AMT shall not be applicable to individual or HUF exercising this option.

3.1.2 Tax rates under existing tax regime

The existing tax regime in case of individuals, HUFs, AOPs and BOIs continues to remain the same. As such, the effective and present tax rates under the existing tax regime for the FYs 2020–21 and 2019–20 are as follows:

FY 2020–21		FY 2019–20	
Income Slabs (Rs.)	Proposed Tax Rates	Income Slabs (Rs.)	Tax Rates
0 – 2,50,000 #	Nil	0 – 2,50,000 #	Nil
2,50,001 # – 5,00,000*	Nil – after rebate under section 87A*	2,50,001 # – 5,00,000*	Nil – after rebate under section 87A*
5,00,001 – 10,00,000	Rs. 13,000 plus 20.80% [tax rate 20% plus health and education cess 4% thereon] of income exceeding Rs. 5,00,000	5,00,001 – 10,00,000	Rs. 13,000 plus 20.80% [tax rate 20% plus health and education cess 4% thereon] of income exceeding Rs. 5,00,000
10,00,001 – 50,00,000	Rs. 1,17,000 plus 31.20% [tax rate 30% plus health and education cess 4% thereon] of income exceeding Rs. 10,00,000	10,00,001 – 50,00,000	Rs. 1,17,000 plus 31.20% [tax rate 30% plus health and education cess 4% thereon] of income exceeding Rs. 10,00,000
50,00,001* – 1,00,00,000	Rs.15,01,500 plus 34.32% [(tax rate 30% plus surcharge 10% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 50,00,000	50,00,001* – 1,00,00,000	Rs.15,01,500 plus 34.32% [(tax rate 30% plus surcharge 10% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 50,00,000
1,00,00,001* – 2,00,00,000	Rs. 33,63,750 plus 35.88% [(tax rate 30% plus surcharge 15% thereon) plus health and education cess 4% thereon] of	1,00,00,001* – 2,00,00,000	Rs. 33,63,750 plus 35.88% [(tax rate 30% plus surcharge 15% thereon) plus health and education cess 4% thereon] of

FY 2020–21		FY 2019–20	
Income Slabs (Rs.)	Proposed Tax Rates	Income Slabs (Rs.)	Tax Rates
	income exceeding Rs. 1,00,00,000		income exceeding Rs. 1,00,00,000
2,00,00,001 [–] –5,00,00,000	Rs.75,56,250 plus 39%[(tax rate 30% plus surcharge 25% ^{^^} thereon) plus health and education cess 4% thereon] of income exceeding Rs. 2,00,00,000	2,00,00,001 [–] –5,00,00,000	Rs.75,56,250 plus 39%[(tax rate 30% plus surcharge 25% ^{^^} thereon) plus health and education cess 4% thereon] of income exceeding Rs. 2,00,00,000
5,00,00,001 [^] and above	Rs.2,11,04,850 plus 42.744%[(tax rate 30% plus surcharge 37% ^{^^} thereon) plus health and education cess 4% thereon] of income exceeding Rs.5,00,00,000	5,00,00,001 [^] and above	Rs.2,11,04,850 plus 42.744%[(tax rate 30% plus surcharge 37% ^{^^} thereon) plus health and education cess 4% thereon] of income exceeding Rs.5,00,00,000

- # Basic exemption income slab in case of a resident individual of the age 60 years or more (senior citizen) and resident individual of the age 80 years or more (very senior citizens) at any time during the previous year, continues to remain the same, at Rs. 3,00,000 and Rs. 5,00,000 respectively.
- * The tax rate has been continued at 5.20% [tax rate 5 % plus health and education cess 4% thereon] on the income exceeding Rs. 2,50,000 but not exceeding Rs. 5,00,000. However, a resident individual is entitled to a rebate under section 87A of tax payable [excluding health and education cess] or Rs. 12,500, whichever is lesser, resulting in NIL tax liability upto total income of Rs.5,00,000. For FY 2019–20 the maximum rebate was Rs.12,500 on total income upto Rs.5,00,000.
- [^] Marginal relief is available to ensure that the additional income tax payable, including surcharge of 10% or 15% on the excess of income over Rs. 50,00,000, Rs. 1,00,00,000, Rs. 2,00,00,000 or Rs. 5,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 50,00,000, Rs. 1,00,00,000, Rs. 2,00,00,000 or Rs. 5,00,00,000 as the case may be. However, no marginal relief shall be available in respect of the health and education cess.
- ^{^^} The enhanced surcharge, i.e. 25% or 37% as the case may be, from income chargeable to tax under section 111A, 112A and 115AD, has been withdrawn vide the TLAA. Hence, the maximum rate of surcharge on tax payable on such income shall be 15%.

3.1.3 Comparison of Income slabs and proposed tax incidence under the new tax regime and existing tax regime

Annual Income (Rs.)	Tax Liability (Rs.) (excluding surcharge and education cess)		
	As per new tax regime (No deduction/ exemption available)	As per existing tax regime*# (deduction/ exemption available, but not considered)	Benefit as per the new tax regime
2,50,000	–	–	–
5,00,000	–	–	–
7,50,000	37,500	62,500	25,000
8,00,000	45,000	72,500	27,500
10,00,000	75,000	1,12,500	37,500
12,50,000	1,25,000	1,87,500	62,500
15,00,000	1,87,500	2,62,500	75,000
50,00,000	12,37,500	13,12,500	75,000
75,00,000	19,87,500	20,62,500	75,000
1,00,00,000	27,37,500	28,12,500	75,000
1,50,00,000	42,37,500	43,12,500	75,000
2,00,00,000	57,37,500	58,12,500	75,000
3,50,00,000	1,02,37,500	1,03,12,500	75,000
5,00,00,000	1,47,37,500	1,48,12,500	75,000
5,50,00,000	1,62,37,500	1,63,12,500	75,000

* The tax incidence for AOPs and BOIs will be same as that of individuals and HUFs.

Basic exemption income slab in case of a resident individual of the age of 60 years or more (senior citizen) and resident individual of the age of 80 years or more (very senior citizens) at any time during the previous year, continues to remain the same at Rs. 3,00,000 and Rs. 5,00,000 respectively.

3.2 Companies

3.2.1 Domestic companies

Concessional Tax Regime for domestic companies (introduced by the TLAA) – Optional

Domestic companies have an option to pay tax at a concessional rate subject to certain conditions. Further certain new domestic companies set up on or after 1 October 2019 and commencing manufacturing before 31 March 2023 shall pay tax at a lower tax rate plus surcharge at 10% and health and education cess

thereon at 4%. The MAT provisions shall not be applicable to such companies.

The Bill proposes to provide that the total income shall be computed without deductions under any provisions of Chapter VI-A other than the provisions of section 80JJAA and section 80M of the IT Act, and shall be applicable with effect from 1 April 2020. Further, the Bill proposes to include generation of electricity as manufacturing.

The effective tax rates and MAT rates for the domestic companies opting for tax as per concessional corporate tax regime and the new set up companies, for FYs 2020-21 and 2019-20 are as follows:

I. Domestic companies opting lower corporate tax regime–Tax under section 115BAA

Level of total income	Effective Tax Rates [^]		Effective MAT Rates [^]	
	FY 2020-21	FY 2019-20	FY 2020-21	FY 2019-20
Irrespective of the level of total income	25.17% [(tax rate 22% plus surcharge 10% thereon) plus health and education cess 4% thereon]	25.17% [(tax rate 22% plus surcharge 10% thereon) plus health and education cess 4% thereon]	Not Applicable under the concessional corporate tax regime	

[^]The option once exercised, cannot be withdrawn in subsequent Ays.

II. Domestic companies newly set up with manufacturing activity/generation of electricity commencing before 31 March 2023–Tax under section 115BAB

Level of total income	Effective Tax Rates [^]		Effective MAT Rates [^]	
	FY 2020-21	FY 2019-20	FY 2020-21	FY 2019-20
Irrespective of the level of total income	17.16% [(tax rate 15% plus surcharge 10% thereon) plus health and education cess 4% thereon]		Not Applicable under the concessional corporate tax regime	

[^]The option once exercised, cannot be withdrawn in subsequent Ays.

No change is proposed in the tax rate of domestic companies with annual turnover or gross receipts not exceeding Rs. 400 crore in FY 2018-19. The MAT rate reduced to 15 % (plus surcharge and health and education cess) as introduced by the TLAA continues.

The effective tax rates and MAT rates for domestic companies having total turnover / gross receipt in FY 2018-19 up to Rs. 400 crore is as under:

III. Domestic companies having total turnover / gross receipt in FY 2018-19 up to Rs. 400 crore (for FY 2019-20 the total turnover / gross receipt in FY 2017-18

up to Rs. 400 crore)

III. Domestic companies having total turnover / gross receipt in FY 2018–19 up to Rs. 400 crore (for FY 2019–20 the total turnover / gross receipt in FY 2017–18 up to Rs. 400 crore)

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2020–21	FY 2019–20	FY 2020–21	FY 2019–20
Having total income exceeding	Rs. 10,00,00,000 29.12% [(tax rate 25% plus surcharge 12% thereon) plus health and education cess 4% thereon]	29.12% [(tax rate 25% plus surcharge 12% thereon) plus health and education cess 4% thereon]	17.472% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4% thereon]	^17.472% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	27.82% [(tax rate 25% plus surcharge 7% thereon) plus health and education cess 4% thereon]	27.82% [(tax rate 25% plus surcharge 7% thereon) plus health and education cess 4% thereon]	^16.692% [(tax rate 15% plus surcharge 7% thereon) plus health and education cess 4% thereon]	^16.692% [(tax rate 15% plus surcharge 7% thereon) plus health and education cess 4% thereon]
Having total income upto Rs. 1,00,00,000	26.00% (tax rate 25% plus health and education cess 4% thereon)	26.00% (tax rate 25% plus health and education cess 4% thereon)	^15.60% (tax rate 15% plus health and education cess 4% thereon)	^15.60% (tax rate 15% plus health and education cess 4% thereon)

^ Adjustments made vide The TLAA.

The effective tax rates and MAT rates for domestic companies other than above, for FYs 2020–21 and 2019–20 are as follows:

IV. Domestic companies having total turnover / gross receipt in FY 2018–19 exceeding Rs. 400 crore (for FY 2019–20 the total turnover / gross receipt in FY 2017–18 above Rs. 400 crore)

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2020–21	FY 2019–20	FY 2020–21	FY 2019–20
Having total income exceeding	Rs. 10,00,00,000 34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]	34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]	17.472% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4% thereon]	^17.472% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4% thereon]

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2020-21	FY 2019-20	FY 2020-21	FY 2019-20
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	33.384% [(tax rate 30% plus surcharge 7% thereon) plus health and education cess 4% thereon]	33.384% [(tax rate 30% plus surcharge 7% thereon) plus health and education cess 4% thereon]	16.692% [(tax rate 15% plus surcharge 7% thereon) plus health and education cess 4% thereon]	^16.692% [(tax rate 15% plus surcharge 7% thereon) plus health and education cess 4% thereon]
Having total income upto Rs. 1,00,00,000	31.20% (tax rate 30% plus health and education cess 4% thereon)	31.20% (tax rate 30% plus health and education cess 4% thereon)	15.60% (tax rate 15% plus health and education cess 4% thereon)	^15.60% (tax rate 15% plus health and education cess 4% thereon)

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 7% on the excess of income over Rs. 1,00,00,000, is limited to the amount by which the income is more than Rs. 1,00,00,000. Similarly, marginal relief is available to ensure that the additional income-tax payable, including surcharge of 12% on the excess of income over Rs. 10,00,00,000, is limited to the amount by which the income is more than Rs. 10,00,00,000. However, no marginal relief shall be available in respect of the health and education cess.

^ Adjustments made vide The TLAA.

3.2.2 Foreign companies

No change is proposed in the tax rate. The effective tax rates for foreign companies for FYs 2020-21 and 2019-20 are as follows:

Foreign Company	Effective Tax Rates	
	FY 2020-21	FY 2019-20
Having total income exceeding Rs. 10,00,00,000	43.68% [(tax rate 40% plus surcharge 5% thereon) plus health and education cess 4% thereon]	43.68% [(tax rate 40% plus surcharge 5% thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	42.432% [(tax rate 40% plus surcharge 2% thereon) plus health and education cess 4% thereon]	42.432% [(tax rate 40% plus surcharge 2% thereon) plus health and education cess 4% thereon]
Having total income upto Rs. 1,00,00,000	41.60% (tax rate 40% plus health and education cess 4% thereon)	41.60% (tax rate 40% plus health and education cess 4% thereon)

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 2% on the excess of income over Rs. 1,00,00,000, is limited to the amount by which the income is more than Rs. 1,00,00,000.

Similarly, marginal relief is available to ensure that the additional income-tax payable, including surcharge of 5% on the excess of income over Rs. 10,00,00,000, is limited to the amount by which the income is more than Rs. 10,00,00,000. However, no marginal relief shall be available in respect of the health and education cess.

3.2.3 Dividend Distribution Tax (DDT)/ Tax on Income distributed by domestic companies omitted

Under the existing provisions of the IT Act, Domestic Companies declaring, distributing or paying dividend are required to pay DDT at the effective rate of 20.5553%.

The Bill proposes to abolish DDT and therefore domestic company or specified company or mutual funds shall not be required to pay DDT on dividend declared/distributed/paid after 31 March 2020.

From 1 April 2020, the companies shall pay the dividends after deduction of tax at source and such dividend shall be taxable in the hands of the recipients/shareholders or unit holders.

3.3 Partnership Firms/LLPs

No changes are proposed in the tax rates. The effective tax rates for partnership firms/LLPs for FYs 2020–21 and 2019–20 are as follows:

Partnership Firms / LLPs	Effective Tax Rates	
	FY 2020–21	FY 2019–20
Having total income exceeding Rs. 1,00,00,000	34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]	34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]
Having total income upto Rs. 1,00,00,000	31.20% (tax rate 30% plus health and education cess 4% thereon)	31.20% (tax rate 30% plus health and education cess 4% thereon)

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 12% on the excess of income over Rs.1,00,00,000, is limited to the amount by which the income is more than Rs.1,00,00,000. However, no marginal relief shall be available in respect of the health and education cess.

3.4 AMT on non-corporate assessee (excluding assessee opting for new tax regime)

AMT continues on non-corporate assessee such as partnership firms, sole

proprietorships, AOPs, HUFs, BOIs, etc. AMT is to be calculated on adjusted total income (if the adjusted total income of such person exceeds Rs. 20,00,000) if the regular income tax payable by such person is less than AMT. No change has been proposed in the AMT rates. The surcharge rate of 10% for non-corporate assesses other than firms, shall be levied in case the total income exceeds Rs. 50,00,000. The surcharge of 15% to be continued in case the total income exceeds Rs. 1,00,00,000. It is proposed to increase the surcharge at 25% and 37% respectively for income exceeding Rs.2,00,00,000 and Rs. 5,00,00,000 respectively. As such, the effective AMT for FYs 2020-21 and 2019-20 are as follows:

Non-corporate assessee	Effective AMT Rates	
	FY 2020-21	FY 2019-20
Individuals, HUF, AOP, BOI etc.		
Having total income exceeding Rs. 5,00,00,000	26.3588% [(tax rate 18.50% plus surcharge 37% [*] thereon) plus health and education cess 4% thereon]	26.3588% [(tax rate 18.50% plus surcharge 37% [*] thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 2,00,00,000	24.05% [(tax rate 18.50% plus surcharge 25% [*] thereon) plus health and education cess 4% thereon]	24.05% [(tax rate 18.50% plus surcharge 25% [*] thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 1,00,00,000	22.126% [(tax rate 18.50% plus surcharge 15% thereon) plus health and education cess 4% thereon]	22.126% [(tax rate 18.50% plus surcharge 15% thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 50,00,000	21.164% [(tax rate 18.50% plus surcharge 10% thereon) plus health and education cess 4% thereon]	21.164% [(tax rate 18.50% plus surcharge 10% thereon) plus health and education cess 4% thereon]
Having total income upto Rs. 50,00,000	19.24% [(tax rate 18.50% plus health and education cess 4% thereon)]	19.24% [(tax rate 18.50% plus health and education cess 4% thereon)]
Firms / Others		
Having total income exceeding Rs. 1,00,00,000	21.5488% [(tax rate 18.50% plus surcharge 12% thereon) plus health and education cess 4% thereon]	21.5488% [(tax rate 18.50% plus surcharge 12% thereon) plus health and education cess 4% thereon]
Having total income upto Rs. 1,00,00,000	19.24% (tax rate 18.50% plus health and education cess 4% thereon)	19.24% (tax rate 18.50% plus health and education cess 4% thereon)

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 10% / 12% / 15%/25%/37% (as applicable) on the excess of income over Rs. 50,00,000 Rs. 1,00,00,000, Rs. 2,00,00,000 or Rs. 5,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 50,00,000, Rs. 1,00,00,000, Rs. 2,00,00,000 or Rs. 5,00,00,000,

as the case may be. However, no marginal relief shall be available in respect of the health and education cess.

^ The enhanced surcharge, i.e., 25% or 37%, as the case may be, from income chargeable to tax under section 111A, 112A and 115AD has been withdrawn vide the TLAA. Hence, the maximum rate of surcharge on tax payable on such income shall be 15%.

3.5 Tax on distributed income of domestic company for buy-back of shares

No change in rates being proposed. The effective tax rate for distributed income of domestic companies (listed and unlisted) for buy-back of shares for FYs 2020–21 and 2019–20, are as follows:

Particulars	Effective Tax Rates	
	FY 2020–21 (for listed and unlisted shares)	FY 2019–20 (for listed and unlisted shares)
Rate of tax on the amount of distributed income of domestic company	23.296% [(tax rate 20% plus surcharge 12% thereon) plus health and education cess 4% thereon]	23.296% [(tax rate 20% plus surcharge 12% thereon) plus health and education cess 4% thereon]

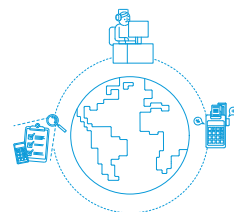
3.6 Other Entities

3.6.1 Co-operative societies

No change is proposed in the tax rate. As such, the tax rates for co-operative societies for FYs 2020–21 and 2019–20 remain the same.

The Bill proposes to insert a new section (115BAD) in the IT Act to provide a resident co-operative society an option to pay tax at concessional rate of 22% (plus surcharge @ 10% plus) for AY 2021–22 onwards subject to fulfillment of certain conditions similar to domestic companies. Further, under the concessional regime, the AMT shall not apply to such co-operative societies.

The G-20 economies comprising of 19 countries and the EU, account for almost 90% of the gross world product, 80% of world trade (including EU intra-trade), two-thirds of the world population and approximately half of the world land area. Considering the significance of these economies and in order to provide an indicative overview of the prevailing tax rates in these key economies, a brief comparative matrix is tabulated below:



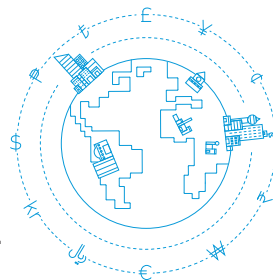
Sr. No.	Country	Corporate Tax Rate [Note 1]	Personal Tax Rate [Notes 1 & 2]
1.	Argentina	30%	35%
2.	Australia	30%	47%
3.	Brazil	34%	27.50%
4.	Canada	31%	54%
5.	China	25%	45%
6.	France	33.33%	45%
7.	Germany	33.00%	47.50%
8.	India [Notes 7 & 8]	17.16% 25.17% 29.12% 34.94%	42.744%
9.	Indonesia	25%	30%
10.	Italy	27.90%	47.13%
11.	Japan [Note 3]	30.62 %	55%
12.	Mexico	30%	35%
13.	Russia	20%	13%
14.	Saudi Arabia [Note 4]	0%	0%
15.	South Africa	28%	45%
16.	South Korea	27.50%	46.20%
17.	Turkey	22%	35%
18.	United Kingdom	19%	45%
19.	United States of America [Note 5]	21%	37%

Notes:

1. The above rates are MMR and inclusive of provincial or local taxes as may be applicable to domestic companies / resident individuals in respective countries.
2. The taxation regime for personal taxes is progressive for all the G-20 economies except Russia and Saudi Arabia.
3. Corporate tax @ 30.62% is indicative effective rate of tax. In addition, size based business tax is also levied on companies.
4. Corporate Tax @ 20% is payable on the pro-rata income to the extent of non-resident shareholding. Saudi and the Gulf Cooperation Council (GCC) nationals or companies owned by them have to pay Zakat (i.e. a religious tax) at 2.5%.
5. Corporate tax comprises of federal tax (21%) as well as state and local government taxes which vary from state to state. Personal tax comprises of federal tax (37%) and further each state and local government can also levy tax on income.
6. The above rates are general rates to provide a comparative matrix. The detailed regulations in the relevant countries need to be referred for determining exact rates.
7. As per the Taxation Laws (Amendment) Act No. 46 of 2019, the base corporate tax rate for certain domestic companies is reduced to 22% (the effective tax rate is 25.17%) and for Manufacturing Companies set up between 1 October 2019 to 31st March 2023, the tax rate shall be 15% (effective rate 17.16%). For more details, please refer Chapter 7 : Concessional Tax Regime For Businesses
8. Budget 2020 proposes corporate tax rate to 25% (plus applicable surcharge and cess) in case of domestic companies having annual turnover not exceeding Rs. 400 crores during financial year 2018-19. Further, Budget 2020 has provided for a concessional tax regime to individuals and HUFs. For more details, please refer Chapter 3: Tax Rates

5.1 Background

Organisation for Economic Co-operation and Development ('OECD') has undertaken Base Erosion and Profit Shifting ('BEPS') project under which it has come out with 15 action plans through which it provides for various measures designed to better address multinational inter-jurisdictional tax avoidance. Action Plan 15 provides for development of Multilateral



Instrument ('MLI') that will enable jurisdictions to swiftly amend their bilateral tax treaties to implement such measures rather than entering into long-drawn process of negotiation. Measures that will be covered in the MLI include those on hybrid mismatch arrangements, treaty abuse, permanent establishment, and mutual agreement procedures.

At the time of signature, signatories submitted a list of their tax treaties in force that they would want to be amended through the MLI which were designated as Covered Tax Agreements ('CTA').

5.2 How MLI Operates?

MLI includes both mandatory provisions (referred as "minimum standards" such as improved dispute resolution mechanism, New Preamble language) as well as non-mandatory provisions. Signatories are provided the flexibility of opting out of applicability of non-mandatory provisions by way of reservation. If a party makes a reservation that a certain provision shall not apply to certain CTA, it shall not be applicable to that CTA even if treaty partner has not made any reservation. Similarly in case of any optional provisions, where the MLI provides for the parties to choose between different alternatives which are intended to address the same issue in a provision, the MLI in respect to such provision would apply only if both the parties have opted for the same alternative. Hence, MLI shall not automatically apply to all bilateral treaties that a signatory country has entered into, but it shall apply to the extent both parties to the treaty have agreed upon the treaty being governed by MLI provisions.

5.3 Applicability of MLI

On 7 June 2017, India became a signatory to the MLI along with 67 other jurisdictions. **On 25th June, 2019, India has deposited the Instrument of Ratification to OECD, Paris alongwith its Final Position in terms of Covered Tax Agreements (CTAs), Reservations, etc. under the MLI.**

93 CTAs have been notified by India. **For the countries which have already ratified the MLI instrument, MLI will enter into force for India on 1st October, 2019 and its provisions will have effect on India's DTAA's from FY 2020-21 onwards.**

For the remaining CTAs, effect of MLI will take place as and when these countries ratify the MLI. The MLI will 'enter into force' with respect to such countries within end of 3 months from the end of month of date of deposit of ratified instrument with OECD by such country. Further, the entry into effect shall be as under:

- a) With respect to withholding taxes – From the 1st day of taxable period commencing after the entry into force of MLI
- b) With respect to other taxes – From the 1st day of taxable period commencing after 6 months of the entry into force of MLI

The table below gives a better understanding of date of entry into force and date of entry into effect of MLI provisions:

Treaty partner	Deposit of ratification instrument by treaty partner	Entry into Force (First day of the month following a 3-month period from the deposit)	Entry into effect for withholding tax (1st day of taxable period commencing after date of MLI entering into force)	Entry into effect for other taxes (1st day of taxable period commencing after 6 months of MLI entering into force)
Treaty partners who have already deposited ratification instrument till 25 June 2019	–	1 October 2019	1 April 2020	1 April 2020
Treaty partners who have not already deposited ratification instrument till 25 June 2019	Assuming it is deposited in November 2019	1 March 2020	1 April 2020	1 April 2021
	Assuming it is deposited in March 2020	1 July 2020	1 April 2021	1 April 2021
	Assuming it is deposited in FY 2020–21 and on–wards	For e.g. If treaty partner deposits instrument on 30 April 2020, entry into force will be 1 August 2020	1 April 2021	1 April 2021

5.4 Aligning purpose of entering into DTAA with MLI

In order to implement the BEPS measures, MLI will modify India's DTAAs and will be applied alongside the existing DTAAs.

Article 6 of MLI provides for modification of the CTA to include the following preamble text:

"Intending to eliminate double taxation with respect to the taxes covered by this agreement 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 this agreement for the indirect benefit of residents of third jurisdictions),"

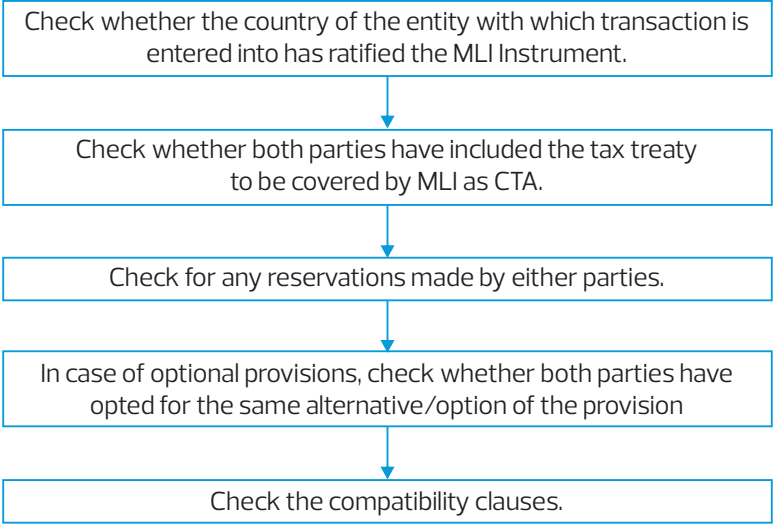
In order to achieve this, it is proposed to amend section 90(1)(b) and section 90A(1)(b) of the Act so as to provide that the Central Government may enter into an agreement with the Government of any country outside India or specified territory outside India for, inter alia, the avoidance of double taxation of income under the IT Act and under the corresponding law in force in that country or specified territory, as the case may be, 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 this agreement for the indirect benefit of residents of any other country or territory).

5.5 Applicability of Compatibility Clauses

Compatibility clauses are clauses which define the relationship between the provisions of the MLI and existing tax treaties in objective terms and the effect the provisions of the MLI may have on the CTAs. Many of the provisions of the Convention overlap with provisions found in Covered Tax Agreements. In some cases, they can be applied without conflict with the provisions of Covered Tax Agreements. Where the provisions of the Convention may conflict with existing provisions covering the same subject matter, however, this conflict is addressed through one or more compatibility clauses which may, for example, describe the existing provisions which the Convention is intended to supersede, as well as the effect on Covered Tax Agreements that do not contain a provision of the same type.

Type of Clause	Applicability	Impact
Provision of MLI applies ' in place of ' an existing CTA provision	When an existing provision exists in the CTA	The MLI provision would replace the CTA provision provided the parties have notified the existing provision
Provision of MLI ' applies to ' or 'modifies' existing CTA provision	When an existing provision exists in the CTA	The MLI provision would change the application of the existing provision without replacing it
Provision of MLI applies ' in the absence of ' an existing CTA provision	When an existing provision does not exist in the CTA	The MLI provision will apply only in case of absence of the CTA provision provided the parties have notified the absence of CTA provision
Provision of MLI applies ' in place of or in the absence of ' an existing CTA provision	When the existing provision is present or absent	The MLI provision will supersede or replace the existing CTA provision if both the parties notify the existing provision. If only one of the parties notifies the provision, the MLI provision would supersede the CTA provision only to the extent of incompatibility.

How to go about an MLI?



5.6 MLI – India’s Position

The table below gives a summary of India’s final position on adoption of MLI provisions:

Article and its particulars (Whether the article is a minimum standard (i.e. mandatory provision)	India’s Final Position
Article 2 – Covered Tax Agreements – Yes List of agreements which a country wishes to be covered by MLI provisions	93 countries are included by India in its covered tax agreements. In its final position, India has included Hong Kong and removed China from its list of CTA.
Article 3 – Treaty Benefit to Fiscally transparent entities (FTEs) like Trusts or Partnerships – No FTEs create arbitrage opportunities because they are treated differently for tax purposes by different countries. The MLI provision clarifies that treaty benefits will only be allowed to the extent to which the item of income is taxed in the state in which the entity is resident.	India has not adopted this Article. This is not as per India’s preferred treaty practice to provide tax treaty benefit to the income derived by or through fiscally transparent entities. Only few DTAA’s like India–USA, India–UK specifically provide treaty benefit to Fiscally transparent entities.

Article and its particulars (Whether the article is a minimum standard (i.e. mandatory provision))	India's Final Position
<p>Article 4 – Dual resident entities (DREs) (other than Individual) – No</p> <p>The MLI amends a dual resident entity (DRE) tie breaker provision. Like FTEs, DREs can be used to take advantage of arbitrage opportunities. The proposed provision will require Competent Authorities (CAs) to agree on the residential status of a DRE (applying POEM and other factors) and the DRE will only be entitled to such treaty benefits as the CAs agrees.</p>	<p>India has adopted this Article and shall apply to all CTAs.</p> <p>This is a significant change from India's perspective as most of India's tax treaties; generally follow a place of effective management as tie breaker rule for non-individuals.</p>
<p>Article 5 – Application of Methods for Elimination of Double Tax – No</p> <p>The MLI allows countries to strengthen their application of the exemption method to relieve double taxation. Such article provides for 3 alternatives for elimination of double taxation.</p>	<p>India has chosen to apply for Option C which states about application of credit method for elimination of double taxation.</p>
<p>Article 6 – Purpose of a Covered Tax Agreement – Yes</p> <p>The MLI will amend the preamble to DTAAs to emphasise that the treaty shall also aim to prevent opportunities for non-taxation, reduced taxation or tax avoidance.</p>	<p>As it is a BEPS minimum standard, it is mandatorily applicable to all CTAs.</p>
<p>Article 7 – Prevention of Treaty Abuse – Yes</p> <p>The MLI requires jurisdictions to introduce an anti-abuse rule into DTAs. Article provides for prevention of treaty abuse by adopting either Principal Purpose Test ('PPT') or PPT plus Simplified Limitation of Benefits ('LOB') or a Detailed LOB through bilateral negotiations. The MLI requires jurisdictions to introduce an anti-abuse</p>	<p>India has adopted principal purpose test alone as an interim measure but intends to apply, where possible, through bilateral negotiation, detailed LOB in addition or replacement of PPT.</p> <p>PPT seeks to deny DTAA benefits in cases where one of the principal purposes of the arrangements or transactions is to secure a benefit</p>

Article and its particulars (Whether the article is a minimum standard (i.e. mandatory provision))	India's Final Position
<p>rule into DTAs. Jurisdictions can meet this minimum requirement in one of three ways:</p> <ol style="list-style-type: none"> 1. a principal purpose test (PPT) alone; PPT seeks to deny DTAA benefits in cases where one of the principal purposes of the arrangements or transactions is to secure a benefit under the DTAA in a manner that is contrary to the object and purpose of the DTAA. 2. a PPT plus a "simplified limitation of benefits" (S-LOB) clause. The LOB is a mechanical provision that seeks to identify, whether a person is genuinely entitled to the benefits of a DTA. The Purpose of Simplified Limitation of Benefit clause is to grant treaty benefits only to specified 'qualified persons' (individuals, government entities, listed companies, non-profit organisations, pension funds, entities engaged in active business or entities that meet specified ownership requirements) or 3. enter into bilateral negotiations to include a detailed LOB provision plus a PPT or anti-conduit rules. 	<p>under the DTAA in a manner that is contrary to the object and purpose of the DTAA.</p> <p>Note: S-LOB Clause</p> <p>Purpose of Simplified Limitation of Benefit clause is to grant treaty benefits only to specified 'qualified persons' (individuals, government entities, listed companies, non-profit organisations, pension funds, entities engaged in active business or entities that meet specified ownership requirements).</p> <p>PPT is not new to India's DTAA. It is already present in many of India's DTAs such as UK. Further, many DTAs contain LOB clauses, such as Singapore, Mauritius, etc. (Refer para 7.0 for discussion regarding the impact on recently amended India's treaty with Singapore, Mauritius and Cyprus).</p>
<p>Article 8 – Dividend Transfer Transactions – No</p> <p>The MLI introduces a provision that requires shares to be held for a minimum of 365 days for the shareholder to be entitled to the reduced withholding tax (WHT) rates on dividends. This is to stop shareholders buying shares temporarily to access the reduced WHT rates and</p>	<p>India has chosen to apply Article 8 to all CTAs except those which already contain minimum holding period of more than 365 days (i.e. applicable to all CTA except India-Portugal Treaty)</p> <p>Currently some Indian treaties provide benefit of lower withholding tax on dividend if certain minimum percentage of shares is held in the</p>

Article and its particulars (Whether the article is a minimum standard (i.e. mandatory provision))	India's Final Position
then immediately selling them.	dividend paying company. However, there is no minimum holding period except in case of Portugal tax treaty wherein the period is 2 years. Otherwise, India has given the list of 21 countries wherein minimum shareholding criteria is there but minimum holding period is not specified and pursuant to this MLI provision, now the period shall be incorporated.
<p>Article 9 – Capital Gains from sale of shares deriving their value principally from Immovable Property ('IP') – No</p> <p>The MLI introduces a treaty provision that strengthens the anti-abuse test (with respect to transfer of shares of entities deriving their value principally from immovable property).</p> <p>To prevent artificial and temporary dilution of the amount of immovable property held by a company just before sale, the MLI provision requires the threshold for the amount of immovable property ownership which triggers the rule to be measured on every day in the 365 day period leading up to the sale of the shares. The MLI provision also ensures the same rule applies to other investment vehicles such as partnerships and trusts.</p>	<p>India has adopted this Article and shall apply to all CTAs.</p> <p>Under India's current tax treaties practice, this right generally exists where the value test is met at the time transfer takes place. With the adoption of this MLI provision, Article on Capital gains in Indian tax treaties would be amended subject to condition that there is a matching position.</p>
<p>Article 10 – Third State Permanent Establishment ('PE') – No</p> <p>The MLI introduces a treaty provision that denies treaty benefits in the case where an entity which is a resident of one country derives 'passive' income from the</p>	<p>India has not expressed any reservation regarding this provision and accordingly, it would apply to all the Indian tax treaties subject to matching position.</p>

Article and its particulars (Whether the article is a minimum standard (i.e. mandatory provision))	India's Final Position
<p>other country through PE located in a third country and that income is exempt in the hands of entity in the home country and subject to lower tax rate (less than 60% of home country rate) in the third country.</p>	
<p>Article 11 – Right to tax own residents – No</p> <p>Most tax treaty rules are intended to restrict a country's right to tax income derived (from within that country) by foreign residents. However, it has been argued that some treaty rules limit a country's right to tax its own residents. The MLI contains a 'saving clause' that clarifies that the treaty does not restrict a country's right to tax its own residents, except with respect to certain treaty provisions.</p>	<p>India has not expressed any reservation regarding this provision and accordingly, it would apply to all the Indian tax treaties subject to matching position.</p>
<p>Article 12 – Commissionaire arrangements and similar strategies – Agency PE clause – No</p> <p>Currently, Agency PE threshold would generally be triggered where a non-resident of a country had a dependent agent in the source country who would habitually exercise their authority to conclude contracts on behalf of the non-resident.</p> <p>Adopting MLI would lower the threshold of Agency PE. It would lower Agency PE threshold by shifting the test from a dependent agent 'concluding contracts' to a test of where a dependent agent "habitually concludes contracts, or habitually plays the principal role leading to the conclusion of contracts that are</p>	<p>India has adopted this Article and shall apply to all CTAs.</p> <p>As a result, it is likely that foreign companies will have to face increased taxation on PE front in future years due to dilution of Agency PE threshold.</p>

Article and its particulars (Whether the article is a minimum standard (i.e. mandatory provision))	India's Final Position
routinely concluded without material modification by the enterprise	
<p>Article 13 – Avoidance of PE through Specific Activity Exemption – No</p> <p>Most of the tax treaties include a list of exceptions to the PE definition (such as storing goods or stock maintained for display or delivery).</p> <p>The MLI proposes clarification that the specific carve-outs listed in the DTAA must be subject to an additional requirement that they be “preparatory and auxiliary” in nature. There are two options for dealing with these issues – Option A which subjects all of the existing specific activities to an explicit “preparatory and auxiliary” test, and Option B, which requires that some but not all the specific activity exemptions must of a preparatory or auxiliary character.</p> <p>Also, the MLI introduces an “anti-fragmentation” rule that will prevent an enterprise from dividing up all of its activities so that related parties each carry on a separate part of the business (that fall within the PE exceptions), but taken together they constitute a PE.</p>	<p>India has adopted this Article. Further India has chosen Option A i.e. preparatory and auxiliary character test to be applied to all specific activity exemption whether specifically mentioned in CTA or not</p>
<p>Article 14 – Splitting-up of Contract – No</p> <p>Currently a construction, installation or building project does not constitute a PE unless it last for more than specified period (e.g. 12 months). This rule at times is circumvented by dividing contracts into several parts (typically among related parties) with each contract not exceeding the specified period.</p>	<p>India has not expressed any reservation regarding this provision and accordingly, it would apply to all the Indian tax treaties subject to matching.</p>

Article and its particulars (Whether the article is a minimum standard (i.e. mandatory provision))	India's Final Position
The new "anti-contract split-ting" rule will aggregate related projects period to prevent PE avoidance.	
Article 15 – Definition of a Person Closely Related to an Enterprise – No Article 15 defines when a person is closely related to an enterprise for the purposes of Articles 12, 13 and 14 of the MLI.	India has not expressed any reservation regarding this provision and accordingly, it would apply to all the Indian tax treaties subject to matching.
Article 16 – Mutual Agreement Procedures ('MAP') – Yes Article provides for providing of MAP to taxpayers and where MAP already exists then allowing taxpayers to approach competent authorities ('CA') of either states.	India has adopted Article 16 but not the rule allowing a case to be presented to either CA of the jurisdiction. Instead it will implement MAP through a bilateral notification or consultation process.
Article 17 – Corresponding Adjustments – No Requires contracting states to make appropriate corresponding adjustments in transfer pricing cases to avoid economic double taxation.	India has adopted this Article except for those CTAs which already include the provisions contained in the Article
Article 18–26 – Part VI of MLI – Arbitration – No If, under the MAP process, the CAs do not agree on the correct interpretation of the DTAA, the CAs can submit the matter to an independent arbitrator (or a panel of three arbitrators) for decision. The arbitrators will decide which of the CAs is correct.	India has not adopted Part VI of MLI.

5.7 Depending on the position taken under MLI by a country, India's DTAA with it shall get modified in the following prominent ways:-

- a) The minimum standard under BEPS Action 6 to tackle treaty abuse i.e., insertion of new Preamble and the Principal Purposes Test (PPT) in the DTAAs shall be achieved.

- b) The minimum standard under BEPS Action 14 relating to the mutual agreement procedure shall get implemented.
- c) Artificial avoidance of Permanent Establishment (PE) status through commissionaire arrangements and similar strategies would be prevented. Avoidance of PE formation through specific activity exemptions and splitting up of contracts would also be prevented.
- d) Avenues leading to avoidance of capital gains from alienation of shares/ interests deriving value principally from immovable property would be plugged.
- e) Certain dividend transfer transactions that are intended to lower withholding taxes payable on dividends artificially would be prevented.

5.8 Release of Synthesised Text

Synthesised combines and reproduces (a) the text of each Covered Tax Agreement (including the texts of any amending protocols or similar instruments), and (b) the provisions of the MLI that will modify that Covered Tax Agreement in the light of the interaction of the MLI positions the Parties have taken. Thus, synthesised texts make it much simpler to understand the effects of the MLI and the way it modifies each Covered Tax Agreement. Till date (as on 31.01.2020), India has released the synthesized text of 13 countries including Finland, Japan, Singapore, Slovak Republic, Serbia, UAE, Poland, UK, Ireland, Austria, Australia, Lithuania and Montenegro. [For more details on the same, refer to Chapter 12 on DTAA]

5.9 Our Thoughts

As MLI becomes effective in India, tax treaties should not be replaced by MLI but it should be read alongside existing treaty provisions and shall modify the application of treaties to the extent of aligning it with measures specified under BEPS Action Reports. Therefore, MLI provisions needs to be analysed in detail whenever tax treaties need to be relied upon as it has wide coverage of anti-abuse rules contained in its 'minimum standards' such as principal purpose test, simplified LOB etc. Any transaction undertaken in violation of MLI provisions in future could have significant tax implications.

This is an indicative generic checklist which includes certain crucial compliances and checkpoints which can have a significant impact on your tax incidence or exposure.



Nature of Benefits to be availed / Compliances to done	Check the Box ?
For Corporates to whom Transfer pricing provisions are not applicable	
The benefit of carry forward and set off of losses, if any, is available only where the return for FY 2019–20 is filed on or before 31 October 2020. To ensure compliance and check beforehand the position of losses for the relevant financial year.	<input type="checkbox"/>
<p>The time limit for scrutiny assessment under section 143(3) has been revised as follows:</p> <ol style="list-style-type: none"> For AY 2018–19 – 30 September 2020 For AY 2019–20 – 31 March 2021 <p>Kindly make a note and accordingly plan submission of details and closure of assessment. The notices are e-served and physical notices are not mandatory and hence it is pertinent to regularly check the status on the tax portal by the designated person.</p>	<input type="checkbox"/>
For Corporates to whom Transfer pricing provisions are applicable	
The benefit of carry forward and set off of losses, if any, is available only in case the return for FY 2019–20 is filed on or before 30 November 2020. To ensure compliance and check beforehand the position of losses during the year.	<input type="checkbox"/>
<p>Form 3CEB to be filed online within the due date of 31 October 2020. For this purpose, it is necessary to identify:</p> <ul style="list-style-type: none"> ■ AE (it may be pointed out that this is not limited to holding or subsidiary relationships alone but may be applicable on the basis of loan, guarantee, common control, etc.) ■ International transactions (this may include not only the 	<input type="checkbox"/>

Nature of Benefits to be availed / Compliances to done			Check the Box ?
<p>exports or imports but also loans, guarantees, license or franchise, etc.)</p> <p>■ Carry out robust transfer pricing study report to substantiate arm's length pricing along with appropriate benchmarking analysis</p> <p>Master File / CbCR compliance as per deadline tabulated below, if applicable. Please check.</p>			
Master File / DbCR	Applicability	Forms to be furnished	Due date for FY 2019-20
	Every person, being a constituent entity of an international group	Part A of Form No. 3CEAA	Due date of filing return of Income (30 November)
Master File (applicable Consolidated revenue of the international group exceeds INR 500 Crore and value of international transaction exceeds INR 50 Crore or value of international transaction involving intangible exceeds INR 10 Crore)	Constituent entity of an international group resident in India	Part B of Form No. 3CEAA	Due date of filing return of Income (30 November)
	Where there are more than one constituent entity resident in India of an international group, then the constituent entity which has been designated to furnish the master file	Form No. 3CEAB	30 days before the due date for filing Form No. 3CEAA (31 October)
CBCR	Every constituent entity resident in India, whose parent is not resident in India	Form No. 3CEAC	2 months prior to due date for filing Form No. 3CEAD
	Report by a parent entity or an alternate reporting entity or any other constituent entity, resident in India	Form No. 3CEAD	12 Months from the end of the reporting accounting year
	Intimation on behalf of the international group	Form No. 3CEAE	Not specified
Thin capitalization rules are applicable as per section 94B which provides a restriction (30% of EBITDA) on deductibility of interest paid to an AE. The balance interest is allowed to be carried forward for set off for 8 years. Is the same considered while structuring funding from AE and the applicable disallowance has been computed?			<input type="checkbox"/>

Nature of Benefits to be availed / Compliances to done	Check the Box ?
Entities opting for concessional tax regime under section 115BAB would be covered within the ambit of domestic Transfer pricing (specified domestic transaction) for the transactions entered into by them under section 92BA. Whether the transfer pricing angle is considered while framing any tax policy or setting up a new manufacturing company under section 115BAB?	<input type="checkbox"/>
<p>The time limit for assessment under section 143(3) has been revised as follows:</p> <ol style="list-style-type: none"> 1. AY 2017-18 – 31 December 2020 2. AY 2018-19 – 30 September 2021 3. AY 2019-20 – 31 March 2022 <p>Kindly make a note and accordingly plan submission of details and closure of assessment. The notices are e-served and physical notices are not necessary so the portal and designated person should regularly check status.</p>	<input type="checkbox"/>
Common points for all the Corporates	
<p>Watch out for Direct Tax Disputes Resolution Scheme ('Vivad Se Vishwas' Scheme)</p> <p>Under the proposed 'Vivad Se Vishwas' scheme, a taxpayer would be required to pay only the amount of the disputed taxes and will get complete waiver of interest and penalty provided he pays by 31 March 2020. Those who avail this scheme after 31 March 2020 will have to pay some additional amount. The scheme will remain open till 30 June 2020. Taxpayers in whose cases appeals are pending at any level can benefit from this scheme. One should list all pending litigation and evaluate the scheme once announced to resolve pending litigation.</p>	<input type="checkbox"/>
Revision in timeline – All Reports (such as Transfer pricing report in Form 3CEB, MAT Report in Form 29B, Tax audit report in Form 3CD, 10AA certificate in Form 56F, etc.) to be filed 1 month prior to due date for filing corporate tax return u/s 139(1). This is applicable even for FY 2019-20 and therefore kindly ensure compliance.	<input type="checkbox"/>
For FY 2019-20, whether detailed comparative analysis of continuing under existing tax regime (where MAT is applicable at reduced rate of 15%) or opting for new regime under section 115BAA (where lower corporate tax rate of 25.17% and no MAT is applicable)	<input type="checkbox"/>

Nature of Benefits to be availed / Compliances to done	Check the Box ?
has been evaluated and the beneficial option has been exercised?	
Whether foreign assets (which includes bank signatory powers and beneficial interest) have been properly disclosed in schedule FA of ITR? This would cover subsidiaries, joint ventures and investments outside India, project offices and branch offices as well as other financial assets.	<input type="checkbox"/>
In case of foreign subsidiaries, joint ventures and associates to ensure that the place of effective management (POEM) is not in India	<input type="checkbox"/>
<p>The benefit of carry forward of certain unabsorbed losses and unutilized credits is available for certain number of years only. Check whether any of the following carried forward losses or credits are expiring as on 31 March 2020 or 2021:</p> <ul style="list-style-type: none"> ■ MAT Credit ■ Losses under the head " capital gains" ■ Losses under the head " income from house property" <p>Period for re-investment in case of certain tax holidays such as section 10AA</p>	<input type="checkbox"/>
In case of payments requiring tax deduction at source (such as interest, rent, professional fees, commission, brokerage) for payments to residents as well as withholding tax for payments to non-residents, whether tax has been deducted or withheld as applicable. Any non-deduction of tax would result in disallowance of 30% or 100% of the entire expenditure.	<input type="checkbox"/>
Section 80JJAA provides for deduction of 30% of the additional employee cost incurred during the financial year. Whether this benefit has been availed where applicable?	<input type="checkbox"/>
Issue of shares by a company to a Resident at a premium higher than the fair value is subject to tax implication under section 56(2)(viib). Whether applicability of Section 56(2)(viib) is examined before any issue of shares?	<input type="checkbox"/>
Section 56(2)(x) of the IT Act provides for taxation on the difference, if the transaction value (for consideration or without consideration) of the property received is less than stamp duty value for transfer of property. Whether implication of Section	<input type="checkbox"/>

Nature of Benefits to be availed / Compliances to done	Check the Box ?
56(2)(x) is examined before transfer of specified property (which includes shares / securities, immovable property, jewellery, archaeological collections, drawings, paintings, sculptures, any work of art, bullion)? Similarly, the transferor may be subject to tax on notional gain in case transfer of immovable property or shares is at a price below the fair value under section 50C/50CA of the IT Act.	
Section 269SU provides that every person with business turnover of more than Rs. 50 crores has to provide certain prescribed modes for the purpose of acceptance of payment. Whether such payment facilities are provided?	<input type="checkbox"/>
In case where deduction under section 10AA or tax holiday under section 80IA/IB is claimed, it is necessary to furnish the tax return before the due date failing which the benefit of tax holiday is not available. Whether the return is being filed in time?	<input type="checkbox"/>
Ensure timely payment of advance tax on due dates viz. 15 June, 15 September, 15 December 2020 and 15 March 2021 to avoid high interest outgo which is also not deductible for tax purposes.	<input type="checkbox"/>
Ensure all tax credits in the form of TDS, foreign withholding taxes, advance tax, self-assessment tax have been claimed and allowed by the tax authorities, ensure reconciliation of tax credits as per form 26AS and in case of carry over, keep track of the same.	<input type="checkbox"/>
Review GST returns and financial statements to ensure that there are no discrepancies or inconsistencies which are inexplicable.	<input type="checkbox"/>
<p>In case the tax assessments result in disputes and/or tax demands, whether:</p> <ul style="list-style-type: none"> ■ Evaluation and selection of appropriate remedy in the form of rectification, appeal, reference to Dispute Resolution Panel, revision under section 264 of the IT Act, writ petition has been exercised and timely application/ appeal has been filed. ■ In case of transfer pricing or cross border disputes, it may be possible to exercise ' mutual agreement procedure ' (MAP) remediation action. 	<input type="checkbox"/>
<ul style="list-style-type: none"> ■ Application for stay of demand and deposit of part or entire disputed amount as required has been made. 	

Note: This checklist is not comprehensive and should not be treated as a substitute for a comprehensive and detailed analysis.

7.1 BACKGROUND

- 7.1.1 The corporate tax rate for a domestic company doing business in India ranged from 26% to 34.944% for Financial Year 2019–20, as tabulated below.



Particulars	Domestic Companies having turnover / gross receipts upto Rs. 400 crore in FY 2017–18	Domestic Companies having turnover / gross receipts exceeding Rs. 400 crore in FY 2017–18
Having total income exceeding Rs.10,00,00,000	29.12% [(tax rate 25% plus surcharge 12% thereon) plus health and education cess 4% thereon]	34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 10,00,00,000 but not exceeding Rs. 100,00,00,000	27.82% [(tax rate 25% plus surcharge 7% thereon) plus health and education cess 4% thereon]	33.384% [(tax rate 30% plus surcharge 7% thereon) plus health and education cess 4% thereon]
Having total income up to INR 10,00,00,000	26.00% (tax rate 25% plus health and education cess 4% thereon)	31.20% (tax rate 30% plus health and education cess 4% thereon)

- 7.1.2 Further, where the income–tax payable on the total income as computed under this Act is less than 18.5% of its book profit, such book profit shall be deemed to be the total income of the tax payer and the tax payable by the tax payer on such total income shall be the amount of income–tax @ of 18.5% ('Minimum Alternate Tax' – 'MAT'). The same will further be increased by surcharge and education cess resulting in the effective MAT rate ranging from 19.24% to 21.545% and there is no turnover / gross receipt limit in case of MAT.

7.2 NEW CORPORATE TAX REGIME

- 7.2.1 The Government of India has made certain path breaking amendments in the Taxation Laws (Amendment) Act No. 46 of 2019 (hereinafter referred to as 'The Taxation Act') in relation to taxation of domestic companies.
- 7.2.2 As per the said Taxation Act, the base corporate tax rate for certain domestic companies is reduced to 22% (plus applicable surcharge and education cess) and the effective tax rate is 25.17% provided the domestic companies will not avail any deductions under Chapter VIA other than deduction under section 80JJA or

section 80M of the Act. Additionally, the companies opting for the lower tax regime would not be subject to MAT; in other words, MAT is not applicable in case of companies opting for lower corporate tax regime.

- 7.2.3 The Taxation Act also introduced special provision in order to attract fresh investment in manufacturing, which allows any new domestic company incorporated on or after 1 October 2019 making fresh investment in manufacturing, an option to pay income-tax @ of 15%. This benefit is available to companies which do not avail any exemption / incentive and commence their production on or before 31 March 2023. The effective tax rate for these companies shall be 17.16% inclusive of surcharge & cess. Also, such companies shall not be required to pay MAT.

The business of manufacture or production would not cover development of computer software in any form or in any media, mining, conversion of marble blocks or similar items into slabs, bottling of gas into cylinder, printing of books or production of cinematograph film or any other business as would be notified by the Central Government from time to time.

- 7.2.4 The Taxation Act also slashed the base tax rate on book profit under MAT provisions to 15% from 18.5% for all the domestic companies which prefer to continue taxation under the pre – amended tax regime. The effective MAT rate in such case would be in the range of 15.60% to 17.47%.

- 7.2.5 The domestic companies opting for lower corporate tax regime as mentioned above would not be able to claim incentive under the following sections of the Act:

- Section 10AA – deduction for exports by SEZ units
- Section 32(1)(iia) – additional depreciation allowance
- Section 32AD – deduction for investment in new plant and machinery in notified backward states
- Section 33AB – Tea/Coffee/ Rubber development allowance
- Section 33ABA – Site restoration fund
- Section 35AD – deduction in respect of specified business
- Section 35(1)(ii), (iia), (iii) and section 35(2AA), (2AB) – certain scientific research expenditure
- Section 35CCC – expenditure on agricultural extension project
- Deduction under Chapter VIA as mentioned below other than section 80JJAA and Section 80M of the Act.

- 7.2.6 The companies will also not be allowed to carry forward losses from earlier year, if such losses are attributable to any of the above mentioned deduction. It may be noted that the losses other than the losses attributable to the aforementioned deduction, would be allowed to be carried forward and set off for future years.
- 7.2.7 **Whilst MAT provisions were not applicable to companies opting for lower tax regime, there was anomaly regarding allowability of carry forward of losses on account of additional depreciation and MAT credit of earlier years for set-off against the corporate tax liability in subsequent years. In this regard, the CBDT, vide Circular No. 29/2019 dated 2 October 2019 clarified that companies opting for lower tax regime shall not be allowed to claim set off of any brought forward loss on account of additional depreciation and MAT credit shall also be not available.**
- 7.2.8 It may be noted that the companies (other than newly set-up manufacturing companies) can opt for the lower corporate tax regime beginning Financial Year 2019–20 (from 1 October 2019) or anytime thereafter and once adopted cannot opt out. However, in case of a corporate who has opted for concessional tax regime under section 115BAB and such option is rendered invalid, the taxpayer may opt for concessional tax regime under section 115BAA of the Act. For newly set-up manufacturing companies, they can opt for lower corporate tax regime, provided the company begins manufacturing by 31 March 2023.
- 7.2.9 The following table provides a comparative analysis of tax structure applicable to domestic companies:

Particulars	New Regime (New Manu. Co.)	New Regime (Other Than New Manu. Co.)	Old Regime (Turnover or Gross receipts exceeding INR 400 crore in FY 2017–18)	Old Regime (Turnover or Gross receipts not exceeding INR 400 crore in FY 2017–18)
Governing Section of the IT Act	115BAB	115BAA		
Basic corporate tax rate	15%	22%	30%	25%
Surcharge				
– Income upto Rs. 1 crore	10%	10%	0%	0%
– Income > Rs. 1 crore but <= Rs. 10 crores	10%	10%	7%	7%
– Income > Rs. 10 crores	10%	10%	12%	12%
Education Cess	4%	4%	4%	4%
Effective Tax Rate	17.16%	25.17%	31.20% or 33.384% or 34.944%	26% or 27.82% or 29.12%

Particulars	New Regime (New Manu. Co.)	New Regime (Other Than New Manu. Co.)	Old Regime (Turnover or Gross receipts exceeding INR 400 crore in FY 2017–18)	Old Regime (Turnover or Gross receipts not exceeding INR 400 crore in FY 2017–18)
MAT rate	MAT Not Applicable	MAT Not Applicable	15.60% or 16.69% or 17.47%	15.60% or 16.69% or 17.47%
Existing MAT credit	Not Applicable, as company will be newly set-up	Not allowed to be carried forward	Allowed to be carried forward for remaining allowable years	Allowed to be carried forward for remaining allowable years
Other deductions such as Chapter VIA, additional depreciation, section 10AA, etc.	Not allowed	Not allowed	Allowed	Allowed
When option can be exercised?	In the first year itself, on or before the due date for filing of return of income	In any year	In the first year itself, on or before the due date for filing of return of income.	In the first year itself, on or before the due date for filing of return of income.
Option to opt out of regime	Not Allowed (Refer Para 2.8 above)	Not Allowed	Can switch to Section 115BAA regime	Can switch to Section 115BAA regime
DDT rate (FY 2019–20)	20.5553%	20.5553%	20.5553%	20.5553%
DDT rate (FY 2020–21)	NIL	NIL	NIL	NIL

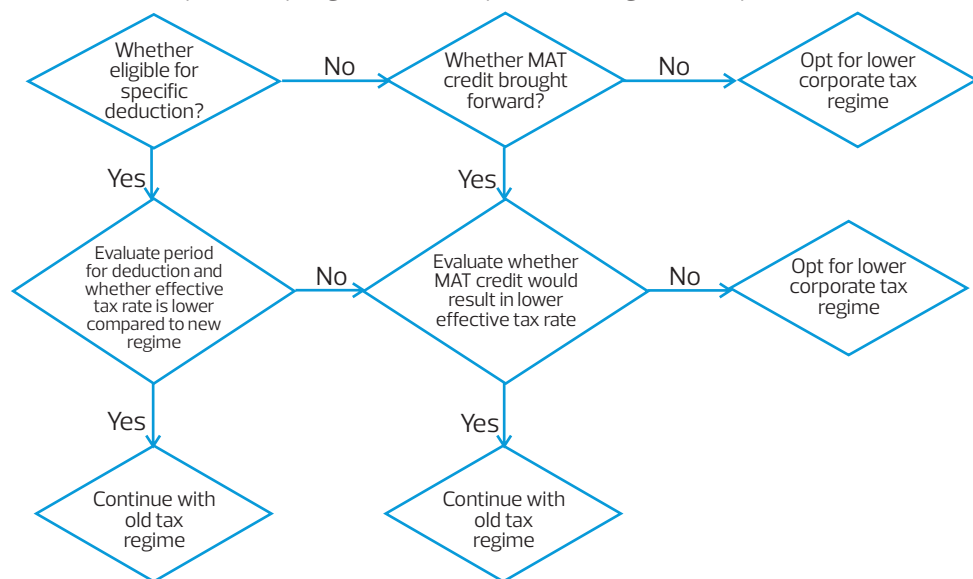
7.3 KEY CONSIDERATIONS

- 7.3.1 In light of the above and considering the new corporate tax regime, wherein MAT would not be applicable in case of companies opting for lower corporate tax regime, the companies may evaluate appropriate accounting under Ind AS, as there would be no impact on book profits. It may be pointed out that MAT incidence was one of the key considerations in implementing Ind AS including the selection of a particular option out of alternative permissible options.
- 7.3.2 The companies may also consider the following key aspects while opting for lower corporate tax regime:
- Whether the company is eligible to claim deduction / incentive under section 10AA or Chapter VIA (other than deduction under section 80JJA and 80M) of the Act?
 - Whether the company has any brought forward MAT credit recognized in the books of account
 - Whether the company has any brought forward losses / unabsorbed depreciation attributable to deduction / incentive or additional

depreciation claimed

- Whether the transition adjustment has an impact on computation of book profits, such that the book profits are reduced pursuant to the adjustment.
- Whether the company has brought forward book loss, and unabsorbed depreciation, which would lower the book profit, resulting in lower effective tax outflow?

7.3.3 A diagrammatic presentation of key considerations that a company may consider prior to opting for lower corporate tax regime, is depicted below.



7.3.4 **The company may also carry out the effective tax rate analysis using the present value of future tax liability as per pre-amended tax regime vis-à-vis the amended tax regime after giving due consideration to the aforesaid factors.**

7.3.5 It may also be noted that while the company eligible for deduction under opting for lower corporate tax regime provided that it does not claim the incentive, the deduction under section 80JJAA & 80M of the Act on account of weighted deduction on employment of new employees would still be available. As such, the company opting for lower corporate tax regime would be able to claim weighted deduction under section 80JJAA & 80M of the Act.

7.3.6 In case the company opts for lower corporate tax regime in spite of having brought forward MAT credit, it would have to write off the MAT credit which would have an impact on the Profit and Loss Account of the company.

7.4 CONCLUDING REMARKS

Whilst the New Corporate Tax Regime has been enacted with immediate effect, the companies would need to evaluate various factors before taking a decision on whether it should opt for the new regime or should continue under the old tax regime until it has claimed the deduction / incentive or utilised the MAT credit, since the companies can opt for the new tax regime as and when it feels appropriate considering the overall tax impact. But once the new tax regime is opted, the companies will not be able to roll back to the old tax regime and thus it becomes necessary to evaluate the pros and cons of the new regime. Also, where the companies opt for the new regime, there would be no concern on the adoption of Ind AS, since MAT is not applicable for companies opting for the new regime.

The IT Act provides for far reaching tax holidays and other tax incentives for businesses. We have briefly enumerated below, the significant tax holidays and incentives available to businesses along with the nature of deductions, eligibility criteria, quantum of deduction and period for which the deductions are available. The tax holidays and incentives are subject to fulfillment of specified conditions. The tax incentives which are available to newly set up units on or after 1 April 2019 are highlighted in **Blue**. The changes proposed by the Finance Bill, 2020 are highlighted in **BOLD** font:



Deductions of Profits derived by Newly Established Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 10AA / 80– IAC / 80–IB(11A) / 80–IBA / 80JJAA / 80LA / 80PA)*				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
1.	<p>New eligible unit set up in SEZ on or after 1 April 2005 [Section 10AA]</p> <ul style="list-style-type: none"> ■ Exemption is available to the entrepreneur as referred to in Section (2j) of SEZ Act, 2005 for profits derived from export of articles or things or services, manufactured, or produced or provided by an eligible unit. ■ The profits and gains derived from on-site development of computer software (including services for development of software) outside India shall be deemed to be the profits and gains derived from the export of computer software outside India. ■ The benefit is also available to units engaged in cutting and polishing of precious and semi-precious stones. ■ The deduction under this section is to be computed in the same proportion, which the export turnover of the eligible unit bears with the total turnover of the said unit. ((Freight, telecommunication charges, insurance expenses and expenses incurred in foreign exchange for rendering services outside India are to be excluded both from "export turnover" and "total turnover". Circular No. 4/2018, Dated 14-8-2018). ■ The eligible units availing these deductions will be subject to MAT @ 15%/ AMT @ 18.50% (plus applicable surcharge and health and education cess) ■ MAT / AMT paid shall be allowed to be carried forward up to 15 years and credit of 	All	100% 50% 50%	First 5 years Next 5 years Next 5 years+ +The deduction is allowed only on creation of a specified reserve, which is required to be utilized for specified purposes.

Deductions of Profits derived by Newly Established Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 10AA / 80– IAC / 80–IB(11A) / 80–IBA / 80JJAA / 80LA / 80PA)^				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	<p>MAT / AMT paid shall be available for set-off against the tax as per normal provisions in subsequent years.</p> <ul style="list-style-type: none"> In case deduction has been claimed under section 10AA for the specified business mentioned in section 35AD (8) (c), no deduction under section 35AD shall be available in the same or any other assessment year in respect of such specified business. No deduction shall be available to units commencing manufacture or production of article or thing / providing services on or after 1 April 2020. There has been no extension of the sunset clause under this Section 10AA. <p>The amount of deduction referred to in section 10AA shall be allowed from the total income computed in accordance with the provisions of the IT Act before giving effect to the provisions of the section 10AA and the deduction under section 10AA in no case shall exceed the said total income.</p>			
2.	<p><u>Start-up Undertaking</u> [Section 80–IAC]</p> <ul style="list-style-type: none"> Undertaking being an eligible start-up which is engaged in business of innovation, development or improvement of products or processes or services, or a scalable business model with a high potential of employment generation or wealth creation. The total turnover of the company should not exceed Rs. 100 crores in the previous year in which deduction is claimed. It holds a certificate of eligible business from the Inter-Ministerial Board of Certification as notified in the Official Gazette by the CG. It is not formed by the transfer to a new business of machinery or plant previously used for any purpose (except if such transfer value does not exceed 20% of the total value of plant and machinery). It is not formed by splitting up, or the reconstruction, of a business already in existence. As per section 79 for an eligible start-up the loss shall be carried forward and set off against the income of the previous year, if 	Company or LLP incorporated between 1 April 2016 to 1 April 2021	100%	Any 3 consecutive years out of first 10 years

Deductions of Profits derived by Newly Established Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 10AA / 80- IAC / 80-IB(11A) / 80-IBA / 80JJAA / 80LA / 80PA)^				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	all the shareholders of such company which held shares carrying voting power on the last day of the year or years in which the loss was incurred, being the loss incurred during the period of 7 years beginning from the year in which such company is incorporated, continue to hold those shares on the last day of such previous year.			
3.	<u>Undertaking engaged in processing /preservation / transportation of specified food items [Section 80-IB(11A)]</u> <ul style="list-style-type: none"> ■ An undertaking deriving profit from the integrated business of handling, storage and transportation of food grains or an undertaking engaged in the business of processing, preservation and packaging of fruits and vegetables, subject to such business beginning its operations on or after 1 April 2001. ■ An undertaking engaged in the business of meat and meat products or poultry or marine or dairy products which begin to operate such business on or after 1 April 2009. 	Company Others	100% 30% 100% 25%	First 5 years Next 5 years First 5 years Next 5 years
4.	<u>Affordable Housing Project [Section 80-IBA]</u> <ul style="list-style-type: none"> ■ Any undertaking engaged in the business of developing and building housing projects approved by the competent authority between 1 June 2016 and 31 March 2021. ■ The project should be completed within a period of 5 years from the date of approval. ■ The deduction is allowed subject to fulfillment of various conditions like minimum area of land, minimum floor area ratio of land, maximum carpet area of residential and commercial unit. ■ Carpet area shall not exceed 30 square meter for Chennai, Delhi, Kolkata or Mumbai and 60 square meter for any other place ■ Separate books of account in respect of the housing project ■ Not more than 1 residential unit is allotted to any individual or the spouse or the minor children of such individual. ■ Deduction shall not be available to a person 	All	100%	Not Applicable

Deductions of Profits derived by Newly Established Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 10AA / 80– IAC / 80–IB(11A) / 80–IBA / 80JJAA / 80LA / 80PA)^				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	<p>executing the housing project as works contract.</p> <p>If the housing project is approved on or after 1 September 2019 following modified conditions shall be applicable:</p> <ul style="list-style-type: none"> ■ Carpet area shall not exceed 60 square meter for metropolitan cities of Bengaluru, Chennai, Delhi National Capital Region (limited to Delhi, Noida, Greater Noida, Ghaziabad, Gurugram, Faridabad), Hyderabad, Kolkata and Mumbai (whole of Mumbai Metropolitan region) and 90 square meter for any other place. ■ The stamp duty value of a residential unit in the housing project does not exceed Rs. 45,00,000. 			
5.	<p><u>Deduction of Additional Wages</u> [Section 80JJAA]</p> <ul style="list-style-type: none"> ■ Deduction of an amount equal to 30% of additional employee cost of any new employee (whose total emolument is less than or equal to Rs. 25,000 per month). ■ However, no deduction shall be allowed in respect of employees for whom the entire contribution under notified EPS is paid by the Government. ■ The minimum number of days of employment of such new employees in a financial year is 240 days. ■ However, the requirement of minimum period of employment is 150 days in the case of apparel, footwear and leather industry. <p>Further where a new employee is employed during the previous year for a period of less than 240 days or 150 days, as the case may be, but is employed for a period of 240 days or 150 days, as the case may be, in the immediately succeeding year, he shall be deemed to have been employed in the succeeding year and the provisions of this section shall apply accordingly.</p>	All assessee covered under tax audit provisions	30% of additional employee cost of new employees	3 AYs including the AY relevant to the FY in which such employment is provided
6.	<p><u>Offshore banking unit in SEZ and International Financial Services Centre</u> [Section 80LA]</p> <p>Income from:</p> <ul style="list-style-type: none"> ■ Offshore banking unit in SEZ or 	Scheduled Bank or any bank incorporated by or under	100%	First 5 years (beginning with the year in which prescribed

Deductions of Profits derived by Newly Established Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 10AA / 80– IAC / 80–IB(11A) / 80–IBA / 80JJAA / 80LA / 80PA)^				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	<ul style="list-style-type: none"> The business referred to in section 6(1) of the Banking Regulation Act, 1949. Any unit of IFSC from its approved business 	<p>the law of a country outside India.</p> <p>A unit of an IFSC</p>	<p>50%</p> <p>100%</p>	<p>permissions are obtained) Next 5 years</p> <p>Any 10 consecutive years out of first 15 years (beginning with the year in which prescribed permissions are obtained)</p>
7.	<p><u>Deduction in respect of income of Farm Producer Companies</u> [Section 80PA]</p> <ul style="list-style-type: none"> Deduction in respect of certain income of Producer Companies having a total turnover of Rs. 100 crores or less in any FY and whose gross total income includes any income from <ol style="list-style-type: none"> the marketing of agricultural produce grown by its members, or the purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to its members, or the processing of the agricultural produce of its members Further where the assessee is entitled also to deduction under any other provision or provisions of Chapter VIA, the deduction under this section shall be allowed from the gross total income as reduced by the deductions under such other provision or provisions of the said Chapter. 	Farm Producer Companies	100%	5 years beginning from AY 2019–20

Deduction / Allowances of New Capital Expenditures / Scientific Research / Investments (Sections – 32(1)(iia) / 32AD / 35 / 35AD / 35CCC / 35CCD)^	
Section	Eligibility Criteria, Quantum and Period of Deduction
32(1)(iia)	<p><u>Additional Depreciation</u></p> <ul style="list-style-type: none"> General rate of depreciation for plant and machinery is 15% (other than certain specified types of plant and machinery). An assessee engaged in the business of manufacture or production of any article or thing or in the business of generation, transmission or distribution of power can claim the additional depreciation of 20% on the cost of new plant and machinery (other than ships

Deduction / Allowances of New Capital Expenditures / Scientific Research / Investments (Sections – 32(1)(ia) / 32AD / 35 / 35AD / 35CCC / 35CCD)^																							
Section	Eligibility Criteria, Quantum and Period of Deduction																						
	<p>and aircraft) which are acquired and installed after 31 March 2005.</p> <ul style="list-style-type: none"> ■ Further, higher additional depreciation @ 35% (instead of above 20%) in respect of the actual cost of eligible new machinery or plant acquired and installed by a manufacturing undertaking or enterprise which is set up in the notified backward area of the State of Andhra Pradesh or Telangana or Bihar or West Bengal on or after the 1 April 2015 and ending before the 1 April 2020. The eligible machinery or plant is mentioned in existing proviso to section 32(1)(ia) of the IT Act. ■ The above additional depreciation shall be allowed only to the extent of 50% (i.e. 10% or 17.5%) if the machinery is put to use for a period less than 180 days in the year of its acquisition and installation and the balance 50% shall be allowed in the immediate next year. 																						
32AD	<p><u>Investment in new plant or machinery in certain states</u></p> <ul style="list-style-type: none"> ■ Additional investment allowance of an amount equal to 15% of the cost of new asset acquired and installed by an assessee, if: <ul style="list-style-type: none"> i. It sets up an undertaking or enterprise for manufacture or production of any article or thing on or after 1 April 2015 in any notified backward areas in the State of Andhra Pradesh or Telangana or Bihar or West Bengal; and ii. The new assets are acquired and installed for the purposes of the said undertaking or enterprise during the period 1 April 2015 to 31 March 2020. ■ In case any new asset is sold or otherwise transferred within a period of 5 years, the deduction allowed above shall be deemed to be the income chargeable under the head 'Profits and Gains of business or profession' of the financial year in which such new asset is sold or otherwise transferred (In addition to taxability of gains on transfer of such new asset). 																						
35AD	<p><u>Deduction in respect of expenditure on specified businesses</u></p> <ul style="list-style-type: none"> ■ Any expenditure of capital nature (other than expenditure incurred on the acquisition of any land or goodwill or financial instrument) incurred, wholly and exclusively, during the year for specified business shall be allowed as deduction subject to the specified provisions. ■ Specified business and the year (in which the operations to be commenced) for availing deduction under this section are tabulated as under: <table border="1"> <thead> <tr> <th>Sr. No</th><th>Specified Business</th><th>Specified year of Commencement</th></tr> </thead> <tbody> <tr> <td>1</td><td>Setting up and operating a cold chain facility</td><td>From 1 April 2009 onwards *</td></tr> <tr> <td>2</td><td>Setting up and operating a warehousing facility for storing agricultural produce</td><td>From 1 April 2009 onwards *</td></tr> <tr> <td>3</td><td>Laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network</td><td>From 1 April 2007 onwards for Natural Gas Pipeline And In other cases, from 1 April 2009 onwards</td></tr> <tr> <td>4</td><td>Building and operating a new hotel of two star and above category as classified by the Central government anywhere in India</td><td>From 1 April 2010 onwards **</td></tr> <tr> <td>5</td><td>Building and operating a hospital with at least 100 beds for patients anywhere in India</td><td>From 1 April 2010 onwards *</td></tr> <tr> <td>6</td><td>Developing and building a housing project under a scheme for slum redevelopment or rehabilitation framed by the</td><td>From 1 April 2010 onwards</td></tr> </tbody> </table>		Sr. No	Specified Business	Specified year of Commencement	1	Setting up and operating a cold chain facility	From 1 April 2009 onwards *	2	Setting up and operating a warehousing facility for storing agricultural produce	From 1 April 2009 onwards *	3	Laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network	From 1 April 2007 onwards for Natural Gas Pipeline And In other cases, from 1 April 2009 onwards	4	Building and operating a new hotel of two star and above category as classified by the Central government anywhere in India	From 1 April 2010 onwards **	5	Building and operating a hospital with at least 100 beds for patients anywhere in India	From 1 April 2010 onwards *	6	Developing and building a housing project under a scheme for slum redevelopment or rehabilitation framed by the	From 1 April 2010 onwards
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Section	Eligibility Criteria, Quantum and Period of Deduction		
	Sr. No	Specified Business	Specified year of Commencement
		Central or State Government, as the case may be, and which is notified by the Board in this behalf in accordance with the guidelines as may be prescribed	
	7	The Business of developing and building a housing project under a scheme for affordable housing framed by the CG or a State Government, as the case may be, and notified by the Board in this behalf in accordance with the guidelines as may be prescribed	From 1 April 2011 onwards *
	8	Production of fertilizers in India through a new plant or a newly installed capacity in an existing plant	From 1 April 2011 onwards *
	9	Setting up and operating an inland container depot or a container freight station notified or approved under the Customs Act, 1962	From 1 April 2012 onwards
	10	Bee-keeping and production of honey and beeswax	From 1 April 2012 onwards
	11	Setting up and operating a warehousing facility for storage of sugar	From 1 April 2012 onwards
	12	Laying and operating a slurry pipeline for transportation of iron ore	From 1 April 2014 onwards
	13	Setting up and operating a semiconductor wafer fabrication manufacturing unit, if such unit is notified by the Board in accordance with the prescribed guidelines.	From 1 April 2014 onwards
	14	Developing or operating and maintaining or developing, operating & maintaining any infrastructure facilities.	From 1 April 2017 onwards
<p>*Specified business referred at Sr. No. 1, 2, 5, 7 and 8 in the above table commencing operations on or after 1 April 2012 shall be eligible for deduction of 150% of capital expenditure incurred. However, the deduction shall be restricted to 100% of capital expenditure incurred on or after 1 April 2017.</p> <p>** Where the assessee builds a hotel of 2 star or above category as classified by the CG and subsequently, while continuing to own the hotel, transfers the operation thereof to another person, the said assessee shall be deemed to be carrying on the 'specified business' of building and operating hotel as referred at Sr. No. 4 in the above table, with retrospective effect from AY 2011-12.</p> <ul style="list-style-type: none"> Any asset, in respect of which a deduction is claimed and allowed under this section, shall be used only for the specified business for a period of 8 years beginning with the financial year in which such asset is acquired or constructed. Where such asset is used for any purpose other than the specified business, then, the total amount of deduction so claimed and allowed in any financial year in respect of such asset (after reducing the depreciation allowable under section 32 of the IT Act on deduction allowed under section 35AD of the IT Act), shall be deemed to be income of the assessee chargeable under the head 'Profits and gains of business or profession'. While computing AMT, adjusted total income shall be increased by the deduction claimed under section 35AD of the IT Act as reduced by the amount of depreciation allowable under section 32 of the IT Act. 			

Section	Eligibility Criteria, Quantum and Period of Deduction
	<ul style="list-style-type: none"> In case deduction has been availed under section 35AD of the IT Act on account of capital expenditure incurred for the purposes of specified business in any assessment year, no deduction under section 10AA of the IT Act or under the provisions of Chapter VI-A or under any other provisions of the IT Act shall be available in the same or any other assessment year in respect of such specified business. Any expenditure in respect of which payment or aggregate of payments made to a person in a day, otherwise than by account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through such other electronic mode as may be prescribed, exceeds Rs. 10,000, then no deduction shall be allowed under section 35AD. <p>It is proposed to amend section 35AD(1) of the IT Act to make the deduction thereunder optional. It is further proposed to amend section 35AD(4) of the IT Act to provide that no deduction will be allowed in respect of expenditure incurred under sub-section (1) 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. Accordingly a domestic company opting for concessional tax rate under section 115BAA or section 115BAB of the IT Act, which does not claim deduction under section 35AD, can claim normal depreciation under section 32 of the IT Act on such expenditure.</p>
35CCC	<p><u>Weighted deduction of expenditure incurred on agriculture extension project</u></p> <ul style="list-style-type: none"> This section provides for weighted deduction of 150% of the expenditure incurred on agricultural extension project. The conditions for eligibility of agricultural extension project have been provided under Rule 6AAD and Rule 6AAE of the IT Rules. The deduction would be reduced to 100% from FY 2020-21. Further, where a deduction under this section is claimed and allowed for any assessment year, in respect of any expenditure on agricultural extension project, no deduction shall be allowed in respect of such expenditure under any other provisions of the IT Act for the same or any other assessment year.
35CCD	<p><u>Weighted deduction of expenditure incurred on skill development project</u></p> <ul style="list-style-type: none"> Any expenditure (not being expenditure in the nature of cost of any land or building) incurred on skill development project shall be eligible for weighted deduction of 150% in the hands of a company. The conditions of eligibility of skill development project have been provided under Rule 6AAF to Rule 6AAH of the IT Rules. The deduction would be reduced to 100% from FY 2020-21. Further, where a deduction under this section is claimed and allowed for any assessment year in respect of any expenditure on skill development project, no deduction shall be allowed in respect of such expenditure under any other provisions of the IT Act for the same or any other assessment year.

Section	Details of Deduction ^	Quantum of deduction of sum paid / expenditure incurred
35(1)(i)	<u>Weighted deduction on various expenditure incurred on scientific research</u> Any expenditure (not being in nature of capital expenditure) laid or expended on scientific research related to business carried on by the assessee.	100%
35(1)(ii)	Any sum paid to an approved research association, (which has its object of undertaking scientific research) or to a university, college or other institution to be used for scientific research.	150%* 100%**

Section	Details of Deduction ^	Quantum of deduction of sum paid / expenditure incurred
35(1)(ia)	Any sum paid to an approved company to be used by it for scientific research. Such approved company will not be entitled to claim weighted deduction under section 35(2AB) of the IT Act. However, deduction to the extent of 100% of the sum spent as revenue expenditure on scientific research, which is available under section 35(1)(i) of the IT Act will continue to be allowed.	100%
35(1)(iii)	Any sum paid to approved research association (which has its object of undertaking research) or university, college or other institution to be used for research in social science or statistical research.	100%
35(1)(iv)	Any capital expenditure (other than expenditure on land and building) incurred on scientific research related to the business carried on by the assessee.	100%
35(2AA)	Any sum paid to a National Laboratory or a University or an Indian Institute of Technology or a specified person with a specific direction that the said sum shall be used for scientific research undertaken under a programme approved by the prescribed authority.	150%* 100%**
35(2AB)	Any expenditure incurred (other than expenditure on cost of land and building), on in-house research and development facility, as approved by the prescribed authority, incurred by the company, engaged in the business of bio-technology or manufacture or production of article or thing (except those specified in the Eleventh Schedule). Deduction under the said section shall be allowed only if the company enters into an agreement with the prescribed authority for co-operation in such research and development facility and fulfills prescribed conditions with regard to maintenance and audit of accounts and also furnishes prescribed reports.	150%* 100%**

* From FY 2017-18 to FY 2019-20

** From FY 2020-21 onwards

Deductions of Profits derived by Existing Industrial Undertakings / Infrastructure Projects / Facilities / Developers of SEZs / Banking units, etc. (Sections – 80-IA / 80- IAB / 80- IB(9) / 80- IC / 80- IE)^				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
1.	Specified Infrastructure Projects [Section 80-IA(4)(i)] Enterprise being company or consortium of companies registered in India or any authority or board or a corporation or any other body established or constituted under any Central or State Act, for carrying on business of (i) developing or (ii) operating and maintaining or (iii) developing, operating and maintaining of any infrastructure facility (such as road including toll road, bridge, rail system, highway project, water supply project, water treatment system, irrigation project, sanitation and sewage system or solid waste management	Company / Any other body established or constituted under any Central or State Act	100%	For any 10 consecutive years out of first 15 years (20 years for road, bridge, rail system, highway project, water supply project, water treatment system, irrigation project, sanitation and sewerage system or solid

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	system, airport, port, inland waterways and inland ports or navigational channel in the sea) commencing its operations on or after 1 April 1995. Widening of an existing road by constructing additional lanes as a part of highway project is also regarded as a new infrastructure facility eligible for deduction as per Circular No. 4/2010 dated 18 May 2010. Deduction shall not be available to a person executing above referred activities as a works contract. No deduction shall be available if the specified activity commences on or after 1 April 2017.			waste management system).
2.	<u>Development of Industrial Park</u> [Section 80-IA(4)(iii)] Any undertaking which begins to develop or develops and operates or maintains and operates an industrial park which has commenced operations during 1 April 1997 to 31 March 2011. Deduction shall not be available to person executing the above referred services as a works contract.	All	100%	Any 10 consecutive years out of first 15 years
3.(a)	<u>Power Undertakings</u> [Section 80-IA(4)(iv)] <ul style="list-style-type: none"> ■ Undertaking set up in any part of India for the generation or generation and distribution, of power, which has commenced operations during 1 April 1993 to 31 March 2017. ■ Undertaking which starts transmission or distribution by laying a network of new transmission or distribution lines between 1 April 1999 and 31 March 2017. ■ Undertaking which undertakes substantial renovation and modernization of the existing network of transmission or distribution lines between 1 April 2004 and 31 March 2017. ■ Deduction shall not be available to a person executing the above referred activities as a works contract. 	All	100%	Any 10 consecutive years out of first 15 years
3.(b)	<u>Undertakings for revival of Power Generating Units</u> [Section 80-IA(4)(v)] Undertaking owned by Indian Company (formed before 30 November 2005 and notified before 31 December 2005) set up for	Indian Company	100%	Any 10 consecutive years out of first 15 years

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	reconstruction or revival of a power generating unit, which has commenced operations in power before 31 March 2011. Deduction shall not be available to person executing the above referred activities as a works contract.			
4.	<u>Developer of SEZ</u> [Section 80-IAB] Any assessee being developer of a SEZ notified by the Central Government after 1 April 2005 can claim deduction under section 80-IAB. No deduction shall be available if the specified activity commences on or after 1 April 2017.	All	100%	Any 10 consecutive years out of first 15 years
5.	<u>Production of mineral oil and natural gas</u> [Section 80-IB(9)] <ul style="list-style-type: none"> ■ Any undertaking which is engaged in refining of mineral oil and begins such refining on or after 1 October 1998 but not later than 31 March 2012 subject to specified conditions. ■ Any undertaking which is engaged in production of mineral oil and begins such production on or after 31 March 1997 but not later than 1 April 2017 subject to specified conditions. ■ Any undertaking which is engaged in production of natural gas and begins such production on or after 1 April 2009 but not later than 1 April 2017 subject to specified conditions. ■ The tax holiday is also available in respect of profits arising from commercial production of natural gas from blocks which are licensed under the VIII Round of bidding for award of exploration contracts under the New Exploration Licensing Policy announced by the Government of India and IV Round for Coal Bed Methane and begins commercial production of natural gas on or after 1 April 2009. No deduction shall be available if the specified activity commences on or after 1 April 2017.	All	100%	First 7 years.
6.	<u>Undertakings in special category states</u> (Himachal Pradesh and Uttaranchal) [Section 80-IC]	Company	100% 30%	First 5 years Next 5 years

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	<ul style="list-style-type: none"> ■ Undertakings and enterprises, which begins to manufacture or produce any article or thing which is not specified in Thirteenth Schedule or undertakings and enterprises, which manufactures or produces any article or thing which is not specified in Thirteenth Schedule and undertake substantial expansion of existing undertakings. ■ Undertakings and enterprises, which begin to manufacture or produce any article or thing which is specified in Fourteenth Schedule or commences any operation specified in that Schedule or undertakings and enterprises, which manufactures or produces any article or thing which is specified in Fourteenth Schedule or commence any operation specified in that Schedule and undertake substantial expansion. ■ Commences operation from 7 January 2003 to 31 March 2012. 	Others	100% 25%	First 5 years Next 5 years
7.	<p><u>Undertakings in North Eastern States*</u> <u>[Section 80-IE]</u></p> <ul style="list-style-type: none"> ■ New undertakings and enterprises, which begin to manufacture or produce any eligible article or thing or provide any services or undertake substantial expansion or carry on any eligible business in any of the North Eastern states beginning from 1 April 2007 to 31 March 2017. ■ The eligible businesses for this purpose are hotel (not below 2 star category), adventure and leisure sports including ropeways, providing medical and health services in the nature of nursing home with a minimum capacity of 25 beds; running an old-age home; operating vocational training institute for hotel management, catering and food craft, entrepreneurship development, nursing and para-medical, civil aviation related training, fashion designing and industrial training; running information technology related training centre; manufacturing of information technology hardware and bio- 	All	100%	First 10 years

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	technology. *States of Assam, Tripura, Meghalaya, Mizoram, Nagaland, Manipur and Arunachal Pradesh.			

Other Deductions and Incentives to businesses[^]

Section	Details of Exemption/ Deduction	Period	Quantum of deduction
33AB	Tea / Coffee / Rubber / development allowance <ul style="list-style-type: none"> ■ Deduction is available to assessee engaged in the business of growing and manufacturing tea, coffee or rubber in India. ■ For claiming the deduction, the amount has to be deposited in a special account with NABARD or any Deposit Account opened by the assessee and approved by the Tea Board or Coffee Board or Rubber Board within 6 months from the end of the financial year or before the due date of furnishing the return of income, whichever is earlier. ■ The amount has to be utilized by the assessee for specified purposes. 	Available for every AY	Up to 40% of profits or amount deposited, whichever is less
33ABA	Site Restoration Fund – Petroleum or Natural Gas <ul style="list-style-type: none"> ■ Deduction is available to assessee engaged in the business of prospecting for, or extraction or production of petroleum or natural gas or both in India and in relation to which the Central Government has entered into an agreement with such assessee. ■ For claiming the deduction, the amount has to be deposited in a special account with SBI opened by the assessee and approved by the Ministry of Petroleum and Natural Gas or a "Site Restoration Account" opened in accordance with a scheme of Ministry of Petroleum and Natural Gas before the end of the financial year. ■ The amount has to be utilized by the assessee for specified purposes. 	Available for every AY	Up to 20% of profits or amount deposited, whichever is less.
Section	Eligibility Criteria, Quantum and Period of Deduction		
32(1) r.w. Rule 5 and Appendix 1	Normal Depreciation It is provided in the IT Act that in case of any block of assets, normal depreciation shall be allowed at the prescribed rates on the written down value. New Appendix I has been amended to provide that highest rate of depreciation under the IT Act shall be restricted to 40% from FY 2017-18 onwards.		
35CCA	Deduction for payment towards rural development programmes <ul style="list-style-type: none"> ■ 100% Deduction is allowed subject to fulfillment of certain conditions for any sums paid to: <ol style="list-style-type: none"> An association or institution for carrying out any programme of rural development An association or institution for training of persons for implementation of rural development programme National Fund For Rural Development National Urban Poverty Eradication Fund 		

	Other Deductions / Exemptions in certain cases
Section	Eligibility criteria, Quantum and period of deduction / Exemptions
54EC	<ul style="list-style-type: none"> ■ Capital gain on transfer of a LTCA, being land or building or both, shall be exempt from tax, if an assessee invests, within a period of 6 months from the date of transfer of a LTCA, the capital gains in the specified asset. The specified asset must be held for a period of 5 years from the date of its acquisition. ■ This exemption shall be least of the following: <ul style="list-style-type: none"> - Investment in specified assets viz. any bonds notified by the CG in this behalf. The investment is restricted up to Rs. 50,00,000 per assessee per financial year. - Amount of capital gains. ■ Further, the exemption in respect of capital gains upon aforesaid investments made during the financial year in which the original asset or assets are transferred and in the subsequent financial year shall not exceed Rs. 50,00,000. ■ Further, the long-term specified asset, for making any investment under this section in bonds issued on or after the 1 April 2018, shall mean any bond redeemable after 5 years
54EE	<ul style="list-style-type: none"> ■ Capital gain on transfer of a LTCA shall be exempt from tax, if an assessee invests the capital gains in the specified assets within a period of 6 months from the date of transfer of a LTCA. ■ This exemption shall be least of the following: <ul style="list-style-type: none"> - Investment in specified assets viz. a unit or units, issued before the 1 April, 2019 of fund notified by the CG. - Rs. 50,00,000 per assessee per financial year - Amount of capital gains. ■ Further, the exemption in respect of capital gains upon aforesaid investments made during the financial year in which the original asset or assets are transferred and in the subsequent financial year shall not exceed Rs. 50,00,000. ■ The specified asset must be held for a period of 3 years from the date of its acquisition. Further, in a case an assessee takes any loan or advance on the security of such specified asset, he shall be deemed to have transferred such specified asset on the date on which such loan or advance is taken.
54G	<p>Capital gains arising on transfer of plant, machinery, land, building or any rights in land / building effected in course of or in consequence of the shifting of an industrial undertaking situated in an urban area to any area (other than an urban area) shall be eligible for exemption. This exemption shall be least of the following:</p> <ul style="list-style-type: none"> - Amount of capital gains; - Amount of capital gains utilized within a period of 1 year before or 3 years after the date of transfer of the above assets, for purchase of new plant and machinery, land and building and for shifting expenses, subject to specified conditions.
54GA	<p>Capital gains arising on transfer of plant, machinery, land, building or any rights in land / building effected in course of or in consequence of the shifting of an industrial undertaking situated in an urban area to any SEZ shall be eligible for exemption. This exemption shall be least of the following:</p> <ul style="list-style-type: none"> - Amount of capital gains; - Amount of capital gains utilized within a period of 1 year before or 3 years after the date of transfer of the above assets, for purchase of new plant and machinery, land and building and for shifting expenses, subject to specified conditions.
54GB	<ul style="list-style-type: none"> ■ LTCG shall be exempt in the hands of an individual or an HUF on sale of a residential property (house or plot of land) on or before 31 March 2017 in case of re- investment of the net consideration in the equity of a newly start-up SME company in the

	Other Deductions / Exemptions in certain cases
Section	Eligibility criteria, Quantum and period of deduction / Exemptions
	<p>manufacturing sector and the SME company utilizes the said funds for purchase of new plant and machinery, subject to the certain conditions.</p> <ul style="list-style-type: none"> ■ LTCG arising on account of transfer of a residential property before 31 March 2021 shall not be charged to tax if such capital gains are invested in subscription of shares of a company which qualifies to be an eligible start-up. ■ Individual or HUF should hold more than 25% shares of the company and such company should utilize the amount invested to purchase new asset (including computers or computer software for technology driven eligible start-up) before due date of filing of return by the investor. ■ Eligible start-up and eligible business shall have the same meanings as assigned in section 80-IAC(4). ■ The specified new asset must be held for a period of 5 years from the date of its acquisition. However, new asset being computer or computer software must be held for a period of 3 years instead of 5 years.
9(1)(i) – Explanation (1)(e)	In the case of a foreign company engaged in the business of mining of diamonds, no income shall be taxed from the activities which are confined to the display of uncut and unsorted diamond in any special notified zone by the CG.
10(34)	<p>Dividend referred to in section 115-O shall not be included in the total income of assessee (other than resident individual, HUF and firm earning dividend income from shares exceeding Rs. 10,00,000 in a financial year).</p> <p>It is proposed to amend section 10(34) of the IT Act to provide that the exemption under this clause shall not apply to any dividend received on or after 1 April 2020.</p>
10(34A)	Any income arising to an assessee, being a shareholder on account of buy back of shares as referred in section 115QA by the company shall not be included in the total income of assessee. The exemption under this section is extended to shareholders of the listed company on a recognized stock exchange on account of buy back of shares on which additional income tax has been paid by the company.
10(35)	<p>Income received in respect of units of mutual fund shall not be included in the total income of assessee.</p> <p>It is proposed to amend section 10(35) of the IT Act to provide that the exemption under this clause shall not apply to any income received on or after 1 April 2020.</p>
10(38)/ 112A	<p>Capital gain arising from transfer of LTCA being an equity share in a company or a unit of an equity oriented funds or unit of a business trust, on which STT is charged, is exempt from tax. However, this exemption is not available for computation of MAT.</p> <p>Further, any LTCG arising out of transaction undertaken on a recognized stock exchange located in any IFSC and where the consideration for such transaction is paid or payable in foreign currency shall also be exempt under the said section. Further, MAT under section 115JB shall be applicable at the concessional rate of 9% plus applicable surcharge and cess.</p> <p>Exemption under section 10(38) for income arising on transfer of equity share acquired on or after 1 October 2004 shall be available only if the acquisition of share is chargeable to STT. The Government has notified transactions for which the condition of chargeability to STT on acquisition shall not be applicable. Some of the types of acquisitions which have been specifically exempted are:</p> <ul style="list-style-type: none"> ■ Acquisition of shares by mode of transfer referred to in sections 47 (such as acquisition of shares by way of gift, will, on merger or demerger) or 50B of the IT Act; ■ Acquisition of listed equity shares in a company which has been approved by the Supreme Court, High Court, NCLT, SEBI or RBI; ■ Acquisition of listed equity shares in a company by any Non-resident in accordance with

	Other Deductions / Exemptions in certain cases
Section	Eligibility criteria, Quantum and period of deduction / Exemptions
	<p>FDI guidelines issued by the Government of India;</p> <ul style="list-style-type: none"> ■ Acquisition of shares by a SEBI regulated Alternative Investment Fund / Venture Capital fund/ Qualified Institutional Buyer; ■ Acquisition of listed equity shares in a company through preferential issue to which the provisions of chapter VII of SEBI (ICDR) Regulations does not apply; ■ Acquisition of shares by scheduled banks, reconstruction or securitization companies or public financial institutions during their ordinary course of business; ■ Acquisition under Shares issued under ESOP/ESPS scheme; ■ Acquisition of shares of company is made under SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 2011. <p>Exemption under section 10(38) of the IT Act shall not be applicable to any income arising from transfer of long term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust, made on or after 1 April 2018.</p> <p>Section 112A provides that LTCG arising from transfer of a LTCA being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust shall be taxed at 10% (plus applicable surcharge and Health and Education cess) of such capital gains exceeding Rs. 1,00,000.</p> <p>Certain relief is provided in respect of grandfathering of long term capital gains upto 31 January 2018 and gains after that period shall be taxable under the new rate of 10%. In other words, the cost of acquisition in respect of the LTCA acquired by the assessee before 1 February 2018, shall be deemed to be the higher of –</p> <ol style="list-style-type: none"> a) the actual cost of acquisition of such asset; and b) the lower of – <ol style="list-style-type: none"> (i) the fair market value of such asset; and (ii) the full value of consideration received or accruing as a result of the transfer of the capital asset. <p>The grandfathering benefit would not be available under the MAT regime and would continue to be taxed as per applicable rates on the book profits based on the provisions of Section 115JB related to MAT.</p> <p>As in the case of domestic investors, the FIs will also be liable to tax on such LTCG only in respect of amount of such gains exceeding Rs. 1,00,000 as per section 115AD.</p>
10 (48A)	Any income accruing or arising to a foreign company on account of storage of crude oil in a facility in India and sale of crude oil therefrom to any person resident in India shall not be included in the total income subject to approval of CG.
10 (48B)	<p>Any income accruing or arising to a foreign company on account of sale of leftover stock of crude oil, if any, from a facility in India after the expiry of an agreement or an arrangement referred to in section 10(48A) shall also be exempt subject to such conditions as may be notified by the CG.</p> <p>Further provided that the benefit of tax exemption in respect of income from left over stock will be available even if the agreement or the arrangement is terminated in accordance with the terms mentioned therein.</p>
115BBD	Any dividend declared, distributed or paid by the specified foreign company to Indian company (where the Indian company is holding 26% or more of the equity share capital) shall be taxable at a concessional tax rate of 15% (plus applicable surcharge and cess).
115BBF	Any royalty income earned by resident patentee in India in respect of a patent developed and registered in India shall be taxable at the concessional rate of 10% (plus applicable surcharge and cess) on the gross amount of royalty.
115BBG	Income from transfer of carbon credit shall be taxable at the concessional rate of 10% (plus

	Other Deductions / Exemptions in certain cases
Section	Eligibility criteria, Quantum and period of deduction / Exemptions
	applicable surcharge and cess) on the gross amount of such income. However, no expenditure or allowance in respect of such income shall be allowed under the IT Act.
115-O	<p>In computing DDT liability, dividend declared by the domestic holding company to its shareholders shall be reduced to the extent of:</p> <ol style="list-style-type: none"> Dividend received from the domestic subsidiary company during the year on which DDT has already been paid by subsidiary under this section. Dividend received from the specified foreign subsidiary during the year on which tax is payable by the holding company under section 115BBD of the IT Act. <p>No tax on distributed profits shall be chargeable in respect of the total income of a company, being a unit of an IFSC, deriving Income solely in convertible foreign exchange.</p> <p>It is proposed that provisions of section 115-O of the IT Act shall not apply to dividend declared, distributed or paid on or after 1 April 2020.</p>
80M	<p>It is proposed to introduce new section 80M relating to deduction in respect of certain inter-corporate dividends.</p> <p>Where the gross total income of a domestic company in any previous year includes any income by way of dividends from any other domestic company, there shall be allowed in computing the total income of such domestic company, a deduction of an amount equal to so much of the amount of income by way of dividends received from such other domestic company as does not exceed the amount of dividend distributed by the first mentioned domestic company on or before the due date.</p> <p>“Due date” means the date 1 month prior to the date for furnishing the return of income under section 139(1) of the IT Act.</p> <p>Further, where any deduction, in respect of the amount of dividend distributed by the domestic company, has been allowed in any previous year, no deduction shall be allowed in respect of such amount in any other previous year.</p>

- ¹ The above deduction, exemption, incentive and allowance are subject to fulfillment of specified conditions mentioned in the IT Act.
- ² Section 80AC of the IT Act provide that the benefit of deduction under the entire class of deductions under the heading 'C.—Deductions in respect of certain incomes' in Chapter VIA shall not be allowed unless the return of income is filed by the due date specified under section 139(1) of the IT Act.
- ³ **The domestic companies opting for lower corporate tax regime under section 115BAA / 115BAB of the IT Act would not be able to claim incentive under sections Section 10AA, Section 32(1)(ia), Section 32AD, Section 33AB, Section 33ABA, Section 35(1)(ii), (ia), (iii), Section 35(2AA), Section 35(2AB), Section 35AD, Section 35CCC, Section 35CCD and Deductions under Chapter VIA of the IT Act other than section 80JJAA (deduction in respect of employment of new employees) and Section 80M (deduction in respect of certain inter-corporate dividends). The concessional tax rate regime under section 115BAA and 115BAB have been separately discussed in Chapter 7.**

9.1 Business Entities

9.1.1 Abolition of dividend distribution tax and classical system of taxing dividend in the hands of shareholders / unit holders reintroduced



The existing provision of section 115-O of the IT Act provides for payment of DDT @ 15% (plus applicable surcharge and cess) by domestic companies within 14 days

from the date of declaration, distribution or payment of dividend. Further, similar provisions were contained in sections 115R and 115UA, wherein the mutual funds and business trusts were required to pay tax on the distributed income. Consequently, income in the hands of shareholders and unit holders is exempt under section 10 of the IT Act.

It is proposed to tax dividends in the hands of shareholders and unit holders at the applicable rates. Thus, the domestic companies / mutual funds are not required to pay any DDT. Further, the dividends and similar distribution will no longer be exempt in the hands of shareholders and unit holders.

It is further proposed to insert new section 80M in the IT Act to provide for deduction of dividend received by the domestic company from another domestic company. However, such deduction shall not exceed the amount of dividend distributed by the first mentioned domestic company on or before the due date. For this purpose, 'due date' means the date one month prior to the due date of filing the return of income.

Further, it has been proposed to amend section 57 of the IT Act to provide that no deduction shall be allowed from the dividend and distributed income to the shareholders and unit holders other than interest expense and such interest expense shall not exceed 20% of the dividend income and distributed income.

Section 115BBDA of the IT Act which provided for 10% tax on dividend income above Rs. 10,00,000 shall not be applicable on or after 1 April 2020 for any dividend declared, distributed or paid by domestic company.

Sections 194 and 194K of the IT Act are amended by providing withholding tax of 10% for residents earning dividend / income in respect of unit of a mutual fund above Rs. 5,000.

Section 195 of the IT Act is amended to delete exemption provided for dividend. Consequently, dividend shall be subject to withholding tax @ 20% as per section 115A of the IT Act or as per the DTAA, whichever is beneficial.

Certain other relevant sections of the IT Act are also amended to give effect to abolition of DDT.

9.1.2 Concessional rate of tax under section 115BAB extended to generation of electricity

It is proposed to extend concessional rate under section 115BAB of the IT Act to business of generation of electricity, which otherwise may not amount to manufacturing or production of an article or thing. Accordingly, it is proposed to explain that manufacturing or production of an article or thing shall include generation of electricity.

9.1.3 Proposed Dispute Resolution Scheme under the IT Act

Under the proposed 'Vivad Se Vishwas' scheme, a taxpayer would be required to pay only the amount of the disputed tax and will get complete waiver of interest and penalty; provided he pays the tax amount by 31 March 2020. Those who avail this scheme after 31 March 2020 will have to pay some additional amount. The scheme will remain open till 30 June 2020. Taxpayers in whose cases appeals are pending at any level can benefit from this scheme. The detailed scheme is awaited.

9.1.4 Extending time limit for approval of affordable housing project for availing deduction under section 80-IBA of the IT Act

In order to incentivise building affordable housing to boost the supply of such houses, the period of approval of the project by the competent authority is proposed to be extended by 1 year i.e. upto 31 March 2021.

9.1.5 Introduction of TDS on E-commerce transactions

It is proposed to introduce section 194-O to the IT Act. The salient features of newly inserted provision are as under:

- TDS is to be paid by e-commerce operator for sale of goods or provision of service facilitated by it through its digital or electronic facility or platform.
- E-commerce operator is required to deduct tax at the time of credit of amount of sale or service or both to the account of e-commerce participant or at the time of payment thereof to such participant by any mode, whichever is earlier.
- The tax @ 1% is required to be deducted on the gross amount of such sale or service or both.

- Any payment made by a purchaser of goods or recipient of services directly to an e-commerce participant shall be deemed to be amount credited or paid by the e-commerce operator to the e-commerce participant and shall be included in the gross amount of such sales or services for the purpose of deduction of income-tax.
- The sum credited or paid to an e-commerce participant (being an individual or HUF) by the e-commerce operator shall not be subjected to TDS, if the gross amount of sales or services or both of such individual or HUF, through e-commerce operator, during the financial year does not exceed Rs. 5,00,000 and such e-commerce participant has furnished his PAN or Aadhaar number to the e-commerce operator.
- A transaction in respect of which tax has been deducted by the e-commerce operator under this section or which is not liable to deduction under the exemption discussed as above, there shall not be further liability on that transaction for TDS under any other provision of Chapter XVII-B of the IT Act. However, it has been clarified that this exemption will not apply to any amount received or receivable by an e-commerce operator for hosting advertisements or providing any other services which are not in connection with the sale of goods or services.

9.1.6 Rationalization of provisions of start-ups

The existing provisions of section 80-IAC of the IT Act provide for a deduction of an amount equal to 100% of the profits and gains derived from an eligible business by an eligible start-up for 3 consecutive assessment years out of 7 years, subject to the condition that the eligible start-up is incorporated 1 April 2021 and the total turnover of its business does not exceed Rs. 25,00,00,000.

It is proposed to amend section 80-IAC of the IT Act so as to provide that –

- (i) the deduction under section 80-IAC of the IT Act shall be available to an eligible start-up for a period of 3 consecutive assessment years out of 10 years beginning from the year in which it is incorporated;
- (ii) the deduction under section 80-IAC of the IT Act shall be available to an eligible start-up, if the total turnover of its business does not exceed Rs. 100,00,00,000 in the previous year relevant to the assessment year for which deduction under this section is claimed.

9.1.7 Rationalisation of provisions relating to tax audit

It is proposed to increase the threshold limit for a person carrying on business from Rs. 1,00,00,000 to Rs. 5,00,00,000 in cases where:

- (i) aggregate of all receipts in cash during the previous year does not exceed 5% of such receipt; and
- (ii) aggregate of all payments in cash during the previous year does not exceed 5% of such payment.

The aforesaid amendment relating to increasing the threshold limit for tax audit have consequential effect on TDS/TCS provisions contained in sections 194A, 194C, 194H, 194I, 194J and 206C of the IT Act which fasten liability of TDS/ TCS on certain categories of person if the gross receipt or turnover from the business or profession exceeds the monetary limit provided in section 44AB of the IT Act. It has been proposed to specify such monetary limit of Rs. 1,00,00,000 in case of business and Rs. 50,00,000 in case of profession, as the case may be and accordingly, TDS / TCS provisions would continue to be applicable where it exceeds such specified monetary thresholds.

This amendment will take effect from 1 April 2020.

9.1.8 Due date for filing of return of income has been extended

In order to enable pre-filling of returns in case of persons having income from business or profession, the tax audit report is required to be furnished by the said assessee at least 1 month prior to the due date of filing of return of income.

It is proposed to extend the due date of filing the income-tax return by a month to 31 October of the AY. Further, this due date is applicable to non-working partner also.

Similar amendments are also made in section 10, section 10A, section 12A, section 32AB, section 33AB, section 33ABA, section 35D, section 35E, section 44AB, section 44DA, section 50B, section 80-IA, section 80-IB, section 80JJAA, section 92F, section 115JB, section 115JC and section 115VW of the IT Act which mandate filing of audit report alongwith return of income.

This amendment will take retrospective effect from AY 2020-21 and subsequent years.

9.1.9 Modification of concessional tax schemes for domestic companies under section 115BAA and 115BAB

It is proposed to amend the provisions of section 115BAA and section 115BAB to not allow deduction under any provisions of Chapter VI-A other than section 80JJAA or section 80M, in case of domestic companies opting for taxation under these sections.

This amendment will take effect from 1 April 2020.

9.1.10 Providing an option to the assessee for not availing deduction under section 35AD

A domestic company opting for concessional tax rate under section 115BAA or section 115BAB of the IT Act, which does not claim deduction under section 35AD, would also be denied normal depreciation under section 32 due to operation of section 35AD(4) of the IT Act.

It is proposed that the assessee can exercise option of availing such deduction in respect of the capital expenditure incurred in respect of specified business during the financial year in which such capital expenditure is incurred.

It is further proposed to amend section 35AD(4) of the IT Act to provide that no deduction will be allowed in respect of expenditure incurred in any other section in any 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.

9.1.11 Definition of Royalty rationalized

It is proposed to amend the definition of 'royalty' so as to include consideration for the sale, distribution or exhibition of cinematographic films within its definition.

9.2 Personal

9.2.1 Change in determination of residential status

- As per section 6 of the IT Act, an individual is treated as resident in India if he,
 - (i) has been in India for an overall period of 365 days or more within 4 years preceeding that year, and
 - (ii) is in India for an overall period of 60 days or more in that year.

Further, if an Indian citizen or a person of Indian origin coming on visit to India, shall be Indian resident only if he is in India for 182 days instead of 60 days in that year.

It has been proposed to revise the limit to 120 days from existing 182 days.

- Section 6(6) of the IT Act specifies conditions for a person to be not ordinarily resident. It is proposed to amend the said conditions to provide that such an individual or HUF shall be said to be 'not ordinarily resident' in India in a previous year only if the individual or the manager of the HUF has been a non-resident in India in 7 out of 10 previous years preceeding that year. Earlier, this condition was 9 out of 10 years.

- It is also proposed that an Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India.

9.2.2 TCS on foreign remittance through LRS, on selling of overseas tour package and on sale of goods over a limit

- An authorised dealer receiving an amount or an aggregate of amounts of Rs. 7,00,000 or more in a financial year for remittances out of India under the LRS of RBI, shall be liable to collect TCS @ 5%, if it receives sum in excess of said amount from a buyer being a person remitting such amount out of India. In non-PAN/Aadhaar cases, TCS rate shall be 10%.
- A seller of an overseas tour program package who receives any amount from any buyer, being a person who purchases such package, shall be liable to collect TCS @ 5%. In non-PAN/Aadhaar cases the rate shall be 10%. 'Overseas tour program package' is proposed to be 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.
- A seller of goods is liable to collect TCS @ 0.1% on consideration received from a buyer in a previous year in excess of Rs. 50,00,000. In non-PAN/Aadhaar cases the rate shall be 1%. Only those seller whose total sales, gross receipts or turnover from the business carried on by it exceed Rs. 10,00,00,000 during the financial year immediately preceding the financial year, shall be liable to collect such TCS.

The Central Government may notify person who shall not be liable to collect such TCS, subject to conditions contained in such notification. No such TCS is to be collected, if the seller is liable to collect TCS under other provision of section 206C or the buyer is liable to deduct TDS under any provision of the IT Act and has deducted such amount.

9.2.3 Rationalization of tax treatment of employer's contribution to recognized provident funds, superannuation funds and national pension scheme

It is proposed to provide a combined upper limit of Rs. 7,50,000 in respect of employer's contribution in a year to NPS, superannuation fund and recognised provident fund and any excess contribution over and above the said limit shall be taxable.

Consequently, it is also proposed that any annual accretion by way of interest, dividend or any other amount of similar nature during the previous year to the balance at the credit of the fund or scheme may be treated as prerequisite to the

extent it relates to the employer's contribution which is included in total income.

9.2.4 Deferral of TDS or tax payment in respect of income pertaining to ESOP of start-ups

It is proposed to clarify that a person, being an eligible start-up referred to in section 80-IAC of the IT Act, responsible for paying any income to the assessee being perquisite of the nature specified in section 17(2)(vi) of the IT Act, deduct or pay, as the case may be, tax on such income within 14 days –

- (i) after the expiry of 48 months from the end of the relevant assessment year; or
- (ii) from the date of 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 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.

9.2.5 Extending time limit for sanctioning of loan for affordable housing for availing deduction under section 80EEA of the IT Act

The existing provisions of section 80EEA of the IT Act provide for a deduction in respect of interest on loan taken from any financial institution for acquisition of an affordable residential house property. In order to continue promoting purchase of affordable housing, the period of sanctioning of loan by the financial institution is proposed to be extended to 31 March 2021.

9.3 Non Resident

9.3.1 Exemption to non-resident from filing of Income-tax return in certain conditions

It is proposed to amend section 115A of the IT Act in order to provide that a non-resident, shall not be required to file return of income under section 139(1) of the IT Act if –

- i. his or its total income consists of only dividend or interest income as referred to in section 115A(1)(a) of the IT Act, or royalty or fees for technical services income of the nature specified in section 115A(1)(b) of the IT Act; and
- ii. TDS on such income has been deducted under the provisions of Chapter XVII-B of the IT Act at the rates which are not lower than the prescribed

rates under section 115A(1) of the IT Act.

This amendment will take effect from 1 April 2020.

9.3.2 Extension in the period of concessional rate of TDS on interest to non-resident and also provide concessional rate to bonds listed in stock exchanges in IFSC

Section 194LC of the IT Act, provided for a concessional rate of TDS @ 5% by a specified company or a business trust, on interest paid to non-residents on the specified borrowings (approved by the Central Government) made in foreign currency from sources outside India.

The concessional rate of TDS @ 5% is also applicable in respect of monies borrowed by a specified company or a business trust from a source outside India by way of issue of RDB before 1 July 2020, to the extent such interest does not exceed the amount of interest calculated at the rate approved by the Central Government in this behalf.

It is proposed to:

- i. extend the period of said concessional rate of TDS @5% to 1 July 2023 as against 1 July 2020;
- ii. provide that the rate of TDS shall be 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 recognised stock exchange located in any IFSC.

This amendment will take effect from 1 April 2020.

9.3.3 Extension in the period of concessional rate of TDS on interest to FII/ QFI and also extend this concessional rate to municipal debt securities

Section 194LD of the IT Act provides for lower TDS @5% in case of interest payments to FII and QFI on their investment in Government securities and RDB of an Indian company subject to the condition that the rate of interest does not exceed the rate notified by CG in this regard. The section further provides that the interest should be payable at any time on or after 1 June 2013 but before 1 July 2020.

It is proposed to:

- i. extend the period of rate of TDS of 5% to 1 July 2023 from the existing 1 July 2020;
- ii. provide that the concessional rate of TDS of 5% shall also apply on the

interest payable, on or after 1 April 2020 but before 1 July 2023, to a FII or QFI in respect of the investment made in municipal debt security.

This amendment will take effect from 1 April 2020.

9.3.4 Modification in conditions for offshore funds exemption from 'business connection'

Section 9A of the IT Act provides for a special regime in respect of offshore funds by providing them exemption from creating a 'business connection' in India on fulfilment of certain conditions. Some of the conditions were restrictive in nature.

It is proposed to amend section 9A of the IT Act to relax certain conditions so as to provide that –

- (i) for the purpose of calculation of the aggregate participation or investment in the fund, directly or indirectly, by Indian resident, contribution of the eligible fund manager during first 3 years up to Rs. 25,00,00,000 shall not be accounted for; and
- (ii) if the fund has been established or incorporated in the previous year, the condition of monthly average of the corpus of the fund to be at Rs. 100,00,00,000 shall be fulfilled within 12 months from the last day of the month of its establishment or incorporation.

This amendment will take effect from 1 April 2020.

9.3.5 Exemption from taxability of FPIs on account of Indirect Transfer aligned with the amended scheme of SEBI

As SEBI has notified SEBI (Foreign Portfolio Investors) Regulations, 2019 and repealed the aforesaid regulation of 2014, it has been proposed to provide exemption from investment in Category-I FPI under SEBI (Foreign Portfolio Investors) Regulations, 2019. The investment in erstwhile regulation of 2014 shall be grandfathered.

This amendment will take effect retrospectively from AY 2020–21 and subsequent years.

9.3.6 Significance Economic Presence provisions has been replaced and deferred

Section 9 of the IT Act contains provisions in respect of income deemed to accrue or arise in India. It also provides that in case of a business of which all the operations are not carried out in India, the income shall be deemed to accrue or arise in India, shall be only such part as is reasonably attributable to the operations carried out in India.

Finance Act, 2018 had inserted provisions to include Significance Economic

Presence (SEP) within the ambit of business connection and threshold for the aggregate amount of payments arising from the specified transactions and for the number of users were supposed to be prescribed in Rule. However, since discussion on this issue is still going on in G20–OECD BEPS project, it has been proposed to defer the applicability of SEP till AY 2022–23 and current provisions of SEP are omitted with effect from AY 2021–22.

New provisions of SEP provide that income attributable to the operations carried out in India shall include income from –

- (i) such advertisement which targets a customer who resides in India or a customer who accesses the advertisement through internet protocol address located in India;
- (ii) sale of data collected from a person who resides in India or from a person who uses internet protocol address located in India; and
- (iii) sale of goods or services using data collected from a person who resides in India or from a person who uses internet protocol address located in India.

This amendment will take effect from AY 2022–23.

Further, it has been proposed to amend section 295 of the IT Act so as to empower the Board for making rules to provide for the manner and procedure by which the income shall be arrived at in the case of operations carried out in India by a non-resident and transaction or activities of a non-resident.

9.4 Transfer Pricing

9.4.1 Excluding interest paid or payable to PE of a non-resident bank for the purpose of disallowance of interest under section 94B

Section 94B of the IT Act provides that deductible interest or similar expenses exceeding Rs. 1,00,00,000 of an Indian company, or a PE of a foreign company, paid to the AE shall be restricted to 30% of its EBITDA or interest paid or payable to AE, whichever is less. Further, a loan is deemed to be from an AE, if an AE provides implicit or explicit guarantee in respect of that loan. AE for the purposes of this section has the meaning assigned to it in section 92A of the IT Act.

Further, the definition of AE in section 92A, inter alia, deems two enterprises to be AE, if during the previous year a loan advanced by one enterprise to the other enterprise is at 50% or more of the book value of the total assets of the other enterprise. Thus, the interest paid or payable in respect of loan from the branch of a foreign bank may attract provisions of interest limitation provided for under this section.

It is proposed to amend section 94B of the IT Act so as to provide that provisions of interest limitation would not apply to interest paid in respect of a debt issued by a lender which is a PE of a non-resident, being a person engaged in the business of banking in India.

9.4.2 Amendment for providing attribution of profit to PE in SHR under section 92CB and in APA under section 92CC

Section 92CB of the IT Act empowers the CBDT for making SHR for determination of ALP under section 92C or section 92CA of the Act. The term 'safe harbour' means circumstances in which the Income-tax Authority shall accept the transfer price declared by the assessee.

Section 92CC of the IT Act empowers CBDT to enter into an APA with any person, determining the ALP or specifying the manner in which the ALP is to be determined, in relation to an international transaction to be entered into by that person. APA provides tax certainty in determination of ALP for 5 future years as well as for 4 earlier years

It has been represented that the attribution of profits to PE of a non-resident under Section 9(1)(i) of the IT Act in accordance with rule 10 of the Rules also results in avoidable disputes in a number of cases. In order to provide certainty, the attribution of income in case of a non-resident person to the PE is also required to be clearly covered under the provisions of the SHR and the APA.

In view of the above, it is proposed to amend section 92CB and section 92CC of the IT Act to cover determination of attribution to PE within the scope of SHR and APA.

This amendment will take effect from 1 April 2020 onwards.

9.4.3 Definition of specified date under section 92F

Section 92F(iv) of the IT Act provides the definition of specified date for filing form 3CEB which shall be one month prior to the due date for furnishing the return of income under Section 139(1) for the relevant assessment year (i.e. 31 October).

This amendment will take effect from 1 April 2020.

9.5 General

9.5.1 Insertion of Taxpayer's Charter in the IT Act

It is proposed to insert a new section 119A in the IT Act to empower the CBDT 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.

9.5.2 Penalty for fake invoice

It is proposed to introduce a new provision in the Act to provide for a levy of penalty on a person, if it is found during any proceeding under the IT Act that in the books of accounts maintained by him there is a false entry or any entry relevant for computation of total income of such person has been omitted to evade tax liability. The penalty payable by such person shall be equal to the aggregate amount of false entries or omitted entry.

It is also propose 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.

The false entry is proposed to include use or intention to use –

- forged or falsified documents such as a false invoice or, in general, a false piece of documentary evidence; or
- invoice in respect of supply or receipt of goods or services or both issued by the person or any other person without actual supply or receipt of such goods or services or both; or
- invoice in respect of supply or receipt of goods or services or both to or from a person who do not exist.

9.5.3 Increase in safe harbour limit of 5% to 10% under sections 43CA, 50C and 56

The present provisions of section 43CA, section 50C and section 56 of the IT Act which relates to transfer of immovable property, being land or building or both, provides for safe harbour of 5% between transfer value and stamp duty value. The said limit is proposed to be increased to 10% from existing 5%.

9.5.4 Reducing the rate of TDS on fees for technical services (other than professional services)

It is proposed to reduce rate for TDS in section 194J of the IT Act in case of fees for technical services (other than professional services) to 2% from existing 10%. The TDS rate in other cases under section 194J would remain at 10%.

9.5.5 Widening the scope of CTT

It is proposed to charge CTT on the new commodity derivative products at following rates:

- Sale of a commodity derivative based on prices or indices of prices of

commodity derivatives @ 0.01% by seller

- Sale of an option in goods, where option is exercised resulting in actual delivery of goods @ 0.0001% by buyer
- Sale of an option in goods, where option is exercised resulting in a settlement otherwise than by the actual delivery of goods @ 0.125% by buyer.

9.5.6 Rationalization of provisions to compute cost of acquisition in respect of property acquired before 1 April 2001

The existing provision of section 55 of the IT Act provides that for computation of capital gains, the assessee shall be allowed deduction for cost of acquisition of the asset and also cost of improvement, if any. However, for computing capital gains in respect of an asset acquired before 1 April 2001, the assessee has been allowed an option of either to take the FMV of the asset as on 1 April 2001 or the actual cost of the asset as cost of acquisition.

It is proposed to provide that in case of a capital asset, being land or building or both, the fair market value of such an asset as on 1 April 2001 shall not exceed the stamp duty value of such asset as on 1 April 2001 where such stamp duty value is available.

9.5.7 Stay on order of CIT(A) by ITAT

It is proposed to provide that ITAT may, after considering the merits of the application made by the assessee, pass an order of stay subject to the condition that the assessee deposits not less than 20% of the amount of tax, interest, fee, penalty, or any other sum payable under the provisions of the IT Act, or furnish security of equal amount in respect thereof.

It is also proposed to provide that no extension of stay shall be granted by ITAT, where such appeal is not so disposed of within the said period of stay as specified in the order of stay. However, on an application made by the assessee, a further stay can be granted, if the delay in not disposing of the appeal is not attributable to the assessee and the assessee has deposited not less than 20% of the amount of tax, interest, fee, penalty, or any other sum payable under the provisions of the IT Act, or furnish security of equal amount in respect thereof. The total stay granted by ITAT cannot exceed 365 days.

9.5.8 Provision for e–appeal

A taxpayer can file appeal before Commissioner (Appeals) via electronic mode through his registered account on the e–filing portal. However, the process that

follows after filing of appeal is neither electronic nor faceless. It is proposed to insert section 250(6A) of the IT Act to provide for the e–appeal mechanism. It is also proposed to empower CG to issue necessary direction in this regard. Such directions are to be issued on or before 31 March 2022.

9.5.9 Provision for e–penalty

It is proposed to insert section 274(2A) of the IT Act so as to provide that CG may notify an e–scheme for the purpose of imposing penalty. It is also proposed to empower the CG to issue necessary direction in this regard. Such directions are to be issued on or before 31 March 2022.

9.5.10 Form 26AS has been extended to capture information beyond TDS/TCS

Form 26AS contains the information about TDS/TCS. In order to facilitate compliance, multiple information in respect of a person such as sale / purchase of immovable property, share transactions, etc. proposed to be captured on e–filing account of the assessee on the income–tax portal so that the same can be used by the assessee for filing of the return of income and calculating his correct tax liability.

It is proposed to insert a new section 285BB in the IT Act to mandate the prescribed income–tax authority or person authorize by such authority to upload annual information statement which is in the possession of an income–tax authority and within such time, as may be prescribed. Consequently, section 203AA of the IT Act relating to furnishing of statement of tax deducted proposed to be deleted.

This amendment will take effect from 1 June 2020.

9.5.11 Filing of statement of donation by donee to cross–check claim of donation by donor

Under provisions of the IT Act, exempt entity may accept donations for utilisation towards their objects or activities in respect of which the payer, being the donor, gets deduction in his computation of income. At present, there is no reporting obligation by the exempt entity receiving donation from the donor.

It is proposed that the entities receiving donation/ sum may be made to furnish a statement in respect thereof and to issue a certificate to the donor / payer and the claim for deduction to the donor / payer may be allowed on that basis only.

In order to ensure proper filing of the statement, levy of a fee and penalty may also be provided for failure to furnish such statement.

Certain other relevant provisions of the IT Act are proposed to be amended to

give effect to the above.

These amendments will take effect from 1 June 2020.

9.5.12 Modification of the definition of 'business trust'

It is proposed to amend the definition of business trust as defined in section 2(13A) of the IT Act to exclude the requirement of the units of business trust to be listed on a recognised stock exchange. This amendment is proposed to align SEBI notification which has done away with the mandatory listing requirement for InvITs

9.5.13 Tax deduction on interest income under section 194A by a co-operative society

Section 194A of the IT Act governs interest other than interest on securities. It is proposed to provide that a co-operative society referred to in clause (v) or clause (vii) of section 194(3) of the IT Act shall be liable to deduct income-tax in accordance with the provisions of section 194A(1), if-

- the total sales, gross receipts or turnover of the co-operative society exceeds Rs. 50,00,00,000 during the financial year immediately preceding the financial year in which the interest referred to in section 194A(1) is credited or paid; and
- the amount of interest, or the aggregate of the amount of such interest, credited or paid, or is likely to be credited or paid, during the financial year is more than Rs. 50,000 in case of payee being a senior citizen and Rs. 40,000, in any other case.

9.5.14 Rationalisation of provisions relating to trust, institution and funds

It is proposed to make amendment in the following provisions applicable to charitable and other specified institutions:

- An entity approved, registered or notified under section 10(23C), section 12AA or section 35 of the IT Act, as the case may be, shall be required to apply for approval or registration or intimate regarding it being approved, as the case may be, and on doing so, the approval, registration or notification in respect of the entity shall be valid for a period not exceeding 5 previous years starting from 1 April 2020.
- An entity already approved under section 80G shall also be required to apply for approval and on doing so, the approval, registration or notification in respect of the entity shall be valid for a period not exceeding 5 years.
- Application for approval under section 80G shall be made to Principal Commissioner or Commissioner.

- An entity making fresh application for approval under section 10(23C), for registration under section 12AA, for approval under section 80G of the IT Act shall be provisionally approved or registered for 3 years on the basis of application without detailed enquiry even in the cases where activities of the entity are yet to begin and then it has to apply again for approval or registration which, if granted, shall be valid from the date of such provisional registration. The application of registration subsequent to provisional registration should be at least 6 months prior to expiry of provisional registration or within 6 months of start of activities, whichever is earlier.
- The application pending for approval, registration, as the case may be, shall be treated as application in accordance with the new provisions, wherever they are being provided for.
- Deduction under section 80G/ 80GGA of the IT Act to a donor shall be allowed only if a statement is furnished by the donee who shall be required to furnish a statement in respect of donations received and in the event of failure to do so, fee and penalty shall be levied.
- Deduction of cash donation under section 80GGA of the IT Act shall be restricted to Rs 2,000 only.

These amendments will take effect from 1 June 2020.

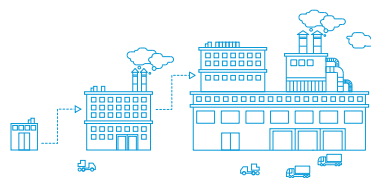
9.5.15 Verification of the return of income and appearance of authorized representative

It is proposed to provide that any other person as prescribed by the Board can verify the return of income in case of a company and a LLP.

It has also been proposed that any other person as prescribed by the Board can appear as an authorised representative to appear before income-tax authority or the Appellate Tribunal on behalf of the assessee.

10.1 Goods and Service Tax

- The definition of “Union Territory” is proposed to be 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 of the CGST Act, 2017 is proposed to be amended so as to exclude certain categories of taxable persons from the ambit of the composition scheme, who are engaged in –
 - (i) supply of services not leviable to tax under the CGST Act, 2017 or
 - (ii) inter-State outward supply of services, or
 - (iii) outward supply of services through an e-Commerce operator
- Section 16(4) of the CGST Act, 2017 is proposed to be amended to provide that due date for claiming Input Tax Credit on Debit Note is not linked to date of its original invoice, rather date of such debit note is to be referred for claiming Input Tax Credit.
- Section 29(1)(c) of the CGST Act, 2017 is proposed to be amended to provide for cancellation of registration which has been obtained voluntarily under section 25(3), which earlier was specifically excluded from the Section.
- Under Section 30 of the CGST Act, 2017, assessee has an option to file an application for revocation of cancellation of registration, within 30 days from the date of service of cancellation order. It has been proposed to substitute proviso to said Section, by which in deserving cases, the said period can be extended:
 - by Additional Commissioner or Joint Commissioner to a period not exceeding 30 days and
 - by Commissioner for a further period of 30 days.
- Section 51 of the CGST Act, 2017 is proposed to be amended to provide for issuance of TDS Certificate in a prescribed form and in a prescribed manner. Further, it has also been proposed to omit the corresponding provision of late fees for delay in issuance of TDS certificate.
- Section 109 of the CGST Act, 2017 is proposed to be amended to bring the provision for Appellate Tribunal under the CGST Act, 2017 in the Union



territory of Jammu and Kashmir and Ladakh.

- Section 122 of the CGST Act, 2017 is proposed to be 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. Such specified offences are mentioned below:
 - Person making Supply without issuing Tax Invoice
 - Person issuing Tax Invoice without actual Supply of Goods and Services / Fake Invoicing
 - Claim of Input Tax Credit without actual receipt of Goods and Services
 - Distribution of credit under ISD (Input Service Distributor) Registration in contravention of Section 20
- Section 132 of the CGST Act, 2017 is proposed to be 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 of the CGST Act, 2017 is proposed to be amended with retrospective effect from 1 July 2017, to prescribe the manner and time limit for taking transitional credit.
- Section 168 of the CGST Act, 2017 is proposed to be 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 of the CGST Act, 2017 in relation to anti profiteering is proposed to be 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 to CGST Act, 2017 is proposed to be amended with retrospective effect from 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..

Other Proposed Changes

- The refund of accumulated credit of compensation cess on tobacco products arising out of inverted duty structure in Compensation Cess is

disallowed w.e.f 1 October 2019 vide notification No. 3/2019–Compensation Cess (Rate) dated 30 September 2019. This notification is being given retrospective effect from 1 July 2017 onwards. Accordingly, no refund on account of inverted duty structure would be admissible on any tobacco products.

10.2 Custom Duty

- Various measures have been taken by the Government to keep the concept of "Make in India" alive by reducing the custom duties on various raw materials, inputs. On the other side, there is increase in rate of duty on certain goods with intent to discourage imports of such goods for boosting the domestic industry. A concise view is tabulated below:

10.2.1 CHANGES IN CUSTOM DUTY RATES:

I. MAJOR AMENDMENTS IN THE FIRST SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975 (Applicable w.e.f. 2 February 2020)

A. AMENDMENTS			Rate of Duty (BCD)	
S. No	Heading, sub- heading tariff item	Commodity	From	To
		Food processing		
1.	0802 32 00	Walnuts, shelled	30%	100%
		Chemicals		
2.	3824 99 00	Other chemical products and preparations of the chemical or allied industries, not else where specified	10%	17.5%
		Footwear		
3.	6401, 6402, 6403, 6404, 6405	Footwear	25%	35%
4.	6406	Parts of footwear	15%	20%
		Household appliances		
5.	8510 10 00	Shavers	10%	20%
6.	8510 20 00	Hair clippers	10%	20%
7.	8510 30 00	Hair-removing appliances	10%	20%
8.	8516 10 00	Water heaters and immersion heaters	10%	20%
9.	8516 31 00	Hair dryers	10%	20%

A. AMENDMENTS			Rate of Duty (BCD)	
S. No	Heading, sub- heading tariff item	Commodity	From	To
10.	8516 32 00	Other hair dressing apparatus	10%	20%
11.	8516 33 00	Hand drying apparatus	10%	20%
12.	8516 60 00	Other ovens, cookers, cooking plates, boiling rings, grillers and roasters	10%	20%
13.	8516 71 00	Coffee and tea makers	10%	20%
14.	8516 72 00	Toasters	10%	20%
		Machinery		
15.	8414 59 10	Air circulator	7.5%	10%
16.	8414 59 30	Industrial fans blowers and similar blowers	7.5%	10%
17.	8414 59 90	Other industrial fans	7.5%	10%
18.	8414 30 00, 8414 80 11	Compressor of refrigerator and air conditioner	10%	12.5%
19.	8418 50 00	Refrigerating or freezing display counters, cabinets, show- cases and the like	7.5%	15%
20.	8418 61 00	Heat pumps other than AC machines	7.5%	15%
21.	8418 69 10	Ice making machinery	7.5%	15%
22.	8418 69 20	Water cooler	10%	15%
23.	8418 69 30	Vending machine, other than automatic	10%	15%
24.	8418 69 40	Refrigerating equipment/ devices used in leather industry	7.5%	15%
25.	8418 69 50	Refrigerated farm tanks, industrial ice cream freezer	7.5%	15%
		Automobile and automobile parts		
26.	8421 39 20, 8421 39 90	Catalytic Convertor	10%	15%
		Furniture Goods		
27.	9401	Seats and parts of seats (other	20%	25%

A. AMENDMENTS			Rate of Duty (BCD)	
S. No	Heading, sub- heading tariff item	Commodity	From	To
		than aircraft seats and their parts)		
28.	9403	Other furniture and parts	20%	25%
29.	9404	Mattress supports; articles of bedding and similar furnishing	20%	25%
30.	9405	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%
		Toys		
31.	9503	Tricycles, scooters, pedal-cars and similar wheeled-toys; dolls carriages; dolls; other toys; reduced-size ("scale") models and similar recreational models, working or not; puzzles of all kinds.	20%	60%
B. New entries added to the First Schedule				
S. No.	Tariff Item	Description	Tariff Rate	Effective rate
1.	8414 51 50	Wall fans	20%	20%
2.	8529 90 30	Open cell for television set	15%	0%
3.	8541 40 11	Solar cells not assembled	20%	0%
4.	8541 40 12	Solar cells assembled in modules or made up in panels	20%	0%

II. OTHER CHANGES IN BASIC CUSTOMS DUTY RATES (w.e.f 2 February 2020)

S. No	Heading, sub- heading tariff item	Commodity	From	To
		Animals		
1.	0101 21 00	Pure-bred breeding horses	30%	Nil
		Sports Goods		
2.	44	List of items allowed duty free import up to 3% of FOB value of sports goods exported in the preceding financial year is amended to include Willow	Applicable rate	Nil
		Precious Stones and Metals		
3.	7108	Gold used in the manufacture of semiconductor devices or light emitting diodes	Nil	12.5%
4.	7103	Rubies, emeralds, sapphires – unset and imported uncut	Nil	0.5%
5.	7103	Rough coloured gemstones	Nil	0.5%
6.	7103	Rough semi-precious stones	Nil	0.5%
7.	7103	Pre-forms of precious and semi-precious stones	Nil	0.5%
8.	7104	Rough synthetic gemstones	Nil	0.5%
9.	7104	Rough cubic zirconia	Nil	0.5%
10.	7104	Polished Cubic Zirconia	5%	7.5%
11.	7110	Platinum or Palladium used in manufacture of-, a) All goods, including Noble Metal Compounds and Noble Metal Solutions [2843] b) Catalyst with precious metal or precious metal compounds as the active substance [3815 12]	12.5%	7.5%
12.	7112	Spent Catalyst /Ash containing precious metal like gold from which such precious metal is	12.5%	11.85%

S. No	Heading, sub- heading tariff item	Commodity	From	To
		retrieved, subject to specified conditions.		
		Machinery		
13.	84	Goods specified in List 10 of Notification No. 50/2017 – Customs dated 30.6.2017, required for use in high voltage power transmission project	5%	7.5%
14.	8432 80 20	Rotary tillers/weeder	2.5%	7.5%
15.	84 or any other Chapter	Goods specified in List 14 of Notification No. 50/2017 – Customs dated 30.6.2017, required for construction of road like paver finisher, machines for filling up cracks in roads, mobile bridge inspection units etc.	Nil	Applicable BCD
16.	8501	Motors like Single Phase AC motors, Stepper motors, Wiper Motors etc.	7.5%	10%
		Automobile and automobile parts		
17.	2843	Noble metal solutions and noble metal compounds used in manufacture of catalytic converter and their parts	5%	Applicable BCD
18.	7110	Platinum or Palladium used in manufacturing of catalytic converter and their parts	5%	Applicable BCD
19.	84 or any other Chapter	(A) Parts of catalytic converter for manufacture of catalytic converters. (B) The following goods for use in the manufacture of catalytic converters and its parts, viz:	5%	7.5%

S. No	Heading, sub- heading tariff item	Commodity	From	To
		(i) Raw substrates (ceramics) (ii) Wash coated substrates (ceramics) (iii) Raw substrates (metal) (iv) Wash coated substrates (metal) (v) Stainless steel wire cloth stripe (vi) Wash coat		
20.	8702, 8704	Completely Built Units (CBUs) of commercial vehicles (other than electric vehicles) [w.e.f. 1 April 2020]	30%	40%
21.	8702, 8704	Completely Built Units (CBUs) of commercial electric vehicles [w.e.f. 1 April 2020]	25%	40%
22.	8703	Semi Knocked Down (SKD) forms of electric passenger vehicles [w.e.f. 1 April 2020]	15%	30%
23.	8702, 8704, 8711	Semi Knocked Down (SKD) forms of electric vehicles– Bus, Trucks and Two wheelers [w.e.f. 1 April 2020]	15%	25%
24.	8702, 8703, 8704, 8711	Completely Knocked Down (CKD) forms of electric vehicles – Passenger vehicles, Three wheelers, Two wheelers, Bus and Trucks [w.e.f. 1 April 2020]	10%	15%

III. Pruning and review of customs duty concessions/ exemptions:

The BCD exemption available on certain goods is being withdrawn by omitting certain entries of Notification No. 50/2017–Customs dated 30 June 2017 with effect from 2 February 2020.

The changes in the customs regulation shall be effective from the enactment of the Bill, unless otherwise specified.

10.2.2 Major Amendments in Customs Act, 1962:

- Section 11(2) of the Customs Act, 1962, has been amended so as to include all other goods along with previously included gold or silver, to enable the Central Government to prohibit either absolutely or conditionally the import or export of such goods to prevent injury to the economy on account of uncontrolled import or export of such goods.
- New Chapter VAA inserted under Customs Act, 1962, comprising of section 28DA dealing with provisions relating to administration of rules of Origin under Trade Agreement.
- Chapter VIIA of the Customs Act, 1962 is renamed to “Payments through Electronic Cash Ledger and Electronic Duty Credit Ledger” from “Payments through Electronic Cash Ledger”.
- Section 51B is newly inserted dealing with maintenance of Electronic Duty Credit ledger. The Central Government shall issue duty credit in lieu of remission of any duty, tax or levy chargeable on any material used in the manufacture or processing of goods or for carrying out any operation on such goods in India that are exported.
- Section 111 of the Customs Act, 1962 is being amended to prescribe that goods imported on claim of preferential tariff treatment shall be liable for confiscation if any provisions of chapter VIAA have been contravened.

10.2.3 Amendments in the Customs Tariff Act, 1975:

- Amended Section 8B of the Customs Tariff Act, 1975, empowers Central Government to apply safeguard measures in case any article is imported in India in such increased quantities which would cause injury to the domestic industry. Safeguard measures include imposition of safeguard duty.

10.2.4 Exemption from levy of Social Welfare Surcharge (SWS):

Following are the list of certain major goods which are exempted from levy of SWS with effect from 2 February 2020:

Sr. N.	HSN Code	Description
1	0404 10 10	Whey, concentrated, evaporated or condensed, liquid or semi solid
2	0406 90 00	Cheese or other
3	0802 12 00	Almonds, shelled
4	1001 90	Maize

Sr. N.	HSN Code	Description
5	2515 12 20	Marble and travertine slabs
6	6802 21 10	Marble blocks/ tiles
7	6802 92 00	Other calcareous stones
8	8702 or 8704	All commercial vehicle (including electronic vehicles), if imported or completely built unit (CBU) (w.e.f 1 April, 2020)

10.2.5 Levy of Health Cess:

- A new levy, called "Health Cess" at the rate of 5% has been introduced by the Finance Bill, 2020 w.e.f. 2 February 2020 on import of all goods falling under heading 9018 to 9022 (i.e. medical devices).
- It is important to note that Health Cess shall not be imposed on medical devices which are exempted from basic custom duty. Further, inputs/ parts used in the manufacture of medical devices will also be exempted from Health Cess.
- Health Cess shall be calculated on the value as determined under section 14 of the Customs Act, 1962 for the purpose of levy of basic custom duty.
- Export Promotion scrips cannot be used for payment of said cess.

11.1 Financial Sector

- 11.1.1 In order to increase participation of non-resident Indians, some categories of government securities will be opened fully for non-resident investors, apart from being available to domestic investors as well.
- 11.1.2 The quantum of deposits insured in the event of a bank failure, would be raised to Rs. 5,00,000 from current Rs. 1,00,000.
- 11.1.3 In order to increase foreign investment in debt market, it is proposed to increase limit for FPI in corporate bonds from 9% to 15% of the outstanding stock of corporate bonds.
- 11.1.4 It is proposed to float a new Debt-ETF consisting primarily of government securities, thereby giving retail investors access to government securities as much as giving an attractive investment for pension funds and long-term investors.
- 11.1.5 In order to incentivize the investment by Sovereign Wealth Funds of foreign governments in the priority sectors, it is proposed to grant 100% tax exemption to their interest, dividend and capital gains income in respect of investment made in infrastructure and other notified sectors before 31 March 2024 and with a minimum lock-in period of 3 years.



11.2 Infrastructure Sector

- 11.2.1 It is proposed to set-up an international bullion exchange at IFSC in GIFT city and with the approval of the regulator, GIFT city would set up an international bullion exchange at IFSC as an additional option for trade by global market participants.
- 11.2.2 It is proposed to allow Rupee derivatives (with settlement in foreign currency) to be traded in IFSCs.
- 11.2.3 Investment of Rs.103 lakh crore in National Infrastructure Pipeline is proposed which consists of more than 6500 projects. These new projects will include housing, safe drinking water, access to clean and affordable energy, healthcare for all, world-class educational institutes, modern railway stations, airports, bus terminals, metro and railway transportation, logistics and warehousing, irrigation projects, etc, which will provide sectoral reforms in development, operation and maintenance of these infrastructure projects.
- 11.2.4 It is proposed to bring some policies to enable private sector to build Data Centre parks throughout the country.

11.3 MSME

- 11.3.1 It is proposed to release National Logistic policy which will create a single window

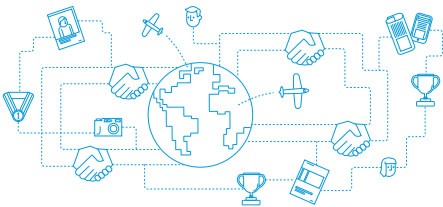
e-logistics market and focus on generation of employment, skills and making MSMEs competitive.

- 11.3.2 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.
- 11.3.3 It is proposed to launch an app-based invoice financing loans product, to end the delayed payments and cash flow mismatches for MSMEs.
- 11.3.4 It is proposed to amend Factor Regulation Act 2011 to enable NBFCs to extend invoice financing to MSMEs through TReDs, thereby enhancing economic and financial sustainability.

11.4 Certain Other Proposals

- 11.4.1 It is proposed to attract ECB and FDI in education sector so as to provide higher quality education.
- 11.4.2 It is proposed to announce the New Education Policy soon.
- 11.4.3 In order to further ease the process of allotment of PAN, it is proposed to launch a system under which PAN shall be instantly allotted online on the basis of Aadhaar without any requirement for filling up of detailed application form.
- 11.4.4 It is proposed to introduce scheme for remission of duties and taxes on exported products from this year itself.
- 11.4.5 The government has proposed to sell a part of its holding in LIC by way of an IPO.
- 11.4.6 The government has proposed to announce Jal Jeevan Mission to emphasis on augmenting local water sources, recharging existing sources and will provide water harvesting and de-salination.
- 11.4.7 It is proposed to reduce eligibility limit for NBFCs for debt recovery under SARFAESI Act of asset size from Rs.500 Crore to Rs.100 crore or loan size from Rs. 1,00,00,000 to Rs. 50,00,000.
- 11.4.8 To use fallow /barren lands, it is proposed to introduce a scheme to set up solar power generation capacity on barren lands and sell it to the grid.
- 11.4.9 Exemption from stamp duty under section 9A(1) has been granted in respect of the instruments of transaction in stock exchanges and depositories established in any IFSC set up under section 18 of the SEZ Act, 2005.
- 11.4.10 Certain amendments for criminal liability are proposed to be made in Companies Act 2013 for acts that are civil in nature

One of the major aspects considered by businesses, while conducting international business, is the complexity of taxation systems existing in various jurisdictions. India being a major player in the world market has entered into comprehensive DTAA's with almost 95 countries in order to mitigate double taxation, permit foreign tax credit and to facilitate international business transactions. Going forward, the international tax landscape would change as the Multilateral Instruments (MLIs) become effective and would need to be read along with the respective DTAA's. In this regard, on 25th June 2019 India has deposited the Instrument of Ratification of MLI to OECD, Paris along with its Final Position in terms of Covered Tax Agreements (CTAs), Reservations, etc. under the Multilateral Instruments.



India has included 93 DTAA's as CTA (China and Taipei not covered). As on date CBDT has released synthesized texts of 13 countries DTAA's, as modified by MLI to implement DTAA related measures to prevent Base erosion and profit sharing. CBDT has clarified that authentic texts of the DTAA and MLI are the only legal texts applicable, which takes precedence over the synthesized text. Though, the synthesized text will provide clarity on the application of the MLI on the DTAA and the dates on which the MLI provisions have effect in India and the other country. In this chapter, we have compiled the tax rates in respect of Dividend, Interest, Royalty and Fees for Technical Services, based on the DTAA's / synthesized texts entered into by India with various countries.

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
Rate as per the IT Act		20% [Note 2]	20%/5%/4% [Notes 7 and 8]	10% [Notes 4 and 8]	10% [Notes 4 and 8]	Rate as per the domestic tax regulations (to be further increased by applicable surcharge and education cess) or DTAA rate, whichever is more beneficial to taxpayer shall apply.
1	Albania	10%	10%[Note 5]	10%	10%	
2	Armenia	10%	10%[Note 5]	10%	10%	
3	Australia [Note 1]	15%	15%	10%/15% [Note 6]	10%/15% [Covered under Article for Royalty]	
4	Austria [Note 1]	10%	10%[Note 5]	10%	10%	

¹The synthesised text is in the form of a single document wherein the provisions of MLI is incorporated into the DTAA's after integrating the effects of the Protocols, insertion of applicable MLI provisions at the relevant sections of DTAA, etc.

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
5	Bangladesh	10% / 15%	10%[Note 5]	10%	No separate provision	a) 10% tax on dividends if at least 10% of capital of company paying dividend is held by recipient company b) 15% in all other cases
6	Belarus	10% / 15%	10%[Note 5]	15%	15%	a) 10% tax on dividends if paid to a Company holding 25% shares, b) 15%, in all other cases
7	Belgium	15%	15% / 10%	10%	10%	1. Interest taxable at 10% if recipient is bank; in any other case 15%. 2. MFN clause with respect to Royalty and FTS.
8	Botswana	7.50% / 10%	10%[Note 5]	10%	10%	a) 7.50% tax on dividends if shareholder is a company and holds at least 25% shares in the investee company, b) 10%, in all other cases
9	Brazil	15%	15% [Note 5]	15% (25% for trademark)	15% [Covered under Article for Royalty]	15% tax on dividends if paid to a company; in any other case as per domestic tax laws.
10	Bulgaria	15%	15% [Note 5]	15% / 20%	20%	15% tax on royalties if relating to copyrights of literary, artistic or scientific works, other than cinematograph films or films or tapes used for radio or television broadcasting, in any other case 20%.
11	Bhutan	10%	10%[Note 5]	10%	10%	
12	Canada	15% / 25%	15% [Note 5]	Note 6	Note 6	a) 15% tax on dividends if at least 10% of the voting power in the company paying the dividends is controlled by the recipient company, b) 20%, in other cases
13	China	10%	10%[Note 5]	10%	10%	
14	Croatia	5%/15%	10%[Note 5]	10%	10%	a) 5% tax on dividends if at least 10% of the capital of the company paying the dividend is held by the recipient company (other than partnership); b) 15% in all other cases

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
15	Cyprus	10%	10%[Note 5]	10%	10%	
16	Czech Republic	10%	10%[Note 5]	10%	10%	
17	Columbia	5%	10%[Note 5]	10%	10%	
18	Denmark	15% / 25%	15% / 10% [Note 5]	20%	20%	1. 15% tax on dividends if at least 25% of the capital of the company paying the dividend is held by the recipient company, in other cases 25%. 2. Interest taxable at 10% if recipient is bank; in any other case 15%.
19	Estonia	10%	10% [Note 5]	10%	10%	
20	Ethiopia	7.50%	10%[Note 5]	10%	10%	
21	Finland [Note 1]	10%	10%[Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
22	France	10%	10%[Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
23	Fiji	5%	10%[Note 5]	10%	10%	
24	Georgia	10%	10%[Note 5]	10%	10%	
25	Germany	10%	10%[Note 5]	10%	10%	
26	Greece	Taxable as per domestic laws in source country			No separate provision	
27	Hong Kong	5%	10%[Note 5]	10%	10%	
28	Hungary	10%	10%[Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
29	Indonesia	10%	10%[Note 5]	10%	10%	
30	Iceland	10%	10%[Note 5]	10%	10%	
31	Ireland [Note 1]	10%	10%[Note 5]	10%	10%	
32	Israel	10%	10%[Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
33	Italy	15% / 25%	15%[Note 5]	20%	20%	15% tax on dividends if at least 10% of the shares of the company paying the dividend is beneficially owned by the recipient company; in any other case 25%.
34	Japan [Note 1]	10%	10%[Note 5]	10%	10%	
35	Jordan	10%	10%[Note 5]	20%	20%	
36	Kazakhstan	10%	10%[Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
37	Kenya	10%	10%	10%	10%	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
38	Korea	15%	10%[Note 5]	10%	10%	
39	Kuwait	10%	10%[Note 5]	10%	10%	
40	Kyrgyz Republic	10%	10%[Note 5]	15%	15%	
41	Latvia	10%	10%[Note 5]	10%	10%	
42	Libya	Taxable as per domestic laws in source country			No separate provision	
43	Lithuania [Note 1]	5%/15%	10%	10%	10%	5% tax on dividends if at least 10% of the shares of the company paying the dividend is beneficially owned by the recipient company (other than a partnership); in any other case 15%.
44	Luxembourg	10%	10%[Note 5]	10%	10%	
45	Macedonia	10%	10%[Note 5]	10%	10%	
46	Malaysia	5%	10%[Note 5]	10%	10%	
47	Malta	10%	10%[Note 5]	10%	10%	
48	Mauritius	5% / 15%	7.5%	15%	10%	<p>1. 5% tax on dividend, if at least 10% of the capital of the company paying the dividend is held by the recipient company, in any other case 15%.</p> <p>2. 7.5% tax on interest in respect of loans made after 31 March, 2017. Interest income of Mauritian resident banks in respect of debt-claims existing on or before 31 March, 2017 shall be exempt from tax in India. [Note 5]</p> <p>3. The amended DTAA now provides for specific provision relating to FTS and the same will be taxable at the rate of 10% with effect from 1 April, 2017.</p>
49	Mongolia	15%	15%[Note 5]	15%	15%	
50	Montenegro [Note 1]	5% / 15%	10%[Note 5]	10%	10%	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership) through out a 365 day period; in any other case 15%.
51	Morocco	10%	10%[Note 5]	10%	10%	
52	Mozambique	7.50%	10%[Note 5]	10%	No separate provision	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
53	Myanmar	5%	10%[Note 5]	10%	No separate provision	
54	Namibia	10%	10%[Note 5]	10%	10%	
55	Nepal	5%/10%	10%[Note 5]	15%	No separate provision	<p>1. 5% tax on dividends if the beneficial owner of the shares is a company which holds at least 10% of the shares of the company paying the dividends; in any other case 10%.</p> <p>2. MFN clause with respect to Royalty shall be applicable if Nepal enters into treaty with any other country for a lower rate on royalties.</p>
56	Netherlands	10%	10%[Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
57	New Zealand	15%	10%[Note 5]	10%	10%	
58	Norway	10%	10%[Note 5]	10%	10%	
59	Oman	10% / 12.5%	10%[Note 5]	15%	15%	10% tax on dividends if at least 10% of the shares of the company paying the dividend is owned by the recipient company; in any other case 12.5%.
60	Philippines	15% / 20%	15% / 10% [Note 5]	15%	No separate provision	<p>1. 15% tax on dividends if at least 10% of the shares of the company paying the dividend is owned by the recipient company; in any other case 20%.</p> <p>2. Interest taxable @ 10% if recipient is Financial Institution (including an insurance company) and where the interest is payable by a company resident of Philippines to a resident of India in respect of public issues of bonds, debentures or similar obligations. In any other case 15%.</p> <p>3. Royalty taxable @ 15% if it is payable in pursuance of any collaboration agreement approved by the Government of India. No rates prescribed in any other case.</p>

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
61	Poland [Note 1]	10%	10%[Note 5]	15%	15%	
62	Portuguese Republic	10% / 15%	10%[Note 5]	10%	10%	10% tax on dividends if at least 25% of the capital stock is owned by company for an uninterrupted period of 2 years prior to the payment of dividend; in any other case 15%.
63	Qatar	5% / 10%.	10%[Note 5]	10%	10%	5% tax on dividends if at least 10% of the shares are owned by company; in any other case 10%.
64	Romania	10%	10%[Note 5]	10%	10%	
65	Russian Federation	10%	10%[Note 5]	10%	10%	
66	Saudi Arabia	5%	10%[Note 5]	10%	No separate provision	
67	Serbia [Note 1]	5% / 15%	10%[Note 5]	10%	10%	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership) throughout a 365 day period; in any other case 15%.
68	Singapore [Note 1]	10% / 15%	10% / 15%	10%	10%	1. 10% tax on dividends, if at least 25% of the shares of the company paying the dividend is held by the recipient company, in any other case 15% 2. Interest taxable at 10% if recipient is bank or similar financial institution including an insurance company; in any other case 15%.
69	Slovak Republic [Note 1]	15% / 25%	15% [Note 5]	30%	30%	15% tax on dividends, if at least 25% of the shares of the company paying the dividend is held by the recipient company throughout a 365 day period; in any other case 25%.
70	Slovenia	5% / 15%	10%[Note 5]	10%	10%	5% tax on dividends if at least 10% of the shares of the company paying the dividend is held by the recipient company; in any other case 15%.
71	South Africa	10%	10%[Note 5]	10%	10%	
72	Spain	15%	15% [Note 5]	10% / 20%	20%	1. 10% tax on royalties if paid for the use or right to use any

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
						industrial, commercial or scientific equipment; 20% in case of fees for technical services and other royalties. 2. MFN clause with respect to Royalty and FTS.
73	Sri Lanka	7.50%	10%[Note 5]	10%	10%	
74	Sudan	10%	10%[Note 5]	10%	10%	
75	Sweden	10%	10%[Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
76	Swiss Confederation	10%	10%[Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
77	Syrian Arab republic	5% / 10%	10%[Note 5]	10%	No separate provision	5% tax on dividends if at least 10% of the shares are owned by company (other than a partnership), in any other case 10%.
78	Taipei	12.5%	10%[Note 5]	10%	10%	
79	Tajikistan	5% / 10%.	10%[Note 5]	10%	No separate provision	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership); in any other case 10%.
80	Tanzania	5%/10%	10%[Note 5]	10%	No separate provision	5% tax on dividends if at least 25% of the shares are beneficially owned by company; in any other case 10%.
81	Thailand	10%	10%[Note 5]	10%	No separate provision	As per the revised DTAA with Thailand, effective from 1 April 2016, the rate of withholding tax is 10% in respect of Dividend, Interest and Royalty. There is no specific provision with respect to FTS.
82	Trinidad and Tobago	10%	10%[Note 5]	10%	10%	
83	Turkey	15%	10%/15% [Note 5]	15%	15%	Interest is taxable at 10% if recipient is bank, insurance company or similar financial institution; in any other case 15%.
84	Turkmenistan	10%	10%[Note 5]	10%	10%	
85	Uganda	10%	10%[Note 5]	10%	10%	
86	Ukraine	10% / 15%	10%[Note 5]	10%	10%	10% tax on dividends if at least 25% of the capital is owned by company (other than a partnership); in any other case 15%.

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
87	United Arab Emirates [Note 1]	10%	5% / 12.5% [Note 5]	10%	No separate provision	Interest taxable at 5% if recipient is bank or similar financial institution; in any other case 12.50%.
88	United Arab Republic (Egypt)	As per domestic law		Taxable in source country as per domestic tax rate	No separate provision	
89	United Kingdom [Note 1]	15% / 10%	15% / 10% [Note 5]	10%/15% [Note 6]	10%/15% [Note 6]	1. Interest taxable at 10% if recipient is bank; in any other case 15%. 2. Dividend taxable at 15% where dividend is paid out of income derived directly or indirectly from immovable property. In other case-10%.
90	United Mexican States	10%	10%[Note 5]	10%	10%	
91	United States	15% / 25%	10% / 15% [Note 5]	10%/15% [Note 6]	10%/15% [Note 6]	1. 15% tax on dividends if at least 10% of the voting stock is owned by company; in any other case 25%. 2. Interest taxable at 10% if recipient is bona fide bank or financial institution including an insurance company; in any other case 15%.
92	Uruguay	5%	10%[Note 5]	10%	10%	
93	Uzbekistan	10%	10%[Note 5]	10%	10%	
94	Vietnam	10%	10%[Note 5]	10%	10%	
95	Zambia	5% / 15%	10%[Note 5]	10%	10%	1. 5% tax on dividends if at least 25% of the shares are owned by company during a period of 6 months immediately preceding the date of payment of dividend; in any other case 15%.

Notes:

1. As on date CBDT has released synthesized texts for MLI modified DTAA's with 13 countries with UK, Austria, Australia, Lithuania, Ireland, Poland, Japan, UAE, Singapore, Serbia, Finland, Montenegro and Slovak Republic.

Sr. No.	Name of the Country	In India (Date of Entry into Effect)	
		Withholding Tax	Other Tax
1	Finland	1/4/2020	1/4/2020
2	Japan	1/4/2020	1/4/2020
3	Singapore	1/4/2020	1/4/2020
4	Slovak Republic	1/4/2020	1/4/2020
5	Serbia	1/4/2020	1/4/2020
6	UAE	1/4/2020	1/4/2020
7	Poland	1/4/2020	1/4/2020
8	UK	1/4/2020	1/4/2020
9	Ireland	1/4/2020	1/4/2020
10	Austria	1/4/2020	1/4/2020
11	Australia	1/4/2020	1/4/2020
12	Lithuania	1/4/2020	1/4/2020
13	Montenegro	1/4/2020	1/4/2020

2. Prior to 1 April 2020, dividend income shall be subject to DDT @ 20.5553% on any amount declared, distributed or paid by a domestic company by way of dividend and was tax exempt in the hands of the non-resident shareholders. Deduction under section 57 for interest expenditure shall be available and restricted to 20% of dividend income. However, no deduction available for other expenses.
3. Unless otherwise provided in the DTAA, both the countries have right to tax.
4. The rate of tax under the IT Act on Royalty and/or FTS receivable by a non-resident is 10% (plus applicable Surcharge and Education Cess). As per section 90(2) of the IT Act, tax rate as per the provisions of DTAA or the IT Act, whichever is beneficial to the assessee, shall apply. For availing the benefit of DTAA, furnishing of TRC and self-declaration in Form 10F by the payee is mandatory. Form 10F is not required to be furnished if all the particulars stated therein are provided in the TRC itself.
5. Interest earned by /*paid to the Government and certain specified institutions, inter-alia, Reserve Bank of India is exempt from taxation in the country of source (subject to certain conditions).
*As per DTAA amended between India-China by Notification dated 17 July 2019 with effect from 1 April 2020.
6. Tax rate is 10% in case of Royalties for equipment rental and fees for services ancillary or subsidiary thereto. For other cases, the tax rate is 15%. However, for

first 5 years of the agreement, the rate is 20% in case of payer other than Government or specified institution and 15% for the subsequent years.

7. Lower withholding tax of 5% is applicable in case of interest on borrowing in foreign currency under a loan agreement, interest on long term bond including long term infrastructure bond, interest on infrastructure debt fund and interest on rupee denominated bond and government securities a Government security. However, in case of interest on rupee denominated bonds issued during a period on or before 1 July 2023, the interest shall be exempt under new section 10(4C) of the IT Act. Therefore, it is not subject to any withholding tax on such interest income.

Lower withholding tax of 4% is applicable in case of interest on borrowing in foreign currency from a source outside India by way of any long-term bond or rupee denominated bond listed on recognized stock exchange located in IFSC.

Lower withholding tax of 5% is applicable to FIs or QIs in case of investment in government securities or rupee denominated bond or municipal debt security.

8. In case the payee is not able to furnish PAN to the payer, tax shall be deducted at higher of the following rates:
 - (i) rate specified in the relevant provision of the IT Act,
 - (ii) at the rates in force or
 - (iii) at the rate of 20%

Payments namely interest, royalty and fees for technical services will not require PAN if alternative documents/details such as TRC, tax identification number of country of residence, etc. are furnished by the non-resident to the Indian deductor.

9. Where the provisions of GAAR are attracted (applicable from FY 2017-18), tax treaty benefit may be denied to a non-resident.
10. Any income in the nature of Royalty or FTS arising to non-resident from services rendered to the National Technical Research Organization is exempt under section 10(6D) of the Act.
11. Capital Gain taxation under the Tax Treaties

- The treaties between India-Mauritius, India-Singapore & India-Cyprus were amended in 2016 to provide source-based taxation for capital gains on the transfer of shares on or after 1 April 2017 of Indian companies with respect to shares acquired prior to 1 April 2017. As such, capital gains from the alienation of shares acquired on or after 1st April 2017 in a company which is resident of a Contracting State may be taxed in that State (i.e. the source state).
- The India-Mauritius DTAA & India-Singapore DTAA also provided concessional tax rate of 50% of the domestic capital gains tax rate for the period of 2 years (Between 1 April 2017 and 31 March 2019) in the source state. This concessional tax rate is subject to fulfillment of the Limitation of Benefit (LOB) clause under the India-Mauritius DTAA and India-Singapore DTAA.

In this chapter, we have compiled the relevant provisions of TDS relating to residents and non-residents, incorporating herein the nature of payments, threshold limits for tax deduction and the applicable rates of TDS for different classes of recipients.



Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Existing Rate at which Tax is to be Deducted [Note 1 & 18]	Proposed Threshold for Deduction w.e.f. 1 April 2020	Proposed Rate at which tax is to be Deducted [Note 1 & 18]
1	Salary	192	As per slab rates prescribed for senior citizens (includes very senior citizen) and other individuals			
2	Accumulated balance due to an employee participating in RPF [Note-2 and 6]	192A	Less than Rs. 50,000 in aggregate	10%	Less than Rs. 50,000 in aggregate	10%
3	Interest on securities including listed debentures [Note-3 and 6]	193	Rs. 5,000 p.a. for interest on debentures by public company to resident individuals and HUF.	10%	Rs. 5,000 p.a. for interest on debentures by public company to resident individuals and HUF.	10%
4	Dividend by the Company, including dividends on preference	194	Rs.2,500 p.a	Nil deduction in respect of dividend referred in Section 115-O	Rs.5,000 p.a	10%
5	Interest other than interest on securities [Note-4, 6, 7 and 8]	194A	Rs. 5,000 / Rs. 40,000 / Rs. 50,000 p.a.	10%	Rs. 5,000 / Rs. 40,000 / Rs. 50,000 p.a.	10%
6	Winning from lottery or crossword puzzle or card game or other game	194B	Rs. 10,000 p.a.	30%	Rs. 10,000 p.a.	30%
7	Winnings from horse race	194BB	Rs. 10,000 p.a.	30%	Rs. 10,000 p.a.	30%
8	Payments to contractors [Note-7 and 9]	194C	Rs. 30,000 for single transaction or Rs. 1,00,000 p.a.	2% (1% for individual and HUF)	Rs. 30,000 for single transaction or Rs. 1,00,000 p.a.	2% (1% for individual and HUF)
9	Insurance commission [Note-6]	194D	Rs. 15,000 p.a.	5%	Rs. 15,000 p.a.	5%
10	Payment in respect of life insurance policy [Note-5, 6 and 20]	194DA	Less than Rs. 1,00,000 p.a.	5%	Less than Rs. 1,00,000 p.a.	5%
11	Payment to non-resident sportsmen (including an athlete) / entertainer / sports association	194E	No threshold	20%	No threshold	20%
12	Payment in respect of deposits under National Savings Scheme, 1987 [Note 6]	194EE	Less than Rs. 2,500 p.a.	10%	Less than Rs. 2,500 p.a.	10%

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Existing Rate at which Tax is to be Deducted [Note 1 & 18]	Proposed Threshold for Deduction w.e.f. 1 June 2020	Proposed Rate at which tax is to be Deducted [Note 1 & 18]
13	Commission, etc. on sale of lottery tickets	194G	Rs. 15,000 p.a.	5%	Rs. 15,000 p.a.	5%
14	Commission or brokerage [Note-7]	194H	Rs. 15,000 p.a.	5%	Rs. 15,000 p.a.	5%
15a	Rent of Land / Building (including factory building) / Furniture or fitting [Note-6 and 7]	194I	Rs. 2,40,000 p.a.	10%	Rs. 2,40,000 p.a.	10%
15 b	Rent of Plant, Machinery or Equipment [Note-6 and 7]	194I	Rs. 2,40,000 p.a.	2%	Rs. 2,40,000 p.a.	2%
16	Payment/credit of consideration to a resident transferor of any immovable property (other than agricultural land) [Note-21]	194IA	Less than Rs. 50,00,000	1%	Less than Rs. 50,00,000	1%
17	Rent [Note-10]	194-IB	Rs. 50,000 p.m. or part of the month	5%	Rs. 50,000 p.m. or part of the month	5%
18	Monetary Consideration payable under JDA	194-IC	No threshold	10%	No threshold	10%
19	Fees for professional and technical services / royalty / remuneration to Director other than salary [Note-7, 11 and 12]	194J	Rs. 30,000 p.a.	10%	Rs. 30,000 p.a.	10% 2% (Fees for technical services; other than professional services)
20	Payment of compensation on acquisition of certain immovable property (other than agricultural land) [Note-13]	194LA	Rs. 2,50,000 p.a.	10%	Rs. 2,50,000 p.a.	10%
21	Income by way of Interest from Infrastructure Debt Fund	194LB	No threshold	5%	No threshold	5%
22 a	Income from units of a business trust by way of interest from a special purpose vehicle	194 LBA	No threshold	10%, (5% for non-residents)	No threshold	10% and for non-residents 5% for

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Existing Rate at which Tax is to be Deducted [Note1 & 18]	Proposed Threshold for Deduction w.e.f. 1 June 2020	Proposed Rate at which tax is to be Deducted [Note1 & 18]
						Interest and 10% for dividend [Note- 16 and 17])
22 b	Income from units of REIT by way of leasing or leasing out any real estate asset	194 LBA	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant DTAA's, whichever is beneficial [Note - 16 and 17]	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant DTAA's, whichever is beneficial [Note - 16 and 17]
23	Income in respect of units of investment fund	194 LBB	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant DTAA's, whichever is beneficial [Note-16]	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant DTAA's, whichever is beneficial [Note-16]
24	Income in respect of investment in securitization trust	194 LBC	No threshold	30% (25% for individual and HUF) and for non-residents as per rate in force or rate specified in the relevant DTAA's, whichever is beneficial [Note-16]	No threshold	30% (25% for individual and HUF) and for non-residents as per rate in force or rate specified in the relevant DTAA's, whichever is beneficial [Note-16]
25	Income by way of Interest payable to non-residents from Indian company or a business trust	194LC	No threshold	5%	No threshold	5% 4% (Interest payable of monies borrowed in foreign currency, issue of any long term bond or RDB listed only on a recognized

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Existing Rate at which Tax is to be Deducted [Note1 & 18]	Proposed Threshold for Deduction w.e.f. 1 June 2020	Proposed Rate at which tax is to be Deducted [Note1 & 18]
						stock exchange located in any IFSC [Note-14]
26	Income by way of Interest on certain Bonds and Government Securities held by FII and QFI [Note-15]	194LD	No threshold	5%	No threshold	5%
27	Payment to non-resident of sum chargeable to tax in India	195	As per the rate in force or rate specified in the relevant DTAAs, whichever is beneficial [Note-16 and 19]			
28	Payment of certain sums by certain individuals or HUF [Note-22]	194M	Rs.50,00,000 p.a.	5%	Rs.50,00,000 p.a.	5%
29	Payment of certain amounts in cash [Note-23]	194N	Rs.1,00,00,000 p.a.	2%	Rs.1,00,00,000 p.a.	2%
30	Payment in respect of mutual fund specified under section 10 (23D) or units from the administrator of the specified undertaking or units from the specified company	194K (w.e.f. 1 April 2020)	-	-	Rs. 5000 p.a.	10%
31	Payment facilitated by e-commerce operator [Note -24]	194-O (w.e.f. 1 April 2020)	-	-	Rs. 5,00,000 p.a.[for Individuals/ HUF)	1%

Notes:

- In case the payee is not able to furnish PAN to the payer, tax shall be deducted at higher of the following rates:
 - rate specified in the relevant provision of the IT Act,
 - at the rates in force or
 - at the rate of 20% (5% for tax deduction under section 194-O of the IT Act)

Certain payments to non-residents such as interest, royalty, fees for technical services and payment on transfer of capital asset will not require PAN if alternative documents such as tax residency certificate, tax identification number of country of residence, etc. are furnished.

2. In case PAN is not furnished by the person entitled to receive the accumulated balance in RPF, the tax is to be deducted at the maximum marginal rate.
3. Interest on securities issued by Company and listed on any recognized stock exchange would not be subject to deduction of tax if such securities are held in dematerialized form. The section also provides for certain cases where tax is not to be deducted at source.
4. Under section 194A, the threshold limit is Rs.40,000 where the payer is a banking company or a co-operative society engaged in banking business, or in case of deposits with post office under a scheme notified by CG and Rs.5,000 in any other case. However, if the payee is a senior citizen, then the threshold limit is Rs. 50,000.
5. Tax is to be deducted on sums payable other than the amount not includible in the total income under section 10(10D).
6. Tax is not to be deducted, if the payee (not being a company or a firm) furnishes to the payer a declaration in Form No.15G or 15H, as the case may be.
7. An individual or HUF is not liable to deduct tax. However, an individual or HUF, who is liable to tax audit under section 44AB during the financial year immediately preceding the financial year in which sum is credited or paid, shall be liable to deduct tax under sections 194A, 194C, 194H, 194I and 194J as the case may be.
8. **It is proposed that co-operative society shall be liable to deduct tax at source if its total sales, gross receipts or turnover exceeds Rs. 50,00,00,000 during the financial year immediately preceding the financial year in which the interest is credited or paid and the amount of interest during the financial year is more than Rs. 50,000 in case of payee being a senior citizen and Rs. 40,000 in any other case.**
9. No tax is required to be deducted at source on credit or payment of transport charges, if the transporter owns 10 or less than 10 goods carriages at any time during the previous year and furnishes a declaration to that effect along with his valid PAN.

The definition of 'Work' also include contract manufacturing, raw material provided by assessee or its associate.

10. An individual or HUF (other than those covered under tax audit) is liable to deduct tax on payment of rent in the last month of the previous year or last month of tenancy arrangement whichever being earlier, under section 194-IB and he is not required to obtain TAN.
11. Tax is required to be deducted on remuneration paid to a director which is not in the nature of salary. No threshold limit of Rs 30,000 p.a. is applicable for the same.
12. Tax is to be deducted at the rate of 2% in case of payment made to a person engaged only in the business of operation of call center.

It is proposed to reduce the rate for TDS on fees for technical services (other than professional services) to 2% from existing 10%. The TDS rate in other cases under section 194J would remain same at 10%.

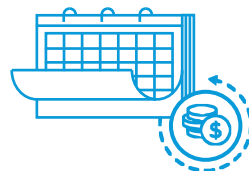
13. If payment is made in respect of any award or agreement which is exempted from levy of income-tax under section 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (30 of 2013), no tax will be deducted at source under section 194LA.

14. In respect of amount borrowed in foreign currency from a source outside India:
 - under a loan agreement executed after 1 July 2012 but before 1 July 2020; or
 - by way of issue of any long term bond (including long term infrastructure bond) issued on or after 1 October 2014 but before 1 July 2020; or
 - by way of issue of long term infrastructure bond after 1 July 2012 but before 1 October 2014; or,
 - RDB issued outside India before 1 July 2020.
 - It is proposed to extend the period from 1 July 2020 to 1 July 2023 and TDS at 5%.
 - It is proposed to TDS shall be 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.
15. Interest payable on or after 1 June 2013 but before 1 July 2020 in respect of investment made by FII or QFI in RDB of an Indian Company or Government Security.
It is proposed to extend the period of TDS rate of 5% from 1 July 2020 to 1 July 2023. Further, the investment is extended to include municipal debt security.
16. For the purpose of claiming DTAA benefit, the non-resident payee should furnish a valid TRC from foreign tax authority and a self-declaration in Form 10F. Form 10F is not required to be furnished if all the particulars stated therein are provided in the TRC itself.
Further, if the payee obtains a lower /nil deduction certificate from the income tax authority, tax shall be required to be deducted based on such certificate. It has been proposed in the Bill that the lower /nil deduction certificate shall have to be made in electronic form on TRACES website
- 17. In case of Non-residents, tax shall deducted @ 5% on interest and 10% on dividend income. And on other income, TDS shall be as per rates in force or rate specified in the relevant DTAA's, whichever is beneficial.**
18. A payer shall not be required to deduct TDS on 'service tax' component wherever in terms of the agreement between the payer and payee, the service tax component comprised in the amount payable to a resident payee is indicated separately. With the introduction of new GST regime, w.e.f. 1 July 2017, CBDT has further clarified to substitute 'Service tax' in an agreement/ contract by 'GST on services' from 1 July 2017.
19. Income arising to non-resident or a foreign company, by way of royalty from, or FTS rendered in or outside India to, the NTRO will be exempt from income tax. Accordingly, NTRO will not be required to deduct tax at source on such payments.
20. The levy of TDS on the income comprised in the sum payable by way of redemption of a life insurance policy including the sum allocated by way of bonus on such life insurance policy, excluding the amount exempted under section 10(10D) of the IT Act.
21. Under the explanation to section 194-IA the term 'consideration for immovable property' shall include all charges of the nature of club membership fee, car parking fee, electricity and water facility fees, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property.
22. Payment made by an individual and HUF to a resident on account of contractual work or

professional fees, who are not required to deduct tax at source under section 194C, 194H and 194J of the IT Act shall be required to deduct tax at source on the aggregate sum exceeding the threshold limit from 1 September 2019. Such individual and HUF shall be able to deposit the TDS using PAN and shall not be required to obtain TAN.

23. A banking company, a co-operative society engaged in carrying on the business of banking or a post office is responsible for deducting tax at source at the time of payment of such sum to any person from an account maintained by the recipient from 1 September 2019. Further, no tax shall be deducted on cash payment made to the Government, banking company, cooperative society engaged in carrying on the business of banking, post office, banking correspondents and white label ATM operators.
24. E-commerce operator shall be required to deduct tax at source at the time of sale or service or both facilitated by it through its digital or electronic facility or platform to the account of e-commerce participant from 1 April 2020.

We have provided an overview of the various direct tax, FEMA and GST compliances from the perspective of a Company, Partnership Firm (including LLP), Individual and HUF.



14.1 Direct Tax Compliance Calendar

Nature of Compliances	Person		
	Company	Partnership Firm / LLP	Individual and HUF
I. Due date for filing of ROI (Note 1,2 and 3)			
Person covered under tax audit (other than whom transfer pricing is applicable)	31 October		
Person covered under transfer pricing	30 November		
Other persons	31 October	31 July	31 July
II. Due date for Tax Audit Report and Transfer Pricing Report (Note 1,2 and 3)			
Person covered under tax audit (other than whom transfer pricing is applicable):	30 September		
Person covered under transfer pricing	31 October		
Other persons	Not Applicable		
II. Advance Tax Payments for Income Tax (Note 4 &5)			
1st Installment – on or before 15 June	15%		
2nd Installment – on or before 15 September	45%		
3rd Installment – on or before 15 December	75%		
4th Installment – on or before 15 March	100%		
III. Tax Deducted at Source (Note6)			
Tax must be deducted at the time of payment, in case of salary	Applicable	Applicable, only if person is covered under tax audit in the preceding previous year	
In case of payments other than salary, at the time of making payment or credit, whichever is earlier			
Tax deducted must be deposited in the bank by 7th day of following month except tax deducted for payment or credit made in March must be deposited by 30th April			
Tax deducted under section 194(IA) on purchase of immoveable property (other than agricultural land) must be deposited in bank within period of 30 days from the end of month of deduction	Applicable		
Tax deducted on personal services under section 194M must be deposited in bank within period of 30 days from the end of month of deduction	Not Applicable		Applicable, only if person is not covered under tax audit in the preceding previous year

Nature of Compliances	Person		
	Company	Partnership Firm / LLP	Individual and HUF
Tax shall be deducted on rent under section 194(IB) at the time of credit of rent, for the last month of the previous year or the last month of tenancy, if the property is vacated during the year, as the case may be, or at the time of payment, whichever is earlier. Tax deducted must be deposited in bank within period of 30 days from the end of month of deduction.	Not Applicable		Applicable, only if person is not covered under tax audit in the preceding previous year
IV. Tax Collected at Source (Note 7)			
Tax must be collected at the time of debiting the amount to the account of the buyer or at the time of receipt whichever, is earlier	Applicable		Applicable, only if person is covered under tax audit in the preceding previous year
Tax collected must be deposited within one week from the last day of the month in which the collection is made			
V. Due dates for filing of TDS Returns /TCS Returns			
For the Quarter ended June For the Quarter ended September For the Quarter ended December For the Quarter ended March	31 July / 15 July 31 October / 15 October 31 January / 15 January 31 May / 15 May		
VI. Due dates for issue of Form 16 and Form 12BA (for Salaries) / Form 16A (for other than Salaries)/Form 16B(for Sale of Property)/Form 16C(for Section 194-IB)/Form 16D (for Section 194M) and Form 27D (for TCS)			
Issue of Form 16 and Form 12BA annually Issue of Form 16A / 27D for quarter ended June Issue of Form 16A / 27D for quarter ended September Issue of Form 16A / 27D for quarter ended December Issue of Form 16A / 27D for quarter ended March Issue of Form 16B/Form16C/Form 16D	15 June 15 August / 30 July 15 November / 30 October 15 February / 30 January 15 June / 30 May 15 days from the date of furnishing Form 26QB, 26QC and 26QD respectively		
VII. Due Date of submission in Form 61 by Persons Specified in Rule 114D (Details of Transactions in which PAN to be quoted.)			
For declarations received in Form 60 for first half year ended 30 September	31 October		
For declarations received in Form 60 for second half year ended 31 March	30 April		
VIII. Due dates for submission of payment under section 285 (Note 8)			
Non-resident having liaison office in India to file statement in Form 49C	Within 60 days from the end of the financial year		
IX. Due date for filing Annual Information Return under section 285BA			
Specified persons to furnish Annual Information Return in Form 61A in respect of specified financial transactions (SFT)	31 May		

Nature of Compliances	Person		
	Company	Partnership Firm / LLP	Individual and HUF
X. Due dates for filing Appeals before the Income-Tax Appellate authorities			
Objections before the Dispute Resolution Panel	Within 30 days from the receipt of the draft assessment order		
Appeal to the Commissioner of Income-tax (Appeals) (Note 9)	Within 30 days from the date of service of notice of demand/ date of upload of order on the income tax portal sought to be appealed against.		
Appeal to the Income-tax Appellate Tribunal (Note 10)	Within 60 days from the date of service of notice of demand/ date of upload of order on the income tax portal sought to be appealed against.		
XII Due date for filing online response to CPC communication			
Communication of proposed adjustment under section 143(1)(a) of the IT Act	Within a period of 30 days from the date of issue of the communication In case, no response is received by CPC within 30 days of issue of the intimation, the ROI will be processed after making necessary adjustment(s) under section 143(1)(a) of IT Act.		
Notice under section 139(9) of the IT Act	Within 15 days of receipt of the notice In case no response is made, the ROI filed shall be liable to be treated as an invalid return		
XI. Due dates for deduction and deposit of Equalization Levy			
Applicable for Amount paid or payable towards certain specified services to a non-resident subject to Equalization Levy (Note 11)			
Time of deduction	When amount is paid or payable		
Rate of Tax	6% on Gross amount paid		
Date of Deposit	7th of next month		
Date of Annual Statement of Specified Services in Form no.1	30 June of next year		
XII. Digital Payment Facility			
Every person, carrying on business, if his total sales, turnover or gross receipts, as the case may be, in business exceeds Rs. 50,00,00,000 during the immediately preceding previous year shall provide facility for accepting payment through (i) Debit Card powered by RuPay, (ii) Unified Payments Interface (UPI) (BHIM-UPI) and (iii) Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code) electronic modes, in addition to the facility for other electronic modes. (Note 12).			

Notes:

1. It is proposed in the Bill the due date for e-filing ROI for person covered under tax audit (other than whom transfer pricing is applicable) is 31 October. However, due date to get its books of accounts audited under section 44AB of the IT Act remains the same. i.e. 30 September.
2. It is proposed in the Bill the person covered under transfer pricing is required to get its books of accounts audited under section 44AB of the IT Act and e-file transfer pricing report is 31 October.
3. In case of partner of a partnership firm, whose accounts are required to be audited under section 44AB of the IT Act, the date of filing of ROI is 31 October. The acknowledgment of the ROI uploaded without using a digital signature is required to be sent to CPC, Bangalore through speed post within 120 days of e-filing.
4. Advance tax payment for income-tax is applicable to every person (except a resident senior citizen not having income from business or profession) where the amount of income-tax payable is Rs.10,000 or more.
5. An eligible assessee in respect of eligible business referred to in section 44AD or eligible profession referred to in section 44ADA opting for computation of profits or gains of business or profession on presumptive basis, shall be required to pay advance tax of the whole amount in one installment on or before the 15 March of the financial year.
6. A NIL Declaration is basically a declaration for non-filing of TDS Statements for those deductors who are not liable to deduct any tax during the relevant quarter or have not deducted tax during any quarter and subsequently did not file a TDS Statement under section 200(3) of the IT Act 1961 for any quarter.
7. Tax Collection at Source (TCS) is to be collected by the seller from the buyer at the time of sale of specified category of goods, remittances under LRS, sale of overseas travel packages. The TCS rate is different for each category of goods and services and TCS so collected by the seller from the buyer is required to be deposited with the government.
Further, TCS shall not apply to certain buyers who satisfy the specified conditions
8. Every person, being a non-resident having liaison office in India shall, in respect of its activities in a financial year, file a statement in Form No. 49C within 60 days from the end of the financial year, i.e. 30 May to the Assessing Officer.
9. Electronic filing of appeal is mandatory to the Commissioner of Income Tax (Appeals). It is proposed in the Bill empowering Central Government to notify an e-appeal scheme for disposal of appeal so as to impart greater efficiency, transparency and accountability.
10. Memorandum of cross objection is to be filed within 30 days from the receipt of notice intimating that the appeal has been preferred before the Tribunal, against any part of the order under appeal, if required.
11. Equalization Levy is to be levied only on payment made for certain specified services and facilities provided by non-resident not having a PE in India. Specified services in this behalf means:
 - Online* advertisement,
 - Provision for digital advertising space, or
 - Any other facility or service for the purpose of online advertisement, or
 - Any other service notified by the Central Government in this behalf;

*The word 'online' has been defined to mean a facility for service or right or benefit or access that is obtained through the internet or any other form of digital or telecommunication network.
12. The Digital Payment facility is applicable from 1 January 2020 and penalty of Rs.5,000 per day would be levied after 1 February 2020 subject to conditions.

14.2 FEMA Compliance Calendar

Sr. No.	Form Name	Description / To be filed by	Due Date(s)
COMPLIANCE PERTAINING TO FDI IN INDIA			
	Annual Compliances		
1.	FLA Return	Indian Company which has received FDI or an LLP which has received capital contribution in the previous year including the current year to file FLA return on FLAIR portal One time registration to be done on FLAIR portal for filing FLA return	On or before the 15th day of July each year
	Event based compliances The below mentioned forms (except downstream investment intimation to DPIIT) are required to be filed on FIRMS portal after obtaining entity user and business user registration on FIRMS portal		
2.	Form Foreign Currency–Gross Provisional Return (FC–GPR)	<ul style="list-style-type: none"> Indian company issuing equity instruments to a person resident outside India which is considered as FDI Conversion of ECB into equity 	Within 30 days from the date of issue of equity instruments
3.	Form Foreign Currency–Transfer of Shares (FC–TRS)	Transfer of equity instruments of an Indian company between resident and non–resident. To be filed by resident transferor / transferee or the non–resident holding equity instruments on a non–repatriation basis	Within 60 day of transfer or receipt /remittance of funds
4.	Form ESOP	Indian company issuing employees' stock option to persons resident outside India who are its employees/directors or employees/directors of its holding company/joint venture / wholly owned overseas subsidiary/subsidiaries	Within 30 days from the date of issue of employees' stock option.
5.	Form Depository Receipt Return (DRR)	Domestic Custodian to report issue / transfer of depository receipts	Within 30 days of close of the Issue
6.	Form LLP (I)	LLP receiving amount of consideration for capital contribution and acquisition of profit shares from a person resident outside India	Within 30 days from the date of receipt of consideration
7.	Form LLP (II)	Disinvestment / transfer of capital contribution or profit share between resident and non–resident. To be filed by resident transferor / transferee.	Within 60 days from the date of receipt of funds
8.	Form InVI	Investment vehicle which has issued its units to a person resident outside India	Within 30 days from the date of issue of units
9.	Downstream Investment – Indirect foreign investment by an Indian Company in another Indian Company		
	– Intimation letter	An Indian entity or an investment vehicle making downstream investment in another Indian entity which is considered as indirect foreign investment for the investee Indian entity in terms of the Rules, shall notify the Secretariat for Industrial Assistance, DPIIT	Within 30 days from the date of issue of units

Sr. No.	Form Name	Description / To be filed by	Due Date(s)
	- Form DI	Indian entity or an investment Vehicle making downstream investment in another Indian entity which is considered as indirect foreign investment	Within 30 days from the date of allotment of equity instruments.
OVERSEAS DIRECT INVESTMENT BY A PERSON RESIDENT IN INDIA			
Annual Compliances			
1.	Form ODI part II – APR	IP and a RI which has made direct investment abroad must submit APR annually	Every year on or before December 31
2.	Annual Return on Foreign Liabilities and Assets (FLA)	IP which has made overseas investment in current and/or previous year(s) is required to file FLA return on FLAIR portal One time registration to be done on FLAIR portal for filing FLA return	On or before the 15th day of July each year
Event based compliances			
3.	Form ODI part I	-IP and RI making an overseas investment -IP providing guarantee on behalf of overseas JV/WOS -IP granting loan to overseas JV/WOS	At the time of making remittance / Within 30 days of issuance of guarantees
4.	Form ODI part III	IP and RI disinvesting its stake in overseas JV/WOS	Within 30 days from the date of disinvestment
5.	Form ODI part I – section A	Change in the details of IP/ RI viz Change in the name, Address, contact details, status, Investigation details and Change in the Network of the IP	Within 30 days of the approval of those decisions by the competent authority
6.	Form ODI part I – section B	-Change in details of JV/ WOS viz. capital structure, operating entity to Special Purpose Vehicle or vice versa, name, address etc. -Reporting of setup/ incorporation/ investment / disinvestment of Step Down Subsidiary	
7.	Form ODI part I – section C	-Conversion of loan into equity and vice versa -Rollover / change in amount / validity date of the guarantee already reported to the Reserve Bank	
8.	Annual Statement (ESOP Reporting)	Indian company to report only in case of allotment of shares to Indian employees/ Directors and repurchase of shares by the issuing foreign company under ESOP Schemes	After the end of the financial year i.e. 31 March
ECB RELATED COMPLIANCES			
1.	Form ECB 2 Return	Borrowers to report actual ECB transactions on monthly basis	Within 7 working days from the close of the month to which it relates

Sr. No.	Form Name	Description / To be filed by	Due Date(s)
2.	Form ECB	Application for raising ECB under the Automatic / Approval Route and for allotment of Loan Registration Number	Prior to availing ECB
3.		Changes in terms and conditions of ECB, to be reported to DSIM	Within 7 days from the day of changes effected
IMPORT & EXPORT RELATED COMPLIANCES			
1.	Realization of Export proceeds	Export Proceeds must be realized and repatriated to India within stipulated time limit. –In case of goods exported to a warehouse established outside India. –In case of other exports AD Bank may grant approval to extend the period of realization of export proceeds beyond stipulated period of realization, up to a period of 6 months, at a time subject to certain conditions.	–Within 9 months from the date of export –Within 15 months from the date of shipment
2.	Remittances for Import Payments	Remittance towards import of goods and services AD Category – I banks can consider granting extension of time for settlement of import dues up to a period of 6 months at a time (maximum up to the period of 3 years) subject to certain conditions	Not later than 6 months from the date of shipment
3.	EDF Form	Exporters shall submit the duplicate copy of the EDF to Customs Duplicate EDF along with relative shipping documents and an extra copy of invoice to be submitted to the AD named in the EDF	At the time of shipment of goods Within 21 days from the date of export
4.	Form SOFTEX	Exporter should submit declaration in Form SOFTEX in quadruplicate in respect of export of computer software and audio / video / television software to the designated official concerned of the Government of India at STPI / EPZ /FTZ /SEZ	Within 30 days from the date of invoice / the date of last invoice raised in a month
COMPLIANCES RELATED TO BO / LO / PO			
1.	Form FNC	Application for establishing BO/LO/PO or Requests for establishing additional BOs / LOs may be submitted to the AD Category–I bank	–
2.	Annual Activity Certificate	BO/LO/PO must file AAC along with the audited financial statements to the designated AD Category – I bank and a copy of the same also to be filed to the Director General of Income Tax (International Taxation)	On or before September 30 of every year
		If the annual accounts of the BO/LO are finalized with reference to a date other than March 31	Within 6 months from the due date of the Balance Sheet

14.3 Goods and Services Tax (GST) Compliance Calendar

	Nature of Compliances	Due dates	Periodicity of filing
Forms	Description		
GSTR-1	Details of outward supplies		
	Taxpayer whose aggregate turnover does not exceeds Rs.1.5 crores in preceding financial year or current financial year	Monthly-11th of the succeeding month Quarterly- Last day of the month of succeeding quarter.	Monthly / Quarterly
	Taxpayer whose aggregate turnover exceeds Rs.1.5 crores in preceding financial year or current financial year	11th of the succeeding month	Monthly
GSTR-3B	Monthly Return	(Refer Note 2)	Monthly
GSTR-4	Return by Composition scheme dealers (Note 3)	30th April of succeeding Financial Year	Annually
GSTR-5	Return by Non-Resident taxable person	20th day of the succeeding month	Monthly
GSTR-5A	Return by OIDAR service provider	20th day of the succeeding month	Monthly
GSTR-6	Return by Input Service Distributor	13th day of the succeeding month	Monthly
GSTR-7	Return by Person deducting Tax at Source (TDS)	10th day of the succeeding month	Monthly
GSTR-8	Return by E-commerce Operator	10th day of the succeeding month	Monthly
Due date for filing Annual Return (Refer Note 4)			
GSTR-9	Annual Return	31st December of succeeding financial year	Annually
GSTR-9A	Annual Return for Composition scheme dealers	31st December of succeeding financial year	Annually
GSTR-9B	Annual Return by E-commerce operator collecting tax u/s 52	31st December of succeeding financial year	Annually
Due date for furnishing reconciliation statement (Refer Note 5)			
In case of GST audit under section 35(5) of Central GST Act, registered person shall also furnish the reconciliation statement along with annual return. (Only if turnover is above Rs 2 Crores on pan India basis)			
GSTR-9C	Reconciliation statement, in case of audit	31st December of succeeding financial year	Annually
Due date of payment of GST			
GST amount due as per return shall be paid on or before last date of filing such return			

	Nature of Compliances	Due dates	Periodicity of filing
Interest on delayed payment of GST			
Failure to pay GST		18% p.a.	
Undue / excess claim of input tax credit or undue / excess reduction in output tax liability		24% p.a.	
Late fees for delay in filing of returns (Note 6)			
Rs.200/- per day subject to maximum Rs.10,000/-			

Note 1:

- If proposed new returns are introduced from 1 April 2020, the following forms and due dates may be applicable. However, the necessary notification in this regard is yet to be issued by the Government.

Return	Details to be filed in	Due date (Monthly)	Due date (Quarterly)
Form GST ANX-1	All Particulars	10th of the succeeding month	10th of the succeeding quarter
Form GST ANX-2	Auto Populate	Will be deemed to be filed upon filing of Form RET-1, RET-2, RET-3.	Will be deemed to be filed upon filing of Form RET-1, RET-2, RET-3.
Form GST RET -1	All Particulars	20th of the succeeding month	25th of the succeeding quarter
Form GST RET -2 (Sahaj)	B2C + Inward supply attracting RCM	N.A.	25th of the succeeding quarter
Form GST RET -3 (Sugam)	B2B + B2C details + Inward supply attracting RCM	N.A.	25th of the succeeding quarter

- For dealers having turnover above Rs 5 Crores have to mandatorily file monthly returns
- For dealers having turnover upto Rs 5 Crores have an option to file either monthly or quarterly returns.
- Persons opting for quarterly filings needs to make payment in PMT-08 on monthly basis.

Note 2:

- Considering the difficulties faced by the tax payers in filing returns at the time of due dates, the government has decided to introduce the filings in GSTR 3B in phased manner as below:

Turnover of Tax payers	States	Due Date
Above Rs 5 Crores	All States	20th of succeeding month.
Below Rs 5 crores	Chhattisgarh, Madhya Pradesh, Gujarat, Daman & Diu, Dadra and Nagar Haveli, Maharashtra, Karnataka, Goa, Lakshadweep, Kerala, Tamil Nadu, Puducherry, Andaman & Nicobar Islands, Telangana, Andhra Pradesh	22nd of succeeding month.
	Jammu & Kashmir, Himachal Pradesh, Punjab, Chandigarh, Uttarakhand, Haryana, Delhi, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand, Odisha.	24th of succeeding month.

- The necessary notification in this regard is yet to be issued by Government

Note 3:

- The composition taxpayers to file a self-assessed tax return in one-page statement – **Form GST CMP 08** of the Central Goods and Service Tax Rules, 2017. This quarterly return has to be filed after every quarter by the 18th day of the succeeding month.

Note 4:

- As per removal of difficulties order no 08/2019–Central Tax dated 14th November 2019, the due date for furnishing annual return in GSTR 9 & GSTR 9A for the financial year 2018–2019 is extended to 31st March 2020.

Note 5:

- As per removal of difficulties order no 08/2019–Central Tax dated 14th November 2019, the due date for furnishing Reconciliation statement for the financial year 2018–2019 is extended to 31st March 2020.
- The due date for financial year 2019–20 as per the provisions of law shall be 31st December 2020 unless extended by the government.

Note 6:

- As per Notification No.64/2017– Central Tax dated 15 November 2017, late fees, for delay in filing GSTR–3B for the month of October 2017 and onwards, shall be Rs.50/- per day and in case of Nil return Rs. 20/- per day.

ABBREVIATIONS

A		FIPB	Foreign Investment Promotion Board
AAC	Annual Activity Certificate	FIRMS	Foreign Investment Reporting and Management System
AE	Associated Enterprise	FLA	Annual Return on Foreign Liabilities and Assets
AIF	Alternative Investment Fund	FLAIR	Foreign Liabilities and Assets Information Reporting
ALP	Arm's Length Price	FMV	Fair Market Value
AMT	Alternate Minimum Tax	FPI	Foreign Portfolio Investor
AOP	Association of Persons	FTS	Fees for Technical Services
APA	Advance Pricing Agreement	FY	Financial Year
AY	Assessment Year		
B		G	
BCD	Basic Customs Duty	GDP	Gross Domestic Product
BED	Basic Excise Duty	GIFT	Gujarat International Finance Tec-City
BO	Branch Office	GST	Goods and Services Tax
BOI	Body of Individuals	GSTN	Goods and Services Tax Network
BSE	Bombay Stock Exchange		
C		H	
CbCR	Country-by-Country Report	HEC	Health & Education Cess
CBDT	Central Board of Direct Taxes	HNI	High Net-worth Individual
CG	Central Government	HUF	Hindu Undivided Family
CGST	Central Goods and Services Tax	HFC	Housing Finance Companies
CIT	Commissioner of Income Tax	I	
CTA	Customs Tariff Act	IBC	Insolvency and Bankruptcy Code, 2016
D		IDF-NBFC	Infrastructure Debt Fund – Non-Bank Finance Companies
DDT	Dividend Distribution Tax	IDS	Income Disclosure Scheme, 2016
DTAA	Double Taxation Avoidance Agreement	IFHP	Income from House Property
DPIIT	Department for Promotion of Industry and Internal Trade	IFSC	International Financial Services Centre
DSIM	Department of Statistics and Information Management	IGST	Integrated Goods and Services Tax
E		Ind-AS	Indian Accounting Standards
E-Filing	Electronic Filing	InvIT	Infrastructure Investment Trust
EBITDA	Earnings before Interest Tax Depreciation and Amortization	IP	Indian Part
EC	Education Cess	IPO	Initial Public Offer
ECS	Electronic Clearing System	ISIN	International Securities Identification Number
ECB	External Commercial Borrowings	ISPRL	Indian Strategic Petroleum Reserve Limited
EDF	Export Declaration Form	IT	Information Technology
ELSS	Equity linked Savings Scheme	IT Act	Income-tax Act, 1961
EPF	Employees Provident Fund	ITeS	Information Technology enabled Services
EPS	Employees' Pension Scheme	ITAT	Income Tax Appellate Tribunal
ESOP	Employees' Stock Option Plan	IT Rules	Income-tax Rules, 1962
ETF	Exchange Traded Fund	J	
F		JDA	Joint Development Agreement
FDI	Foreign Direct Investment	JV	Joint Venture
FEMA	Foreign Exchange Management Act, 1999	K	
FII	Foreign Institutional Investor	KYC	Know Your Customer

ABBREVIATIONS

L		R	
LIC	Life Insurance Corporation of India	R&D	Research & Development
LLP	Limited Liability Partnership	RBI	Reserve Bank of India
LO	Liaison Office	RDB	Rupee Denominated Bond
LOB	Limitation of Benefit	REC / RECL	Rural Electrification Corporation Limited
LRS	Liberalized Remittance Scheme	ReIT	Real Estate Investment Trust
LTCA	Long Term Capital Asset	RI	Resident Individual
LTCG	Long Term Capital Gain	RIC	Road and Infrastructure Cess
M		ROI	Return of Income
MAT	Minimum Alternate Tax	RPF	Recognized Provident Fund
MFs	Mutual Funds	S	
MFN	Most Favored Nation	SHR	Safe Harbour Rules
MMR	Maximum Marginal Rate	SARFAESI	Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
MLI	Multilateral Instrument	SBI	
MSME	Micro, Small and Medium Enterprises	State Bank of India	
N		SEBI	Securities Exchange Board of India
NABARD	National Bank For Agriculture & Rural Development	SDT	Specified Domestic Transaction
NBFC	Non-Banking Financial Company	SEP	Significant Economic Presence
NCLT	National Company Law Tribunal	SEZ	Special Economic Zone
NHAI	National Highway Authority of India	SFT	Statement of Financial Transactions
NIIF	National Infrastructure Investment Fund	STT	Security Transaction Tax
NPA's	Non Performing Assets	SLM	Straight Line Method
NPS	National Pension Scheme	SME	Small and Medium Enterprises
NR	Non-Resident	SPV	Special Purpose Vehicle
NRI	Non-Resident Indian	STT	Security Transaction Tax
NSC	National Saving Certificate	SUUTI	Special Undertaking of the Unit Trust of India
NTRO	National Technical Research Organization	T	
O		TAN	Tax Deduction and Collection Account Number
ODI	Overseas Direct Investment	TCS	Tax Collected at Source
OECD	Organisation for Economic Co-operation and Development	TDS	Tax Deducted at Source
P		TLAA	Taxation Law (Amendment) Act, 2019
PAN	Permanent Account Number	TP	Transfer Pricing
PBPT	Prohibition of Benami Property Transaction Act, 1988	TRC	Tax Residency Certificate
PCIT	Principal Commissioner of Income Tax	TReDS	Trade Receivables electronic Discount System
PE	Permanent Establishment	U	
PF	Provident Fund	UEN	Unique Entity Number
PMLA	Prevention of Money Laundering Act, 2002	US\$/USD	United States Dollar
PO	Project Office	V	
PPP	Public Private Partnership/ Purchasing Power Parity	VAT	Value Added Tax
PSU	Public Sector Undertakings	W	
Q		WOS	Wholly Owned Subsidiary
QFI	Qualified Foreign Investors	WPI	Wholesale Price Index

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