

## Insights and Business Perspective



# INDIA BUDGET 2019

## - Highlights

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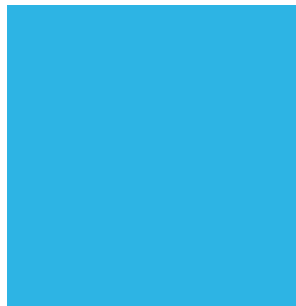
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# **INDIA BUDGET 2019**

## **– Highlights**

## Table of Contents

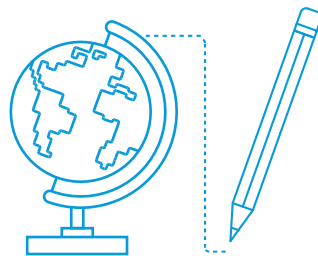
<b>Executive Summary</b>	1
<b>Chapter 1 : Introduction</b>	11
<b>Chapter 2 : Indian Economy – An Overview</b>	14
<b>Chapter 3 : Tax Rates</b>	18
<b>Chapter 4 : G-20 Countries – Comparative Corporate And Personal Tax Rates</b>	27
<b>Chapter 5 : Multilateral Instruments – An Overview</b>	28
<b>Chapter 6 : Tax Incentives For Businesses</b>	31
<b>Chapter 7 : Direct Taxes – Significant Changes</b>	48
7.1 Business Entities	48
7.2 Personal	54
7.3 Non – Resident	57
7.4 Transfer Pricing	60
7.5 General	62
<b>Chapter 8 : Indirect Taxes – Significant Changes</b>	64
8.1 Goods and Service Tax	64
8.2 Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019	66
8.3 Central Excise	69
8.4 Service Tax	70
8.5 Custom Duty	70
<b>Chapter 9 : Other Significant Proposals</b>	78
<b>Chapter 10 : Impact On Select Industries</b>	81
<b>Chapter 11 : DTAA Rates</b>	89
<b>Chapter 12 : TDS Rates</b>	98
<b>Chapter 13 : Direct Tax And GST Compliance Calendar</b>	103
<b>Abbreviations</b>	109

## 1.0 DIRECT TAXES

### 1.1 Effective Tax Rates

#### 1.1.1 Personal Taxation

- No change in slab rates and deduction under section 80C of the IT Act.
- Tax rebate of Rs. 12,500 and standard deduction of Rs. 50,000 for salaried individuals provided in Interim Budget in February 2019 to be continued.
- Change in surcharge for individuals, HUF, AOP, BOI and artificial juridical person –
  - 25% surcharge as against 15% in case of person having total income exceeding Rs. 2 Crore but not exceeding Rs. 5 Crore resulting in overall tax rate of 39%.
  - 37% surcharge as against 15% in case of person having total income exceeding Rs. 5 Crore resulting in overall tax rate of 42.744%.
- No change in health and education cess which is currently levied at the rate of 4%.



#### 1.1.2 Corporate Taxation

- Tax rates for the companies having total turnover or gross receipts up to Rs. 400 Crores in FY 2017-18 reduced to 25%.
- MAT and DDT rates unchanged.
- No change in health and education cess which is currently levied at the rate of 4%.

#### 1.1.3 Partnership Firms / LLP

- Tax rates for Partnership Firms and LLPs remain unchanged.
- No change in surcharge.
- No change in health and education cess which is currently levied at the rate of 4%.

### 1.2 Tax Incentives and Proposals for Business

- The buy-back tax at the rate of 23.296% under section 115QA of the IT Act extended to listed companies with effect from 5 July 2019. Consequential exemption provided to shareholders under section 10(34A) of the IT Act where tax has been paid by such company.
- Amendment in section 2 of the IT Act (relating to tax neutral demergers) to provide that the requirement of recording property and liabilities at book value by the resulting company shall not be applicable in a case where the property and liabilities of the undertakings received by it are recorded at a value different from the value appearing in the books of

account of the demerged company immediately before the demerger in compliance to the Ind-AS.

- Insertion of section 269SU in the IT Act to provide that every person, carrying on business, shall, provide facility for accepting payment through the prescribed electronic modes, in addition to the facility for other electronic modes of payment, if any, being provided by such person, if his total sales, turnover or gross receipts in business exceeds Rs. 50,00,00,000 during the immediately preceding previous year. Consequential amendment in the Payment and Settlement Systems Act, 2007 to provide that no bank or system provider shall impose any charges upon anyone, either directly or indirectly, for using the modes of electronic payment prescribed under section 269SU of the IT Act. Amendments to take effect from 1 November 2019.
- Insertion of section 194N in the IT Act to provide for levy of TDS at the rate of 2% (w.e.f. 1 September 2019) on cash payments in excess of Rs. 1,00,00,000 in aggregate made during the year, by a banking company or cooperative bank or post office, to any person from an account maintained by the recipient.
- Amendment in certain sections of the IT Act to include such other electronic mode as may be prescribed, in addition to the already existing permissible modes of payment in the form of an account payee cheque or an account payee bank draft or the electronic clearing system through a bank account.
- Amendment in section 80-IBA of the IT Act to modify certain conditions regarding the housing project approved on or after 1 September 2019 for alignment with the GST Act.
- The eligible start-up shall be allowed to carry forward the business loss even if all the shareholders do not continue to hold the shares on the last day of the financial year as long as 51% of the shares carrying voting power are continued to be held by persons who beneficially held such shares on the last day of the year or years in which the loss was incurred.
- Inclusion of deposit-taking NBFCs and systemically important non deposit-taking NBFCs within the scope of section 43D of the IT Act which provides for taxation of interest income on certain bad and doubtful debts on receipt basis. Consequentially, deduction of such interest to be allowed only on payment basis under section 43B of the IT Act.
- A scheme to be launched to invite global companies to set up mega-manufacturing plants in sunrise and advanced technology areas such as Semi-conductor Fabrication, Solar Photo Voltaic cells, Lithium storage

batteries, Solar electric charging infrastructure, Computer Servers, Laptops, etc. and provide them investment linked income tax exemptions under section 35AD of the IT Act and other indirect tax benefits.

- In order to enable pre-filling of return of income, widening the scope of furnishing of SFT:
  - Mandating certain prescribed persons other than those currently furnishing SFT
  - Removing current threshold of Rs. 50,000 on aggregate value of transactions for furnishing of SFT
- The existing provisions of section 79 of the IT Act are not applicable to a company where any change in shareholding takes place in a previous year pursuant to a resolution plan approved under the Insolvency and Bankruptcy Code, 2016 (IBC). The provisions are now extended to cover the subsidiary and step down subsidiary of the aforementioned company. Consequent amendments for allowance of aggregate of loss and unabsorbed depreciation to such companies proposed under section 115JB of the IT Act.

### 1.3 Personal Taxation

- Insertion of section 80EEB in the IT Act to provide for a deduction in respect of interest on loan taken for purchase of an electric vehicle from any financial institution up to Rs. 1,50,000 subject to certain conditions.
- Insertion of section 80EEA in the IT Act to provide a deduction in respect of interest up to Rs. 1,50,000 on loan taken for residential house property from any financial institution subject to certain conditions.
- For the purpose of claiming exemption under section 54GB of the IT Act, the sun-set date for transfer of residential property for investment in eligible start-ups has been extended from 31 March 2019 to 31 March 2021 along with relaxation of certain other conditions.
- Amendment in section 139 of the IT Act to provide mandatory filing of returns by the persons entering into specified transactions such as:
  - Amount deposited exceeding Rs. 1,00,00,000 in one or more current account with a banking company or a co-operative bank
  - Expenditure incurred exceeding Rs. 2,00,000 for himself or any other person for travel abroad
  - Expenditure incurred exceeding Rs. 1,00,000 towards consumption of electricity
  - Claiming roll-over exemption under the capital gains against investment in house or bond or other assets
- Insertion of section 194M in the IT Act to provide for levy of TDS at the

rate of 5% (w.e.f. 1 September 2019) where sum or the aggregate of sums paid or credited in a year on account of contractual work or professional fees exceeds Rs. 50,00,000 per year by an individual or an HUF (who is not required to deduct tax under section 194C or section 194J of the IT Act).

Such individuals or HUFs shall be able to deposit the TDS by using their PAN.

- Widening the definition of consideration for the purpose of deduction of tax at 1% on purchase of immovable property under section 194-IA of the IT Act to 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. The amendment would be effective from 1 September 2019.
- Threshold of tax payable increased from Rs. 3,000 to Rs. 10,000 for initiation of prosecution proceedings on non-filing of return of income.
- Amendment in section 10 of the IT Act exempting payment from the NPS Trust to an assessee on closure of his account or on his opting out of the pension scheme by increasing the limit from 40% to 60% of the total amount payable.

#### **1.4 Proposal for Non-residents**

- The scope of section 9 of the IT Act which relates to income deemed to be accrue or arise in India to be widened to include income arising from sum of money paid or transfer of any property situated in India for inadequate consideration as referred to in section 56(2)(x) of the IT Act by a resident to a non-resident.

#### **1.5 Proposal for Transfer Pricing**

- Amendment in section 92CD of the IT Act to clarify where assessment or reassessment has already been completed and modified return of income has been filed, the AO shall pass an order modifying the total income of the relevant assessment year determined in such assessment or reassessment, in accordance with APA.
- The excess money may be remitted by any non-resident AEs. Further, for effective implementation of secondary adjustments regime, at the option of the taxpayer, an additional tax at the rate of 20.16% may be paid on the excess money not repatriated in addition to the interest to be calculated on such excess money till the payment of such additional Income-tax.
- Amendment in section 92D of the IT Act to provide that the information and document to be kept and maintained by a constituent entity of an



international group, and filing of required form, shall be applicable even when there is no international transaction undertaken by such constituent entity.

## 1.6 Other Proposals

- The benefit under section 201 of the IT Act for not treating the payer as assessee in default for non-deduction of tax if the payee has paid tax, filed his return of income and furnished an accountant's certificate extended to payments made to non-residents. Consequential amendments proposed in section 201(1A) and section 40 of the IT Act.
- Amendment in section 56(2)(x) and section 50CA to empower the Board to prescribe transactions undertaken by certain class of persons to which fair market value as per the prescribed rules shall not be deemed to be the consideration for the purpose of taxability under the said sections.
- Section 270A of the IT Act to be amended to provide for manner of computing the quantum of penalty in a case where the person has under-reported income and furnished his return for the first time under section 148 of the IT Act.
- The exemption under section 56(2)(viib) of the IT Act relating to excess amount received over fair market value of the shares extended to Category-II AIFs.
- Incentives to International Financial Services Centre (IFSC) –
  - Amendment in section 47 of the IT Act to provide that any transfer of a capital asset, by AIF, of which all the unit holders are non-resident, are not regarded as transfer subject to fulfillment of specified conditions.
  - Amendment in section 10 of the IT Act to provide that any income by way of interest payable to a non-resident by a unit located in IFSC in respect of monies borrowed by it on or after 1 September 2019, shall be exempt.
  - Amendment in section 115-O of the IT Act to provide that any dividend paid out of accumulated income derived from operations in IFSC, after 1 April 2017 shall not be liable for tax on distributed profits.
  - Amendment in section 115R of the IT Act to provide that no additional income-tax shall be chargeable in respect of any amount of income distributed, on or after the 1 September 2019, by a Mutual Fund of which all the unit holders are non-residents and which fulfills certain other specified conditions.

- Amendment in section 80LA of the IT Act to provide that the deduction shall be increased to 100% for any ten consecutive years out of fifteen years beginning with the year in which the necessary permission was obtained.
- Amendment in section 115A of the IT Act to provide that the conditions contained in sub-section (4) of section 115A (which relates to prohibition of any deduction under chapter VIA of the IT Act) shall not apply to a unit of an IFSC.
- To ensure ease of compliance, Providing for inter-changeability of PAN with Aadhaar number –
  - Person who has not been allotted a PAN and possesses the Aadhaar number, may furnish his Aadhaar number in lieu of PAN wherever required under the IT Act.
  - Person who has been allotted a PAN and who has linked his Aadhaar number with PAN may furnish his Aadhaar number in lieu of PAN.
  - Person who has been allotted a PAN shall be deemed to be invalid if not linked with Aadhaar number.
- Introduction of online filing of application seeking determination of tax to be deducted at source on payment to non-residents under section 195(2) and section 195(7) of the IT Act.
- A scheme of faceless assessment in electronic mode involving no human interface is being launched this year in a phased manner. Cases selected for scrutiny shall be allocated to assessment units in a random manner and notices shall be issued electronically by a Central Cell, without disclosing the name, designation or location of the assessing officer. The Central Cell shall be the single point of contact between the taxpayer and the Department.
- The benefit of pass through of income (other than profit & gains from business) earned by the Category I and II AIF to unit holders extended to losses (other than business loss).

## **2.0 INDIRECT TAXES**

### **2.1 GST & Service Tax**

#### **2.1.1 CGST Amendments**

- GST rate on Electrical Vehicles to be reduced from 12 % to 5%. (Notification yet to be published)
- Proposed Single Monthly return for tax payers having annual turnover below Rs. 5,00,00,000. The same is currently available for trial and shall be applicable from October 2019 (Notification yet to be published)

- Free accounting Software to be provided to Small Businesses for enabling GST Return Filing.
- For Large Tax Payers, Electronic Tax Invoices to be generated on GST portal thus, eliminating the need for a separate E-way bill, to be rolled out from Jan 2020 in a phased manner.
- Fully Automated GST Refund mechanism to be developed. Section 54 of the CGST Act has been amended to enable Refund processing by a single authority.
- Section 10 of the CGST Act has been amended to bring in an alternative composition scheme for supplier of services or mixed suppliers (not eligible for the earlier composition scheme) having an annual turnover in preceding financial year up to Rs 50,00,000, with GST rate @ 6 % (CGST 3 % + SGST 3%)
- The Government may, at the request of a State and on the recommendations of the Council, enhance the aggregate turnover limit from Rs. 20,00,000 to such amount not exceeding Rs. 40,00,000 in case of supplier who is engaged in exclusive supply of goods.
- Section 25 of the CGST Act has been amended to make Aadhaar authentication mandatory for specified class of current and new taxpayers and to prescribe the manner in which certain class of registered taxpayers are required to undergo Aadhaar authentication. In absence of an Aadhaar Number alternative and viable means of identification to be provided.
- Section 49 of the CGST Act has been amended to provide a facility to the registered person to transfer an amount from one (major or minor) head to another (major or minor) head in the electronic cash ledger, subject to certain conditions and restrictions as maybe prescribed.
- Section 50 of the CGST Act has been amended so as to provide for charging interest only on the net cash tax liability, except in those cases where returns are filed subsequent to initiation of any proceedings under section 73 or 74 (Sections to issue show cause notice, in case of short payment of tax) of the CGST Act.
- New sections 101A, 101B and 101C are being inserted in the CGST Act for constitution and operation of National Appellate Authority for Advance Ruling, which shall replace (State) Appellate Authority for Advance Ruling.
- Section 171 of the CGST Act has been being amended so as to empower the National Anti-Profitteering Authority (under sub-section (2) of section 171 of the CGST Act) to impose penalty equivalent to 10% of the profiteered amount, in case when the profiteered amount has not been

deposited within 30 days of the passing of order.

## **2.1.2 IGST Amendments**

A new section 17A is being inserted in the IGST Act so as to bring into the Act, provisions for transfer of amount between Centre and States consequential to amendment in section 49 of the CGST Act allowing transfer of an amount from one head to another head in the electronic cash ledger of the registered person.

## **2.1.3 Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019**

- A dispute resolution cum amnesty scheme called "Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019" is being introduced for resolution and settlement of legacy cases of Central Excise and Service Tax.
- The proposed 'Scheme' covers past disputes of taxes which have got subsumed in GST namely Central Excise, Service Tax and Cesses. All persons are eligible to avail the scheme except a few exclusions including as those convicted under the respective acts in the case for which he intends to make declaration and those who have filed an application before the Settlement Commission.
- The relief under the scheme varies from 40% to 70 % of the tax dues for cases other than voluntary disclosure cases, depending on the amount of tax dues involved.
- A declaration under section 124 shall be made in an electronic form as may be prescribed, the correctness of which shall be verified by designated officer.
- The scheme also provides relief from payment of interest and penalty. For voluntary disclosures, the relief is regarding waiver of interest and penalty on payment of full tax dues disclosed.
- The person discharged under the scheme shall also not be liable for prosecution.
- The 'Scheme' provides for method of payment of tax dues, arrears and restrictions regarding the manner of payment etc.
- The 'Scheme' shall become available from a date to be notified.
- The procedural details and rules regarding the 'Scheme' shall be notified in due course.

## **2.1.4 Service Tax – Retrospective Exemptions**

- Services provided by the State Government by way of grant of liquor licence, are proposed to be exempted from service tax for the period from 1 April 2016 to 30 June 2017.
- Consideration paid for long term lease of 30 years, or more in case of plots provided by the State Government Industrial Development

Corporations or Undertakings or by any other entity having 50% or more ownership of Central Government, State Government, Union Territory to the developers in any industrial or financial business area, is proposed to be exempted from Service Tax for the period from 1 October 2013 to 30 June 2017.

- Services provided by the Indian Institutes of Management (IIM), as per the guidelines of the Central Government, to their students, by way of prescribed educational programmes, except Executive Development Programme, are proposed to be exempted from service tax for the period from 1 July 2003 to 31 March 2016.

## 2.2 Excise

- Petrol and Diesel: Increase in Special Additional Excise duty and Road and Infrastructure Cess each by 1 rupee a litre on petrol and diesel.
- Tobacco Products: A nominal basic excise duty is being proposed to be imposed on Tobacco products (Cigarettes, hookah, etc. and Crude Petroleum oil products produced in specified oil fields )

## 2.3 Custom

### 2.3.1 Changes In Customs Duty Rate

Reduction in Custom Duty on various inputs and raw material to reduce cost of manufacturing, promote electrical mobility, promote defence sector.

- Various changes in customs duty rates to provide level playing field to domestic industry.
- Reduction in custom duty to promote renewable energy.
- Increase in road and infrastructure cess – motor spirit commonly known as petrol, high speed diesel oil.
- Duty rationalization on petroleum crude, electronic goods, capital goods for manufacturing of specified electronic items.
- Custom duty on gold, silver, platinum and other base metals have been increased.

### 2.3.2 Major Amendments in Customs Act, 1962

- Allowing furnishing of departure manifest by a person notified by the Central Government.
- Introducing provisions for verification of Aadhaar or any other identity and other compliance by a person for protecting the interests of revenue or to prevent smuggling.
- Provision to enable the proper officer to scan or screen, with the prior approval, any person who has any goods liable to confiscation secreted inside his body and to enable the magistrate to take action upon the report of scanning by the proper officer.

- Empowering proper officer of customs to arrest a person who has committed an offence outside India or Indian Customs waters and to make certain offences as cognizable and non-bailable.
- Empowering the proper officer to provisionally attach any bank account for safeguarding the government revenue and prevention of smuggling.
- Providing powers to release bank account provisionally attached under section 110 on fulfilment of certain conditions.
- Providing for penalty on any person who has obtained any instrument (duty benefits) by fraud, collusion, wilful misstatement or suppression of facts which is utilised for payment of duty.
- Providing for making the offence punishable if the instrument obtained by fraud, collusion, wilful misstatement or suppression of facts, is used for making payment of duty exceeding Rs. 50,00,000.
- Enhancing maximum penalty to :
  - Rs. 4,00,000 for violation of provisions of the Act;
  - Rs. 2,00,000 for violation of Rules or Regulation.

### **2.3.3 Amendments to The Customs Tariff Act, 1975**

- Providing for anti-circumvention measure in respect of countervailing duty.
- Providing appeal provisions against determination of safeguard duties to allow appeal against determination of safeguard duty by designated authority with CESTAT.
- First Schedule to the Customs Tariff Act, 1975 is amended –
  - Create specific tariff lines for specific products, presently classified as “others”;
  - Rectify the errors to align it with HSN.
- Amendment in Chapter Notes to Chapter 98, so as to exclude Printed books imported for personal use from the purview of Chapter 98. Printed books imported for personal use will now attract applicable duty i.e. BCD at the rate of 5%

## 1.1 Background

The Indian economy has achieved an average growth of 7.52% in the last 5 years and is now a US\$ 2.7 trillion economy. On PPP basis, India is already the 3rd largest economy, next to China and US. It is expected to become a US\$ 5 trillion economy in the next 5 years. The fiscal deficit has been at around 3.3% of the GDP.



The Budget 2019 has been presented in the backdrop of a decisive electoral mandate, stable macro-economic parameters and slowdown in economic growth and employment. The Budget has thrust on investment by government, re-capitalization of banks by Rs. 70,000 crores and aggressive public sector disinvestment target of Rs.1,05,000 crores. There are measures to attract foreign investment by raising sectoral caps for aviation, media, insurance and other sectors, raising limit for FII investment in listed companies from 24% to 49% and integrating NRI Portfolio with the FPI Scheme. The consolidation of multiple labour laws into 4 codes, as and when implemented can transform the archaic labour law regime to a more integrated consolidated regime (similar to GST reform for indirect taxes). There is a thrust on affordable housing and start-ups with several benefits and relaxations.

There is no structural change in the corporate tax regime except that now companies upto an annual turnover of Rs.400 crores would qualify for the lower rate of tax of 25% (plus surcharge and cess) and this would cover 99.30% of the Companies. Now only 0.70% of companies will remain outside the rate of 25%. Moreover, even a large new manufacturing company having turnover above Rs. 250 crores (Rs.2.5 billion) is already being taxed at 25% (plus surcharge and cess). There is no change in DDT and MAT rates.

Tax rates for other Companies / LLPs / Firms / other 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). There is a steep increase in surcharge on personal tax front for income exceeding Rs.20 million and Rs. 50 million resulting in increase in effective tax rate to 39% and 42.744% (earlier 35.88%). While this will impact a small segment in number but have a significant influence on the economy. The additional interest deduction of Rs. 150,000 each for affordable housing loan and electric car purchase will benefit the middle-income group. Any payment from the NPS Trust to an assessee on closure of his account or on his opting out of the pension scheme, to the extent of 60% (earlier 40%) of the total amount payable to him at the time of such closure or on his opting out of the scheme, is

exempt from tax. The Inter-changeability of PAN & Aadhaar and mandatory quoting in prescribed transactions or for filing or return is a very welcome move and would help to increase the tax base.

In order to discourage cash transactions and move towards less cash economy, it is proposed to levy TDS @ 2% on cash payments in excess of Rs. 1,00,00,000 in aggregate made during the year, by a banking company or cooperative bank or post office, to any person from an account maintained by the recipient. Any buy back of shares from a shareholder by a company listed on recognised stock exchange, on or after 5th July 2019, shall also be covered by the provision of section 115QA of the Act and have to pay tax @ 23.296% on the net consideration. This would be a barrier for the companies who have already made announcement for buy-back or are in process. The gains on buy-back would be exempt in the hands of the shareholders. It has been decided to extend the pension benefit to about 30 million retail traders & small shopkeepers whose annual turnover is less than Rs. 15 million under a new Scheme namely Pradhan Mantri Karam Yogi Maandhan Scheme. Enrolment into the Scheme will be kept simple requiring only Aadhaar and a bank account and rest will be on self-declaration.

The Union Budget 2019 is also driven with the objective of accelerating manufacturing sector. In order to boost economic growth and 'Make in India', it is proposed to launch a scheme to invite global companies through a transparent competitive bidding to set up mega-manufacturing plants in sunrise and advanced technology areas such as Semi-conductor Fabrication (FAB), Solar Photo Voltaic cells, Lithium storage batteries, Solar electric charging infrastructure, Computer Servers, Laptops, etc. and provide them investment linked income tax exemptions under Section 35 AD of the Income Tax Act, and other indirect tax benefits.. To further promote domestic manufacturing, customs duty reductions are being proposed on certain raw materials and capital goods.

One of the widespread apprehensions High Net worth Individuals 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.

There has been no change under Central GST Act, 2017 and Integrated GST Act, 2017. The Special Additional Excise duty and Road and Infrastructure Cess have each been increased by Rs. 1 per litre on petrol and diesel. Custom duty on gold and other precious metals is proposed to be increased from 10% to 12.5%.

As a move towards curbing litigation, a dispute resolution cum amnesty scheme called "the Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019" is being introduced for resolution and settlement of legacy cases of Central Excise and



Service Tax. The proposed Scheme shall cover past disputes of taxes which have got subsumed in GST namely Central Excise, Service Tax and Cesses. It may be noted that Customs law and VAT disputes are not covered in this Scheme. The relief under the scheme varies from 40% to 70% of the tax dues for cases other than voluntary disclosure cases, depending on the amount of tax dues involved. The scheme also provides relief from payment of interest and penalty. For voluntary disclosures, the relief is regarding waiver of interest and penalty on payment of full tax dues disclosed. The person discharged under the scheme shall also not be liable for prosecution.

Overall, there are several statements of intent and thrust on investment but no major structural change on the direct and indirect tax regime. The Budget is a serious statement for continuing India's march towards its long term vision of being a US\$ 5 trillion economy and stable tax regime.

## 1.2 Scope and Limitations

In this booklet compiled by us, we intend to offer a broad outline of the highlights of the Finance (No.2) Bill, 2019 presented on 5 July 2019. 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 (No.2) Bill, 2019, 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 2020–21 (Financial Year 1 April 2019 to 31 March 2020), 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 (No. 2) Bill, 2019" 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: 2018

- US\$ 11.95 trillion in terms of PPP



### Rapid Advancement

- Fastest growing major economy  
Indian economy expected to touch USD 3 trillion in current year 2019–20.



### GDP Growth Rate

- 6.8% in 2018–19 (Indian Economic Survey 2019)
- 7.0% expected in 2019–20 (Indian Economic Survey 2019)



### 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 28th June 2019)

- US\$ 427.68 billion



### Exchange Rate

- 1 US\$ = INR 68.85 (as on 4 July 2019)



### Equity Market Capitalisation (BSE)

- US\$ 2.20 trillion as on 5 July 2019



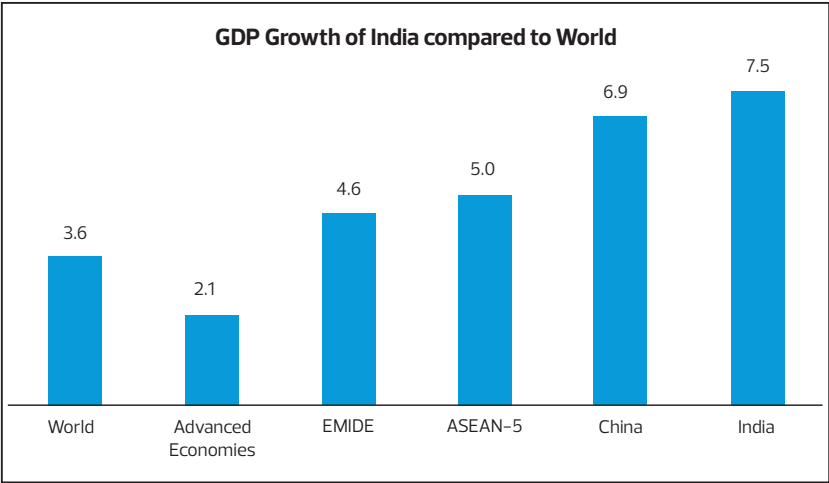
### Political System

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

## 2.2 General Review

India continues to remain the fastest growing major economy in the world in 2018–19, despite a slight moderation in its GDP growth from 7.2% in 2017–18 to 6.8% in 2018–19. On the other hand, the world output growth declined from 3.8% in 2017 to 3.6% in 2018. The slowdown in the world economy and Emerging Market and Developing Economies in 2018 followed the escalation of US China trade tensions, tighter credit policies in China, and financial tightening alongside the normalization of monetary policy in the larger advanced economies.

India aims to grow into USD 5 trillion economy by 2024–25 to become the third largest economy in the world. This requires real annual growth rate in GDP of 8%.



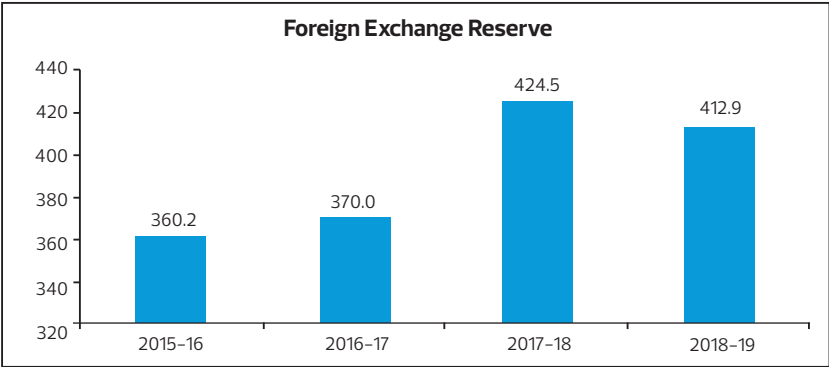
Source : World Economic Outlook, April 2019, IMF  
EMDE – Emerging Market and Development Economies; ASEAN-5 composed of 5 countries: Indonesia, Malaysia, Philippines, Thailand and Vietnam

Headline inflation as per Consumer Price Index continuing its declining trend for the fifth straight financial year and remained below 4.0% in the last two years.

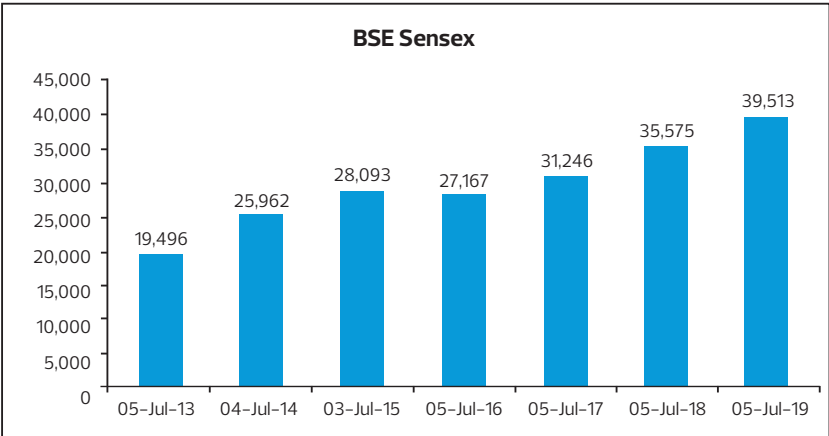
The Government is playing a proactive role in investment promotion through a liberal FDI policy. India's FDI inflows in 2018–19 remained strong at US\$ 64.375 billion marking a 6% growth over the previous year.

India's Current Account Deficit stood at USD 51.9 billion (2.6% of GDP) as compared to USD 35.7 billion (1.8% of GDP) a year ago for the same period. India's Current Account Deficit has been increasing for some years now with a year high of only 0.6% of GDP in 2016–17 which increased to 1.8% of GDP in 2017–18 and currently projected at 2.4% for the full year of 2018–19. However, this level of Current Account Deficit is within manageable levels. The widening of the Current Account Deficit has been driven by deterioration in the trade deficit from 6.0% of GDP in 2017–18 to 6.7% in 2018–19.

India's foreign exchange reserve was comfortably placed at USD 422.2 billion as on 14 June 2019. The Rupee traded in the range of INR 70–74 per USD in 2018–19 as compared to INR 65–68 per USD in 2017–18.



Indian equity market has seen a steady growth in the past year with the BSE Sensex currently at high level of 39,513 at the close of 5 July 2019 as compared to 35,575 on 5 July 2018.



## 2.3 India – Key Economic Indicators

Data Categories	Unit	2015–16	2016–17	2017–18	2018–19
GDP and Related Indicators					
GDP at constant market prices	Rs. thousand crores	11,369	12,298	13,180	14,078 <sup>a</sup>
	US\$ billion	1,736	1,833	2,043	2,014
GDP Growth Rate	%	8.0	8.2	7.2	6.8 <sup>a</sup>
Per Capita Net National Income (at current prices)	Rs.	94,797	104,659	114,958	126,406 <sup>a</sup>
Production					
Food grains	Million tonnes	251.5	275.1	285.0	283.4 <sup>b</sup>
Index of Industrial Production (growth)	%	3.3	4.6	4.4	3.6
Electricity Generation (growth)	%	5.6	4.7	4.0	3.5
Prices					
WPI Inflation (average)	%	-3.7	1.7	3.0	4.3
CPI (Combined) Inflation (average)	%	4.9	4.5	3.6	3.4
External Sector					
Foreign Exchange Reserves (end of year)	USD Billion	360.2	370.0	424.5	412.9
Average Exchange Rate	Rs. / USD	65.5	67.1	64.5	69.9
Gross Fiscal Deficit	% of GDP	3.9	3.5	3.5	3.4 <sup>c</sup>

### Notes:

- a: Provisional Estimates,  
b: Third advance estimate,  
c: Provisional Actual

### 3.1 Individuals, HUFs, AOPs and BOIs

#### 3.1.1 Tax rates

The Bill proposes certain modifications to the tax structure for individuals, HUFs, AOPs and BOIs. The slab structure has remained unchanged with basic exemption limit of Rs.2,50,000 and slab rates of 5%, 20% and 30%. The surcharge and health and education cess have remained unchanged for income upto Rs.2,00,00,000. 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. The increased tax rebate as provided in the Interim Budget in February 2019 under section 87A of Rs. 12,500 [excluding health and education cess] for resident individuals having total income upto Rs. 5,00,000, has been continued. Thus, effectively there will be Nil tax liability for resident individuals having total income upto Rs. 5,00,000.



The effective proposed and present tax rates for the FYs 2019–20 and 2018–19, in case of individuals, HUFs, AOPs and BOIs are as follows:

FY 2019–20		FY 2018–19	
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*	5.20% [tax rate 5 % plus health and education cess 4% thereon] of income exceeding
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
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

FY 2019-20		FY 2018-19	
Income Slabs (Rs.)	Proposed Tax Rates	Income Slabs (Rs.)	Tax Rates
1,00,00,001 <sup>^</sup> – 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 income exceeding Rs. 1,00,00,000	1,00,00,001 <sup>^</sup> – 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 income exceeding Rs. 1,00,00,000
2,00,00,001 <sup>^</sup> – 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 <sup>^</sup> – 5,00,00,000	Rs. 69,51,750 plus 35.88% [(tax rate 30% plus surcharge 15% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 2,00,00,000
5,00,00,001 <sup>^</sup> 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 <sup>^</sup> and above	Rs. 1,77,15,750 plus 35.88% [(tax rate 30% plus surcharge 15% 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 of 60 years or more (senior citizen) & 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.
- \* 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 less resulting into NIL tax liability upto total income of Rs.5,00,000. For FY 2018-19 the maximum rebate was Rs.2,500 on total income upto Rs.3,50,000.
- <sup>^</sup> 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.

### 3.1.2 Proposed tax incidence

The proposed incidence of income-tax for FY 2019–20 on individuals, senior citizens and very senior citizens, having different income levels can be exemplified as follows:

Annual Income (Rs.)	Tax Liability (Rs.)		
	Individuals* (including women)	Senior Citizens	Very Senior Citizens
2,50,000	–	–	–
3,00,000	–	–	–
3,50,000	–	–	–
4,00,000	–	–	–
5,00,000	–	–	–
8,00,000	75,400	72,800	62,400
10,00,000	1,17,000	1,14,400	1,04,000
25,00,000	5,85,000	5,82,400	5,72,000
50,00,000	13,65,000	13,62,400	13,52,000
75,00,000	23,59,500	23,56,640	23,45,200
1,00,00,000	32,17,500	32,14,640	32,03,200
1,50,00,000	51,57,750	51,54,760	51,42,800
2,00,00,000	69,51,750	69,48,760	69,36,800
3,50,00,000	1,34,06,250	1,34,03,000	1,33,90,000
5,00,00,000	1,92,56,250	1,92,53,000	1,92,40,000
5,50,00,000	2,32,42,050	2,32,38,488	2,32,24,240

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

## 3.2 Companies

### 3.2.1 Domestic companies

**The Bill proposes to reduce the tax rate of domestic company with annual turnover or gross receipts not exceeding Rs. 400 crore in FY 2017–18 at 25% [plus applicable surcharge and health and education cess thereon].**

The effective tax rates and MAT rates for Domestic companies having total turnover / gross receipt in FY 2017 – 18 up to Rs. 400 crore is as under:

**I. Domestic companies having total turnover / gross receipt in FY 2017 – 18 up to Rs. 400 crore (for FY 2018–19 the total turnover / gross receipt in FY 2016–17 up to Rs.250 crore)**



Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2019–20	FY 2018–19	FY 2019–20	FY 2018–19
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]	21.5488% [(tax rate 18.5% plus surcharge 12% thereon) plus health and education cess 4% thereon]	21.5488% [(tax rate 18.5% 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]	20.5868% [(tax rate 18.5% plus surcharge 7% thereon) plus health and education cess 4% thereon]	20.5868% [(tax rate 18.5% 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)	19.24% (tax rate 18.5% plus health and education cess 4% thereon)	19.24% (tax rate 18.5% plus health and education cess 4% thereon)

The effective tax rates and MAT rates for domestic companies other than above for FYs 2019–20 and 2018–19 are as follows:

<b>II. Domestic companies having total turnover / gross receipt in FY 2017 – 18 exceeding Rs. 400 crore ( for FY 2018–19, total turnover / gross receipt in FY 2016–17 above Rs.250 crore)</b>				
Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2019–20	FY 2018–19	FY 2019–20	FY 2018–19
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]	21.5488% [(tax rate 18.5% plus surcharge 12% thereon) plus health and education cess 4% thereon]	21.5488% [(tax rate 18.5% 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	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]	20.5868% [(tax rate 18.5% plus surcharge 7% thereon) plus health and education cess 4% thereon]	20.5868% [(tax rate 18.5% 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)	19.24% (tax rate 18.5% plus health and education cess 4% thereon)	19.24% (tax rate 18.5% 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.

### 3.2.2 Foreign companies

No change is proposed in the tax rate. The effective tax rates for foreign companies for FYs 2019–20 and 2018–19 are as follows:

Foreign Company	Effective Tax Rates	
	FY 2019–20	FY 2018–19
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 Tax on Dividend / Income distributed by domestic companies

The Bill proposes to exclude tax on Tax on Dividend / Income distributed by domestic company having unit in International Financial Services Centre, deriving income in convertible foreign exchange.

The DDT rates for FY 2019–20 in case of other domestic companies continue to remain the same. The effective DDT rates for FY 2019–20 and 2018–19 are as

follows:

Dividend Distribution Tax Rate	Effective Tax Rates	
	FY 2019–20	FY 2018–19
Rate of DDT on the amount of dividend received by the shareholders	20.5553% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4% thereon considering the grossing up provisions]	20.5553% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4% thereon considering the grossing up provisions]

Tax on dividend at the rate of 10% in the hands of recipient i.e., individual, HUF or Firm who is resident in India if dividend received is in excess of Rs. 10,00,000. The rate (plus surcharge and health and education cess thereon) is on gross basis on the amount of dividend.

### 3.3 Partnership Firms/LLPs

No changes are proposed in the tax rates. The effective tax rates for partnership firms/LLPs for FYs 2019–20 and 2018–19 are as follows:

Partnership Firms / LLPs	Effective Tax Rates	
	FY 2019–20	FY 2018–19
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 assesseees

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 2019–20 and 2018–19 are as follows:

Non-corporate assessee	Effective AMT Rates	
	FY 2019–20	FY 2018–19
<b>Individuals, HUF, AOP, BOI etc.</b>		
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]	22.126% [(tax rate 18.50% plus surcharge 15% 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]	22.126% [(tax rate 18.50% plus surcharge 15% 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)]
<b>Firms / Others</b>		
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.

### 3.5 Tax on Dividend Distributed by Mutual Funds

#### 3.5.1 The Bill proposes to exclude tax on Tax on Dividend / Income distributed by Mutual Fund having unit in International Financial Services Centre, deriving income in convertible foreign exchange.

No change being proposed, the effective tax rates for tax on dividend distributed by mutual funds for FYs 2019–20 and 2018–19 are as follows:

Type of Income	Effective Tax Rate	
	FY 2019–20	FY 2018–19
Income distributed by a money market mutual fund or a liquid mutual fund to – an Individual or a HUF	38.83%# (considering the grossing up provisions)	38.83%# (considering the grossing up provisions)
– others	49.92%# (considering the grossing up provisions)	49.92%# (considering the grossing up provisions)
Income distributed by a mutual fund (including debt fund) other than a money market mutual fund or a liquid mutual fund to – an Individual or a HUF	38.83%# (considering the grossing up provisions) 49.92%# (considering the grossing up provisions)	38.83%# (considering the grossing up provisions) 49.92%# (considering the grossing up provisions)
Income distributed by a mutual fund to non-residents (not being company) under infrastructure debt scheme	6.13%# (considering the grossing up provisions)	6.13%# (considering the grossing up provisions)
Income distributed by a mutual fund to its unit holders in an equity oriented fund	12.94%# (considering the grossing up provisions)	12.94%# (considering the grossing up provisions)

# The tax rates are inclusive of surcharge of 12% and health and education cess of 4% thereon.

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

**The Bill proposes to include shares listed of a domestic company on a recognized stock exchange to pay additional income tax on distributed income on buy back of shares after 5 July 2019.**

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 2019–20 and 2018–19 are as follows:

Particulars	Effective Tax Rates	
	FY 2019–20 (for listed and unlisted shares)	FY 2018–19 (shares of the domestic companies which are not listed on recognized stock exchange)
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]

### 3.7 Other Entities

#### 3.7.1 Co-operative societies

No change is proposed in the tax rate. As such, the tax rates for co-operative societies for FYs 2019–20 and 2018–19 are as follows:

Income slab (Rs.)	Effective Tax Rates	
	FY 2019–20	FY 2018–19
0 – 10,000	10.40%	10.40%
10,001 – 20,000	Rs. 1,040 plus 20.80% of income exceeding Rs. 10,000	Rs. 1,040 plus 20.80% of income exceeding Rs. 10,000
20,001 – 1,00,00,000	Rs. 3,120 plus 31.20% of income exceeding Rs. 20,000	Rs. 3,120 plus 31.20% of income exceeding Rs. 20,000
Above 1,00,00,000	Rs. 34,90,906 plus 34.944% of income exceeding Rs. 1,00,00,000	Rs. 34,90,906 plus 34.944% of income exceeding Rs. 1,00,00,000

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.

#### 3.7.2 Local authorities

No change is proposed in the tax rate. As such, the tax rates for local authorities for FYs 2019–20 and 2018–19 are as follows

Local authorities	Effective Tax Rates	
	FY 2019–20	FY 2018–19
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 up to 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.

The G-20 economies comprising of 19 countries and the EU, account for almost 90% of the global GDP, 80% of world trade (including EU intra-trade) and two-thirds of the world population. 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



Sr. No.	Country	Corporate Tax Rate [Note 1]	Personal Tax Rate [Notes 1 and 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	32.98%	47.5%
8.	India	<b>29.12% [Note 7]</b> <b>34.944%</b>	<b>42.744%</b>
9.	Indonesia	25%	30%
10.	Italy	27.90%	43%
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. Budget 2019 proposes to cut corporate tax rate to 25% (plus applicable surcharge and cess) in case of companies having annual turnover not exceeding Rs. 400 crores during financial year 2017-18. For more details, please refer Chapter 3: Tax Rates

### Background

On 25th June 2019, India has deposited the Instrument of Ratification to OECD, Paris along with its Final Position in terms of Covered Tax Agreements (CTAs), Reservations, etc. under the Multilateral Instruments (MLIs). This will re-define the international tax landscape as the domestic tax provisions and the Double Taxation Avoidance Agreements now need to be read with MLIs.



Out of 93 CTAs notified by India, 22 countries have already ratified the MLIs as on date and the Double Taxation Avoidance Agreements (DTAA) with these countries will be modified by the MLIs. For these countries, MLIs will enter into force for India on 1st October 2019 and its provisions will have effect on India's DTAAs from FY 2020–21 onwards.

The 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 which provide for various measures designed to better address multinational inter-jurisdictional tax avoidance. Action Plan 15 provides for development of Multilateral Instrument 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.

Once MLI was drafted it was kept open for signatures. 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').

### 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. 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.

### India's Position

On 7 June 2017, India became a signatory to the MLI along with 67 other jurisdictions. At the time of signing the MLI, India along with other countries, had provided a provisional list of the Double Taxation Avoidance Agreements ('DTAA') that they would like to amend using the MLI, as well as their provisional positions on the MLI provisions.



Press Information Bureau had issued a Press release dated 12 June 2019, stating that the Union Cabinet, chaired by the H'ble Prime Minister of India had approved the ratification of the MLI on 27th May, 2019. On 25th June, 2019, India has deposited the Instrument of Ratification to OECD, Paris along with its Final Position in terms of Covered Tax Agreements (CTAs), Reservations etc. under the MLI.

**Out of 93 CTAs notified by India, 22 countries have already ratified the MLI as on date and the Double Taxation Avoidance Agreement (DTAA) with these countries will be modified by the MLI. For these countries, MLI will enter into force for India on 1st October 2019 and its provisions will have effect on India's DTAs from FY 2020–21 onwards.**

**The list of 22 countries which had already deposited the instrument of ratification with OECD by including India within its CTA are Australia, Austria, Finland, France, Georgia, Ireland, Israel, Japan, Lithuania, Luxembourg, Malta, Netherlands, New Zealand, Poland, Russia, Serbia, Singapore, Slovak Republic, Slovenia, Sweden, United Arab Emirates and United Kingdom.**

For the remaining CTAs, effect of MLI will take place as and when these countries ratify the MLI. The MLIs will 'enter into force' with respect to such countries within 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 MLIs
- b) With respect to other taxes – From the 1st day of taxable period commencing after 6 months of the entry into force of MLIs

The table below gives a better understanding of date of entry into force and date of entry into effect of MLIs 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 had not deposited the 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

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)
	Assuming it is deposited in FY 2020–21 and on-wards	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

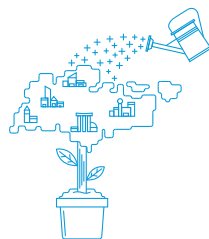
Depending on the position taken under MLI by a country, India's DTAA with it shall get modified in the following prominent ways:–

- 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.

### Our Thoughts

As MLIs becomes effective in India, tax treaties should not be replaced by MLIs 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 huge tax implications.

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 changes proposed by the Finance Bill (No. 2), 2019 are highlighted in **bold** font:



Section	Details of Exemption / Deduction	Period	Quantum of Deduction
10AA	<p><u>New eligible unit set up in SEZ on or after 1 April 2005</u></p> <ul style="list-style-type: none"> <li>■ 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.</li> <li>■ 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.</li> <li>■ The benefit is also available to units engaged in cutting and polishing of precious and semi-precious stones.</li> <li>■ 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).</li> <li>■ The eligible units availing these deductions will be subject to MAT / AMT @ 18.50% (plus applicable surcharge and health and education cess).</li> <li>■ MAT / AMT paid shall be allowed to be carried forward up to 15 years and credit of MAT / AMT paid shall be available for set-off against the tax as per normal provisions in subsequent years.</li> <li>■ 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.</li> <li>■ No deduction shall be available to units commencing manufacture or production of article or thing / providing services on or after 1 April 2020. <b>There has been no extension of the sunset clause under this Section 10AA.</b></li> </ul>	<p>First 5 years Next 5 years Next 5 years+</p> <p>+ The deduction is allowed only on creation of a specified reserve, which is required to be utilized for specified purposes.</p>	<p>100% 50% 50%</p>

Section	Details of Exemption / Deduction	Period	Quantum of Deduction
	<ul style="list-style-type: none"> <li>The amount of deduction referred to in section 10AA shall be allowed from the total income computed in accordance with provisions of the IT Act before giving effect to the provisions of section 10AA and the deduction under section 10AA in no case shall exceed the said total income.</li> </ul>		
33AB	<u>Tea / Coffee / Rubber / development allowance</u> <ul style="list-style-type: none"> <li>Deduction is available to assessee engaged in the business of growing and manufacturing tea, coffee or rubber in India.</li> <li>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 end of the financial year or before the due date of furnishing the return of income, whichever is earlier.</li> <li>The amount has to be utilized by the assessee for specified purposes.</li> </ul>	Available for every AY	Up to 40% of profits or amount deposited, whichever is less.
33ABA	<u>Site Restoration Fund – Petroleum or Natural Gas</u> <ul style="list-style-type: none"> <li>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.</li> <li>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 before the end of the financial year.</li> <li>The amount has to be utilized by the assessee for specified purposes.</li> </ul>	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 Appe-	<u>Normal Depreciation</u> <ul style="list-style-type: none"> <li>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.</li> </ul>
32(1) (iia)	<u>Additional Depreciation</u> <ul style="list-style-type: none"> <li>General rate of depreciation for plant and machinery is 15% (other than certain specified types of plant and machinery).</li> <li>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 and aircraft) which are acquired and installed after 31 March 2005.</li> <li>Further, 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</li> </ul>

Section	Eligibility Criteria, Quantum and Period of Deduction																					
	<p>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.</p> <ul style="list-style-type: none"><li>■ 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.</li></ul>																					
32AD	<p><u>Investment in new plant or machinery in certain states</u></p> <ul style="list-style-type: none"><li>■ 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"><li>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</li><li>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.</li></ul></li><li>■ 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).</li></ul>																					
35AD	<p><u>Deduction in respect of expenditure on specified businesses</u></p> <ul style="list-style-type: none"><li>■ Any expenditure of capital nature (other than expenditure incurred on 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.</li><li>■ Specified business and the year (in which the operations to be commenced) for availing deduction under this section are tabulated as under:</li></ul> <table><tr><th>Sr. No</th><th>Specified Business</th><th>Specified year of Commencement</th></tr><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</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 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</td><td>From 1 April 2010 onwards</td></tr></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	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 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	From 1 April 2010 onwards
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Section	Eligibility Criteria, Quantum and Period of Deduction		
	<b>Sr. No</b>	<b>Specified Business</b>	<b>Specified year of Commencement</b>
	7	The Business of developing and building a housing project under a scheme for affordable housing framed by the Central Government 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 Central Government 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"> <li>■ 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.</li> <li>■ 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'.</li> <li>■ 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.</li> <li>■ 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</li> </ul>			

Section	Eligibility Criteria, Quantum and Period of Deduction ^
	<p>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.</p> <ul style="list-style-type: none"> <li>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 <b>or through such other electronic mode as may be prescribed</b>, exceeds Rs. 10,000, then no deduction shall be allowed under section 35AD.</li> </ul> <p><b>Further, in order to boost economic growth and Make in India, it has been proposed in the Budget speech that it will launch a scheme to invite global companies through a transparent competitive bidding to set up mega-manufacturing plants in sunrise and advanced technology areas such as Semi-conductor Fabrication (FAB), Solar Photo Voltaic cells, Lithium storage batteries, Solar electric charging infrastructure, Computer Servers, Laptops, etc. and provide them investment linked income tax exemptions under section 35 AD of the IT Act.</b></p>
35CCA	<p><u>Deduction for payment towards rural development programmes</u></p> <ul style="list-style-type: none"> <li>100% deduction is allowed subject to fulfillment of certain conditions for any sums paid to: <ul style="list-style-type: none"> <li>i. an association or institution for carrying out any programme of rural development</li> <li>ii. an association or institution for training of persons for implementation of rural development programme</li> <li>iii. National Fund For Rural Development</li> <li>iv. National Urban Poverty Eradication Fund</li> </ul> </li> </ul>
35CCC	<p><u>Weighted deduction of expenditure incurred on agriculture extension project</u></p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>
35CCD	<p><u>Weighted deduction of expenditure incurred on skill development project</u></p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>

Section	Details of Deduction ^	Existing Quantum of deduction of sum paid / expenditure incurred	New 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%	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%**	150%* 100%**
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%	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%	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%	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%**	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%**	150%* 100%**

\* From FY 2017-18 to FY 2019-20.

\*\* From FY 2020-21 onwards.



	Exemptions from Capital Gains in certain cases
Section	Eligibility Criteria, Quantum and Period of Deduction
54EC	<ul style="list-style-type: none"> <li>■ Capital gain on transfer of a long term capital asset, 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 long-term capital asset, 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.</li> <li>■ This exemption shall be least of the following: <ul style="list-style-type: none"> <li>- Investment in specified assets viz. any bonds notified by the Central Government in this behalf. The investment is restricted up to Rs. 50,00,000 per assessee per financial year.</li> <li>- Amount of capital gains.</li> </ul> </li> <li>■ 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.</li> <li>■ 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.</li> </ul>
54EE	<ul style="list-style-type: none"> <li>■ Capital gain on transfer of a long term capital asset shall be exempt from tax, if an assessee invests the capital gains in the specified assets within 6 months from the date of transfer of a long-term capital asset.</li> <li>■ This exemption shall be least of the following: <ul style="list-style-type: none"> <li>- Investment in specified assets viz. a unit or units, issued before the 1 April, 2019 of fund notified by the Central Government.</li> <li>- Rs. 50,00,000 per assessee per financial year</li> <li>- Amount of capital gains.</li> </ul> </li> <li>■ 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.</li> <li>■ 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.</li> </ul>
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"> <li>- Amount of capital gains;</li> <li>- 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.</li> </ul>
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"> <li>- Amount of capital gains;</li> <li>- 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.</li> </ul>

	Exemptions from Capital Gains in certain cases ^
Section	Eligibility Criteria, Quantum and Period of Deduction
<b>54GB</b>	<ul style="list-style-type: none"> <li>Long term capital gains 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 manufacturing sector and the SME company utilizes the said funds for purchase of new plant and machinery, subject to the certain conditions.</li> <li>Long term capital gains arising on account of transfer of a residential property before 31 March 2019 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. <b>It is proposed to extend the sun set date of transfer of residential property for investment in eligible startups to 31 March 2021.</b></li> <li>Individual or HUF should hold more than 50% 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. <b>It is now proposed to relax the minimum shareholding requirement to 25%.</b></li> <li>Eligible start-up and eligible business shall have the same meanings as assigned in section 80-IAC(4).</li> <li><b>Further, it is proposed to relax the restriction on transfer of new asset being computer or computer software from the current 5 years to 3 years.</b></li> </ul>
Section	Eligibility criteria, Quantum and period of deduction / Exemption
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 Central Government.
10(34)	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).
<b>10 (34A)</b>	Any income arising to an assessee, being a shareholder on account of buy back of shares as referred in section 115QA (not being listed on a recognized stock exchange) by the company shall not be included in the total income of assessee. <b>It is now proposed to extend exemption under this section 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.</b>
10(35)	Income received in respect of units of mutual fund shall not be included in the total income of assessee.
10(38) /112A	<p>Capital gain arising from transfer of long term capital asset 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 long term capital gains arising out of transaction undertaken on a recognized stock exchange located in any International Financial Services Centre 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</p>

Section	Eligibility criteria, Quantum and period of deduction
	<p>specifically exempted are:</p> <ul style="list-style-type: none"> <li>■ 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;</li> <li>■ Acquisition of listed equity shares in a company which has been approved by the Supreme Court, High Court, NCLT, SEBI or RBI;</li> <li>■ Acquisition of listed equity shares in a company by any Non-resident in accordance with foreign direct investment guidelines issued by the Government of India;</li> <li>■ Acquisition of shares by a SEBI regulated Alternative Investment Fund / Venture Capital fund/ Qualified Institutional Buyer;</li> <li>■ 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;</li> <li>■ Acquisition of shares by scheduled banks, reconstruction or securitization companies or public financial institutions during their ordinary course of business;</li> <li>■ Acquisition of Shares issued under ESOP/ESPS scheme;</li> <li>■ Acquisition of shares of company is made under Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 2011.</li> </ul> <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 long term capital gains arising from transfer of a 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 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 long term capital asset acquired by the assessee before 1 February 2018, shall be deemed to be the higher of –</p> <ol style="list-style-type: none"> <li>a) the actual cost of acquisition of such asset; and</li> <li>b) the lower of –             <ol style="list-style-type: none"> <li>(i) the fair market value of such asset; and</li> <li>(ii) the full value of consideration received or accruing as a result of the transfer of the capital asset.</li> </ol> </li> </ol> <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 FIIs will also be liable to tax on such long term capital gains 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 Central Government.
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 Central Government.</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).

Section	Eligibility criteria, Quantum and period of deduction
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 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 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"> <li>Dividend received from the domestic subsidiary company during the year in which DDT has already been paid by subsidiary under this section.</li> <li>Dividend received from the specified foreign subsidiary during the year in which tax is payable by the holding company under section 115BBD of the IT Act.</li> </ol> <p>No tax on distributed profits shall be chargeable in respect of the total income of a company, being a unit of an International Financial Service Centre, deriving income solely in convertible foreign exchange.</p>

Deductions of Profits derived by Newly Established Industrial Undertakings / Infrastructure Projects / Facilities / Developers of SEZs / Banking units, etc. (Sections 80-IA / 80- IAB / 80- IAC / 80- IB / 80-IBA/ 80- IC / 80- IE / 80JJAA /80LA/80PA) ^				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
1.	<p><b><u>Specified Infrastructure Projects</u></b> [Section 80-IA(4)(i)]</p> <p>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 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.</p>	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 waste management system).

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	No deduction shall be available if the specified activity commences on or after 1 April 2017.			
2.	<p><b><u>Telecommunication Service Providers</u></b>  <i>[Section 80-IA(4)(ii)]</i>            Any undertaking which starts providing telecommunication services, whether basic or cellular, including radio paging, domestic satellite service or network of trunking, broadband network and internet services on or after 1 April 1995 but before 31 March 2005.            Deduction shall not be available to a person executing the above referred services as a works contract.</p>	All	100% 30%	First 5 years Next 5 years  Any 10 consecutive years out of first 15 years
3.	<p><b><u>Development of Industrial Park</u></b>  <i>[Section 80-IA(4)(iii)]</i>            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.</p>	All	100%	Any 10 consecutive years out of first 15 years
4.(a)	<p><b><u>Power Undertakings</u></b>  <i>[Section 80-IA(4)(iv)]</i></p> <ul style="list-style-type: none"> <li>■ 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.</li> <li>■ Undertaking which starts transmission or distribution by laying a network of new transmission or distribution lines between 1 April 1999 and 31 March 2017.</li> <li>■ Undertaking which undertakes substantial renovation and modernization of the existing network of transmission or distribution lines between 1 April 2004 and 31 March 2017.</li> <li>■ Deduction shall not be available to a person executing the above referred activities as a works contract.</li> </ul>	All	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
4.(b)	<b><u>Undertakings for revival of Power Generating Units</u></b> <i>[Section 80-IA(4)(v)]</i> Undertaking owned by Indian Company (formed before 30 November 2005 and notified before 31 December 2005) set up for 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.	Indian Company	100%	Any 10 consecutive years out of first 15 years
5.	<b><u>Developer of SEZ</u></b> <i>[Section 80-IAB]</i> 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
6.	<b><u>Start-up Undertaking</u></b> <i>[Section 80-IAC]</i> <ul style="list-style-type: none"> <li>■ 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.</li> <li>■ The total turnover of the company should not exceed Rs. 250 million in any of the 7 years beginning from the year in which it is incorporated.</li> <li>■ It holds a certificate of eligible business from the Inter-Ministerial Board of Certification as notified in the Official Gazette by the Central Government.</li> <li>■ 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).</li> <li>■ It is not formed by splitting up, or the reconstruction, of a business already in existence.</li> </ul>	Company or LLP incorporated between 1 April 2016 to 1 April 2021	100%	Any 3 consecutive years out of first 7 years

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	<p>☒ 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 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.</p>			
7.	<p><b><u>Production of mineral oil and natural gas</u></b> [Section 80-IB(9)]</p> <ul style="list-style-type: none"> <li>■ 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.</li> <li>■ 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.</li> </ul> <p>No deduction shall be available if the specified activity commences on or after 1 April 2017.</p>	All	100%	First 7 years
8.	<p><b><u>Undertaking engaged in processing / preservation / transportation of specified food items</u></b> [Section 80-IB(11A)]</p> <ul style="list-style-type: none"> <li>■ An undertaking deriving profit from the integrated business of handling, storage and transportation of food grains subject to such business beginning its operations on or after 1 April 2001.</li> <li>■ The benefit is extended to undertakings engaged in the business of processing, preservation and packaging of fruits and vegetables.</li> <li>■ Further, the benefit is extended to</li> </ul>	<p>Company</p> <p>Others</p>	<p>100% 30%</p> <p>100% 25%</p>	<p>First 5 years Next 5 years</p> <p>First 5 years Next 5 years</p>

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	undertakings 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.			
9.	<p><b><u>Affordable Housing Project</u></b> [Section 80-IBA]</p> <ul style="list-style-type: none"> <li>■ Any undertaking engaged in the business of developing and building housing projects approved by the competent authority between 1 June 2016 and 31 March 2020.</li> <li>■ The project should be completed within a period of 5 years from the date of approval.</li> <li>■ 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 .</li> <li>■ Carpet area shall not exceed 30 square meter for Chennai, Delhi, Kolkata or Mumbai and 60 square meter for any other place</li> <li>■ Separate books of account in respect of the housing project</li> <li>■ Not more than 1 residential unit is allotted to any individual or the spouse or the minor children of such individual.</li> <li>■ Deduction shall not be available to a person executing the housing project as works contract.</li> </ul> <p><b>It is proposed that for housing project approved on or after 1 September 2019 following modified conditions shall be applicable:</b></p> <ul style="list-style-type: none"> <li>■ <b>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.</b></li> <li>■ <b>The stamp duty value of a residential unit in the housing project does not exceed Rs. 45,00,000.</b></li> </ul>	All	100%	Not Applicable



Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
10.	<p><b><u>Undertakings in special category states (Himachal Pradesh and Uttaranchal)</u></b>  <i>[Section 80-IC]</i></p> <ul style="list-style-type: none"> <li>■ Undertakings and enterprises, which begin to manufacture or produce any article or thing which is not specified in Thirteenth Schedule or undertakings and enterprises, which manufacture or produce any article or thing which is not specified in Thirteenth Schedule and undertake substantial expansion of existing undertakings.</li> <li>■ 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.</li> <li>■ Commences operation from 7 January 2003 to 31 March 2012.</li> </ul>	<p>Company</p> <p>Others</p>	<p>100% 30%</p> <p>100% 25%</p>	<p>First 5 years Next 5 years</p> <p>First 5 years Next 5 years</p>
11.	<p><b><u>Undertakings in North Eastern States*</u></b>  <i>[Section 80-IE]</i></p> <ul style="list-style-type: none"> <li>■ 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.</li> <li>■ The eligible businesses for this purpose are hotels (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-technology.</li> </ul>	All	100%	First 10 years

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	*States of Assam, Tripura, Meghalaya, Mizoram, Nagaland, Manipur and Arunachal Pradesh.			
12.	<b><u>Deduction of Additional Wages</u></b> <b><u>[Section 80JJAA]</u></b> <ul style="list-style-type: none"> <li>■ 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).</li> <li>■ However, no deduction shall be allowed in respect of employees for whom the entire contribution under notified Employees' Pension Scheme is paid by the Government.</li> <li>■ The minimum number of days of employment of such new employees in a financial year is 240 days.</li> <li>■ However, the requirement of minimum period of employment is 150 days in the case of apparel, footwear and leather industry.</li> <li>■ 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.</li> </ul>	All assessee covered under tax audit provisions	30% of additional employee cost of new employees in case of existing business.  30% of employee cost in case of 1st year of new business.	3 AYs including the AY relevant to the FY in which such employment is provided
13.	<b><u>Offshore banking unit in SEZ and International Financial Services Centre</u></b> <b><u>[Section 80LA]</u></b> <p>Income from:</p> <ul style="list-style-type: none"> <li>■ Offshore banking unit in SEZ or</li> <li>■ The business referred to in section 6(1) of the Banking Regulation Act, 1949.</li> <li>■ Any unit of the International Financial Services Center from its approved business.</li> </ul>	Scheduled Bank or any bank incorporated by or under the law of a country outside India.  A unit of an International Financial Services	100%  50%  100%	First 5 years (beginning with the year in which prescribed permissions are obtained)  Next 5 years  <b>Any 10 consecutive years out of first 15 years (beginning with the year in which prescribed permissions are obtained)</b>

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
14.	<p><b><u>Deduction in respect of income of Farm Producer Companies</u></b>  <b><u>[Section 80PA]</u></b></p> <ul style="list-style-type: none"> <li>■ Deduction in respect of certain income of Producer Companies having a total turnover of Rs. 1,000 million or less in any FY and whose gross total income includes any income from               <ul style="list-style-type: none"> <li>(i) the marketing of agricultural produce grown by its members, or</li> <li>(ii) the purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to its members, or</li> <li>(iii) the processing of the agricultural produce of its members</li> </ul> </li> <li>■ 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.</li> </ul>		100%	5 years beginning from AY 2019-20

^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 provides 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.

## 7.1 Business Entities

### 7.1.1 Corporate Tax Rate

Tax rates for the companies having total turnover or gross receipts up to Rs. 400 Crores in FY 2017–18 (earlier Rs.250 crores) reduced to 25%.



### 7.1.2 Tax on income distributed to shareholder in case of listed companies

The existing provision of section 115QA of the IT Act provides for the levy of additional tax @ 23.296% on the distributed income on the buy-back of shares by the un-listed domestic company.

It is proposed to amend section 115QA of the IT Act to provide that the provisions of the said section shall also apply on the distributed income for buy-back of shares undertaken by the listed domestic company as well. Hence, after the amendment both the listed and un-listed domestic company has to pay the additional tax @ 23.296% on the distributed income paid on the buy-back of the shares.

Accordingly, the exemption provided under section 10(34A) of the IT Act on the distributed income on the buy-back of shares shall apply to the shareholders of both listed and un-listed domestic company.

This amendment will take effect from 5 July 2019.

### 7.1.3 Incentives to NBFCs

The existing provisions of section 43D of the IT Act, inter-alia provides that interest income in relation to certain categories of bad or doubtful debts received by public financial institutions, scheduled banks, cooperative banks, State financial corporations, State industrial investment corporations and public companies like housing finance companies, shall be chargeable to tax in the year in which it is credited to its profit and loss account or actually received, whichever is earlier.

It is proposed to amend the section to include deposit-taking NBFCs and systemically important non deposit-taking NBFCs wherein the interest income in relation to certain categories of bad or doubtful debts received by them shall be chargeable to tax in the year in which it is credited to its profit and loss account or actually received, whichever is earlier.

### **7.1.4 Interest payable to NBFCs covered under Section 43B**

Section 43B of the IT Act is proposed to be amended to include any sum payable by the assessee as interest on any loan or advances from a deposit-taking NBFCs and systemically important non deposit-taking NBFCs, shall be allowed as deduction if it is actually paid on or before the due date of furnishing the return of income of the relevant previous year.

### **7.1.5 Incentives for start-ups**

Section 79 of the IT Act provides conditions for carry forward and set off of losses in case of a company not being a company in which the public are substantially interested. Clause (a) of this section applies to all such companies, except an eligible start-up as referred to in section 80-IAC of the IT Act, while clause (b) applies only to such eligible start-up.

- Under clause (a), no loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year, unless on the last day of the previous year, the shares of the company carrying not less than 51% of the voting power were beneficially held by persons who beneficially held shares of the company carrying not less than 51% of the voting power on the last day of the year or years in which the loss was incurred.
- Under clause (b), the loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year, if, all the shareholders of such company who held shares carrying voting power on the last day of the year or years in which the loss was incurred, continue to hold those shares on the last day of such previous year and such loss has been incurred during the period of 7 years beginning from the year in which such company is incorporated.

To further facilitate ease of doing business in the case of an eligible start-up, it is proposed to amend section 79 of the IT Act so as to provide that loss incurred in any year prior to the previous year, in the case of closely held eligible start-up, shall be allowed to be carried forward and set off against the income of the previous year on satisfaction of either of the two conditions stipulated currently at clause (a) or clause (b). For other closely held companies, there would be no change, and loss incurred in any year prior to the previous year shall be carried forward and set off only on satisfaction of condition currently provided at clause (a).

### **7.1.6 Tax incentive for affordable housing**

The existing provisions of the section 80-IBA of the IT Act, inter alia, provide that where the gross total income of an assessee includes any profits and gains derived from the business of developing and building housing projects, there shall, subject to certain conditions, be allowed, a deduction of an amount equal to 100% of the profits and gains derived from such business.

With a view to align the definition of 'affordable housing' under section 80-IBA of the IT Act with the definition under GST, it is proposed to amend the said section so as to modify certain conditions regarding the housing project approved on or after 1 September 2019. The modified conditions are as under:

- i. the assessee shall be eligible for deduction under the section, in respect of a housing project if a residential unit in the housing project have carpet area not exceeding 60 square meter in metropolitan cities or 90 square meter in cities or towns other than metropolitan cities of Bengaluru, Chennai, Delhi National Capital Region (limited to Delhi, Noida, Greater Noida, Ghaziabad, Gurgaon, Faridabad), Hyderabad, Kolkata and Mumbai (whole of Mumbai Metropolitan Region); and
- ii. the stamp duty value of such residential unit in the housing project shall not exceed Rs. 45,00,000;

### **7.1.7 Incentives for Category II AIF**

The existing provisions of section 56 of the IT Act, inter alia, provide that where a company, not being a company in which the public are substantially interested, receives, in any previous year, from any person being a resident, any consideration for issue of shares that exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the fair market value of the shares shall be charged to tax in the hands of the Company.

Currently the exemption under section 56 of the IT Act is available to Category I AIF. With a view to facilitate venture capital undertakings to receive funds from Category II AIF, it is proposed to amend section 56 of the IT Act to extend this exemption to fund received by venture capital undertakings from Category II AIF as well.

### **7.1.8 Provide for pass through of losses in cases of Category I and Category II – AIF**

The existing provision of section 115UB of the IT Act provides for pass through of income earned by the Category I and II AIF, except for business income which is taxed at AIF level. The other incomes are taxed in the hands of individual investor. The pass through of losses is not provided under the existing regime

and is retained at AIF level to be carried forward and set off in accordance with Chapter VI.

It is proposed to amend section 115UB of the IT Act to provide that the business loss of the investment fund shall be allowed to be carried forward and it shall be set-off by the fund and it shall not be passed to the investor. Further, if the units are held by the investor for less than 12 months, then the loss other than business loss shall be ignored for the purpose of pass through to the investor.

If the units are held by the investor for 12 months or more then the loss other than business loss, if any, accumulated by the investment fund as on 31 March, 2019, shall be deemed to be loss of the investor who held the unit as on 31 March, 2019. The loss shall be allowed to be carried forward to the investor for the remaining period available to AIF and it shall be set-off by him. Such loss in the hands of investor is not available to the investment fund for claiming the deduction under chapter VI.

### **7.1.9 Relaxing the provisions of section 201 and 40 in case of payments to non-residents**

The existing provision of section 201(1) of the IT Act provides that the assessee shall not be deemed to be in default, if it is established that the resident deductee has filed its return of income under section 139 of the IT Act, disclosed such payment for computing his income in his return of income, paid the tax due on the income declared by him in his return of income and furnished an accountant's certificate to this effect.

It is proposed to amend section 201(1) of the IT Act to extend the benefit on the payment made to a non-resident deductee. Accordingly after the amendment, the assessee shall not be deemed to be in default if it establishes that the resident as well as non-resident deductee has filed the return of income under section 139 of the IT Act, disclosed such payment for computing his income in his return of income, paid the tax due on the income declared by him in his return of income and furnished an accountant's certificate to this effect.

Consequently the interest under section 201(1A) of the IT Act shall be charged from date the tax was deductible to the date of filing the return of income by the resident as well as non-resident deductee.

This amendment will take effect 1 September 2019.

Further the disallowance under section 40(a)(i) of the IT Act in respect of payment to non-resident shall not be applicable if the assessee is not treated as

default under section 201(1) of the IT Act.

### **7.1.10 Measures for resolution of distressed companies:**

The existing provision of section 79 of the IT Act provides that carry forward and set-off of losses shall not be allowed in case of a closely held company if there has been change in the shareholding for more than 49%. However the provisions of section 79 of the IT Act are not applicable to a company where a change in the shareholding takes place pursuant to a resolution plan approved under the IBC.

The benefit is proposed to be extended to certain companies. Thus, it has been provided in newly substituted section 79 of the IT Act that the provisions of this section shall also not apply to those companies, and their subsidiary and the subsidiary of such subsidiary, where –

- (i) NCLT on a petition moved by the Central Government under section 241 of the Companies Act, 2013 has suspended the Board of Directors of such company and has appointed new directors, who are nominated by the Central Government under section 242 of the Companies Act, 2013 and
- (ii) a change in shareholding of such company, and its subsidiary and the subsidiary of such subsidiary, has taken place in a previous year pursuant to a resolution plan approved by NCLT under section 242 of the Companies Act, 2013, after affording a reasonable opportunity of being heard to PCIT or CIT.

Further it is proposed to amend section 115JB of the IT Act for calculating the book profit, aggregate amount of unabsorbed depreciation and loss (excluding depreciation) brought forward shall also be allowed to be reduced in cases of the above mentioned companies.

### **7.1.11 Facilitating demerger of Ind-AS compliant companies**

The existing provision of section 2(19AA) of the IT Act provides that the resulting company should record the property and liabilities of undertaking being transferred by demerged company at the values appearing in the books of account of demerged company immediately before demerger.

It is proposed to amend section 2(19AA) of the IT Act to provide that the aforesaid requirement shall not be applicable to the resulting company which has to comply with the Indian Accounting Standards.



### **7.1.12 Statement of Financial Transactions (SFT)**

Existing provisions of section 285BA of the IT Act provide for furnishing of SFT by person specified therein.

In order to enable proposed pre-filing of return of income, it has been proposed to widen the scope of furnishing of financial transactions so as to include certain prescribed persons. Further, in order to ensure pre-filing of return of income relating to small amount of transaction as well, current threshold of Rs. 50,000 for the financial year has been removed.

In order to ensure correct furnishing of information in the SFT, scope of penalty under section 271FAA of the IT Act has been widened to cover all the specified person referred under section 285BA of the IT Act. The said section provides for penalty of Rs. 50,000 for finishing inaccurate information in SFT.

This amendment will take effect from 1 September 2019.

### **7.1.13 Mandatory furnishing of Income tax return by certain persons**

It has been proposed to amend section 139 of the IT Act to provide that a person shall be mandatorily required to file his ROI, if during the previous year, the person enters into specified transactions such as:

- Amount deposited exceeding Rs. 1,00,00,000 in one or more current account with a banking company or a co-operative bank
- Expenditure incurred exceeding Rs. 2,00,000 for himself or any other person for travel abroad
- Expenditure incurred exceeding Rs. 1,00,000 towards consumption of electricity
- Claiming roll-over exemption under the capital gains against investment in house or bond or other assets

### **7.1.14 Mandating facility of acceptance of payments through prescribed electronic modes**

In order to promote digital economy, it has been proposed to insert a new section 269SU in the IT Act to provide that every person carrying on business, shall provide facility for accepting payment through the prescribed electronic modes, in addition to the facility for other electronic modes of payment, if any, being provided by such person, if the total sales, turnover or gross receipts in business exceeds Rs. 50,00,00,000 during the immediately preceding previous

year.

Further, it has been proposed to insert a new section 271DB in the IT Act to provide for a levy a penalty of Rs. 5,000 for each day of failure to provide the facility as mandated in aforesaid section 269SU of the IT Act.

It has also been proposed to amend Payment and Settlement Systems Act, 2007 so as to provide that no bank or system provider shall impose any charge upon anyone, either directly or indirectly, for using the modes of electronic payment prescribed under section 269SU of the IT Act.

This amendment will be effective from 1 November 2019.

### **7.1.15 Permissible modes of payment has been widened to include prescribed electronic mode of payment**

In order to promote less cash economy and encourage digital payments, it has been proposed to amend various provisions of the IT Act [section 13A, 35AD, 40(A), 43(1), 43CA, 44AD, 80JJAA, 50C, 56(2)(x), 269SS, 269ST, 269T] which requires an assessee to make payment or receipt only through account payee cheque, account payee draft or electronic clearing system through a bank account so as to include such other electronic mode as may be prescribed by CBDT, in addition to the already existing permissible modes of payment.

## **7.2 Personal**

### **7.2.1 Tax incentive for interest on affordable housing loan**

In order to provide an impetus to the 'Housing for all' objective of the Government and to enable the home buyer to have low-cost funds at his disposal, it is proposed to insert a new section 80EEA in the IT Act so as to provide a deduction in respect of interest up to Rs. 1,50,000 on loan taken for residential house property from any financial institution subject to the following conditions:

- i. loan has been sanctioned by a financial institution during the period beginning on 1 April 2019 to 31 March 2020;
- ii. the stamp duty value of house property does not exceed Rs. 45,00,000;
- iii. assessee does not own any residential house property on the date of sanction of loan.

It is also proposed that where a deduction under this section is allowed for any interest, deduction shall not be allowed in respect of such interest under any

other provisions of the IT Act for the same or any other AY.

### **7.2.2 Tax incentive for Interest on electric vehicles loan**

It is proposed to insert a new section 80EEB in the IT Act so as to provide for a deduction in respect of interest on loan taken for purchase of an electric vehicle from any financial institution up to Rs. 1,50,000 subject to the following conditions:

- i. the loan has been sanctioned by a financial institution including a NBFC during the period beginning on 1 April 2019 to 31 March 2023;
- ii. the assessee does not own any other electric vehicle on the date of sanction of loan.

It is also proposed that where a deduction under this section is allowed for any interest, deduction shall not be allowed in respect of such interest under any other provisions of the IT Act for the same or any other assessment year.

### **7.2.3 Incentives to National Pension System ('NPS') subscribers**

Under the existing provisions of section 10 (12A) of the IT Act, any payment from the NPS Trust to an assessee on closure of his account or on his opting out of the pension scheme, to the extent it does not exceed 40% of the total amount payable to him at the time of such closure or on his opting out of the scheme, is exempt from tax. With a view to enable the pensioner to have more disposable funds, it is proposed to amend the said section so as to increase the said exemption from 40% to 60% of the total amount payable to the person at the time of closure or his opting out of the scheme.

### **7.2.4 TDS obligation on Individual/HUF on payment to contractors and professionals**

As per existing provisions of section 194C and 194J of the IT Act, there is no obligation on an individual or HUF to deduct TDS on any payment to a resident contractor or professional when the payment is for personal use. Further, individual or HUF carrying on business or profession and not subjected to tax audit are also not obligated to deduct TDS on such payments even if the payment is for the purpose of business or profession.

It is proposed to introduce new section 194M in the IT Act, to provide for levy of TDS at the rate of 5% in respect of payment for contractual work or for professional service by individual/ HUF (who are not liable to deduct TDS under section 194C or 194J of the IT Act). However, if such sum or aggregate of such sum does not exceed Rs. 50,00,000 in a financial year, then no TDS is required

to be deducted.

Further, in order to reduce the compliance burden, it is proposed that such on such individuals /HUFs be able to deposit TDS using their PAN and shall not be required to obtain TAN.

Further, sum covered under this section is also eligible for Lower Deduction of tax certificate under section 197(1) of the IT Act.

This amendment will take effect from 1 September 2019.

### **7.2.5 Extension of Sunset clause for investment in start ups**

The existing provisions of the section 54GB of the IT Act, inter alia, provide for roll over benefit in respect of capital gain arising from the transfer of a long-term capital asset, being a residential property owned by the eligible assessee. To be able to get benefit of this provision, the assessee is required to utilize the net consideration for subscription in the equity shares of an eligible company before the due date of filing of the return of income. The assessee is required to have more than 51% share capital or more than 51% voting rights after the subscription in shares in the eligible company.

Section 54GB of the IT Act, inter alia, puts restriction on transfer of assets acquired by the company for 5 years from the date of acquisition. Currently the benefit of this section was only available for investment in the equity shares of eligible start-ups and that period also got over on 31 March 2019. Thus, at present no benefit is available for residential property transferred after 31 March 2019.

In order to incentivize investment in eligible start-ups, it is proposed to amend the section 54GB of the IT Act so as to –

- i. extend the sun set date of transfer of residential property for investment in eligible start-ups from 31 March 2019 to 31 March 2021;
- ii. relax the condition of minimum shareholding of 51% of share capital or voting rights to 25%.
- iii. relax the condition restricting transfer of new asset being computer or computer software from the current 5 years to 3 years.

### **7.2.6 Inter-changeability of PAN & Aadhaar and mandatory quoting in prescribed transactions**

It has been proposed to insert a new clause in section 139A of the IT Act to include person entering into such transaction, as may be prescribed by the

Board in the interest of revenue, to apply for a PAN.

It has also been proposed to insert new section 139A(5E) in the IT Act to provide for inter-changeability of PAN with the Aadhaar number. Accordingly, it has been provided that:

- (i) A person who has not been allotted a PAN but possesses the Aadhaar number, may furnish or intimate or quote his Aadhaar number in lieu of the PAN and such person shall be allotted a PAN in such manner as may be prescribed
- (ii) every person who has been allotted a PAN, and who has linked his Aadhaar number under section 139AA, may furnish or intimate or quote his Aadhaar number in lieu of a PAN

In order to ensure proper compliance of the provisions relating to quoting and authentication of PAN or Aadhaar, the penalty provision contained in section 272B has been suitably amended.

This amendment will be effective from 1 September 2019.

### **7.2.7 Consequence of not linking PAN with Aadhaar**

It is proposed to amend section 139AA of the IT Act to make the PAN inoperative after the notified date if a person fails to intimate the Aadhaar number on or before the notified date.

This amendment will take effect from 1 September 2019.

### **7.2.8 TDS on non-exempt portion of life insurance pay-out on net basis.**

The existing provision of section 194DA of the IT Act provides that a person responsible for paying to a resident any sum under a life insurance policy, including the sum allocated by way of bonus, other than amount exempt under section 10(10D) of the IT Act to deduct tax @1% on such sum.

It is proposed to amend section 194DA of the IT Act to provide that the tax deduction @5% shall be applicable on the income component of the policy i.e. after deducting the amount of insurance premium paid from the total sum received.

This amendment is effective from 1st September, 2019.

## **7.3 Non-Resident**

### **7.3.1 Income deemed to accrue or arise in India has been widened to include gift**

**made to a person resident outside India**

Under the existing taxation regime, non-residents are taxable in India in respect of income that accrues or arise in India or is deemed to accrue or arise in India or received or deemed to be received in India. Section 9 of the IT Act provides for the income which shall be deemed to accrue or arise in India. Further, existing provisions of section 2(24)(xviiia) of the IT Act provides that income includes gift of money or property as referred in section 56(2)(x) of the IT Act.

It has been proposed to insert new clause in section 9 of the IT Act to provide taxation of such income referred in section 2(24)(xviiia) of the IT Act, arising from any sum of money paid, or any property situate in India transferred, on or after 5 July, 2019 by a person resident in India to a person outside India shall be deemed to accrue or arise in India.

The exceptions provided in section 56(2)(x) of the IT Act will continue to apply to such gifts which are deemed to accrue or arise in India in aforesaid clause. Further, relief under the DTAA shall continue to apply to such income.

**7.3.2 Exemption of interest income of a non-resident arising from borrowings by way of issue of Rupee Denominated Bonds referred to under section 194LC of the IT Act**

It is proposed to amend section 10 of the IT Act so as to provide exemption to income payable by way of interest to a non-resident, including a foreign company by the specified company in respect of monies borrowed from a source outside India by way of issue of rupee denominated bond, as referred to in section 194LC of the IT Act, during the period beginning from 17 September 2018 and ending on the 31 March 2019.

This amendment will take effect retrospectively from AY 2019–20 and subsequent years.

**7.3.3 Incentives to International Financial Services Centre ('IFSC'):**

To further promote development of world class financial infrastructure in India and bring IFSC at par with similar IFSC in other countries, following additional benefits are proposed:

- Amendment in section 47 of the IT Act to provide that any transfer of a capital asset, by AIF, of which all the unit holders are non-resident, are not regarded as transfer subject to fulfillment of specified conditions.
- Amendment in section 10 of the IT Act to provide that any income by way

of interest payable to a non-resident by a unit located in IFSC in respect of monies borrowed by it on or after 1 September 2019, shall be exempt.

- Amendment in section 115-O of the IT Act to provide that any dividend paid out of accumulated income derived from operations in IFSC, after 1 April 2017 shall not be liable for tax on distributed profits.
- Amendment in section 115R of the IT Act to provide that no additional income-tax shall be chargeable in respect of any amount of income distributed, on or after the 1 September 2019, by a Mutual Fund of which all the unit holders are non-residents and which fulfills certain other specified conditions.
- Amendment in section 80LA of the IT Act to provide that the deduction shall be increased to 100% for any 10 consecutive years out of 15 years beginning with the year in which the necessary permission was obtained.
- Amendment in section 115A of the IT Act to provide that the conditions contained in section 115A(4) of the IT Act (which relates to prohibition of any deduction under chapter VIA of the IT Act) shall not apply to a unit of an IFSC.

### **7.3.4 Online filing of application seeking determination of tax to be deducted at source on payment to non-residents:**

The existing provision of section 195 of the IT Act provides that if a person who is responsible for paying any sum to a non-resident consider that the whole of such sum would not be income chargeable in the case of the recipient, he can make manual application to Assessing Officer for obtaining the nil or lower withholding certificate.

In order to facilitate online filing of the application, it is proposed to amend section 195 of the IT Act to provide that the application can be made to the Assessing Officer for obtaining the nil or lower withholding certificate in such form and manner as may be prescribed.

This amendment will take effect from 1 November 2019.

### **7.3.5 Rationalisation of provision relating to recovery of tax in pursuance of agreements with foreign countries**

The existing provisions of section 228A of the IT Act provide that where an agreement is entered into by the Central Government with the Government of any foreign country for recovery of income-tax under the IT Act and the

corresponding law in force in that country and where such foreign country sends a certificate for the recovery of any tax due under such corresponding law from a person having any property in India, CBDT, on receipt of such certificate may, forward it to the Tax Recovery Officer within whose jurisdiction such property is situated for the recovery of tax in pursuance of agreement with such foreign country.

It is proposed to amend the said section so as to provide for tax recovery where details of property of the persons are not available but the said person is a resident in India or a resident in a foreign country.

## **7.4 Transfer Pricing**

### **7.4.1 Clarification with regard to provisions of secondary adjustment and giving an option to assessee to make one-time payment**

In order to align the transfer pricing provisions with international best practices, section 92CE of the IT Act provides for secondary adjustments in certain cases. For effective implementation of secondary adjustments regime and seeking clarity in law, it is proposed to amend section 92CE of the IT Act so as to provide that:

- (i) the condition of threshold of Rs. 1,00,00,000 and of the primary adjustment made upto AY 2016–17 are alternate conditions;
- (ii) the assessee shall be required to calculate interest on the excess money or part thereof;
- (iii) the provision of this section shall apply to the agreements which have been signed on or after 1 April 2017, however, no refund of the taxes already paid till date under the pre amended section would be allowed;
- (iv) the excess money may be repatriated from any of the associated enterprises of the assessee which is not resident in India;
- (v) in a case where the excess money or part thereof has not been repatriated in time, the assessee will have the option to pay additional income-tax at the rate of 18% on such excess money or part thereof in addition to the existing requirement of calculation of interest till the date of payment of this additional tax. The additional tax is proposed to be increased by a surcharge of 12%;
- (vi) the tax so paid shall be the final payment of tax and no credit shall be allowed in respect of the amount of tax so paid;



- (vii) the deduction in respect of the amount on which such tax has been paid, shall not be allowed under any other provision of this Act; and
- (viii) if the assessee pays the additional income-tax, he will not be required to make secondary adjustment or compute interest from the date of payment of such tax.

The amendments proposed in para (i) to (iv) above will take effect retrospectively from the 1 April 2018 and will, accordingly, apply in relation to the AY 2018-19 and subsequent assessment years.

Further, the amendments proposed in para (v) to (viii) will be effective from 1 September 2019.

#### **7.4.2 Clarification with regard to power of the assessing officer in respect of modified ROI filed in pursuance to signing of the APA**

Section 92CC of the IT Act empowers the CBDT to enter into an APA, with the approval of the Central Government, with any person for determining the ALP or specifying the manner in which ALP is to be determined in relation to an international transaction which is to be entered into by that person. Thus, once the APA is entered into, the ALP of the international transaction, which is subject matter of the APA, would be determined in accordance with such APA.

In order to give effect to the APA, section 92CD of the IT Act also provides for mechanism, including filing of modified return of income by the taxpayer and manner of completion of assessments by the Assessing Officer having regard to terms of the APA.

It is proposed to amend section 92CD(3) of the IT Act to clarify that in cases where assessment or reassessment has already been completed and modified return of income has been filed by the tax payer, the Assessing Officers shall pass an order modifying the total income of the relevant assessment year determined in such assessment or reassessment, having regard to and in accordance with the APA.

This amendment will take effect from 1 September 2019.

#### **7.4.3 Clarification regarding definition of 'accounting year' in section 286 of the IT Act**

Section 286 of the IT Act contains provisions relating to specific reporting regime in the form of CbCR in respect of an international group. It provides that every resident parent entity or ARE, in respect of the international group of

which it is a constituent, shall furnish a report to the prescribed authority for every reporting accounting year within a period of 12 months from the end of the said reporting accounting year, in the form and manner as may be prescribed.

It is proposed to suitably amend section 286 of the IT Act so as to provide that the accounting year in case of the ARE of an international group, the parent entity of which is not resident in India, the reporting accounting year shall be the one applicable to such parent entity.

The amendment is clarificatory and will take effect retrospectively from 1 April 2017 and apply in relation to AY 2017-18 and subsequent assessment years.

#### **7.4.4 Rationalisation of provisions relating to maintenance, keeping and furnishing of information and documents by certain persons in section 92D of the IT Act**

Proviso to Section 92D of the IT Act inserted through the Finance Act, 2016 provides that the person, being a constituent entity of an international group, shall also keep and maintain such information and document in respect of an international group as may be prescribed.

It is proposed to substitute section 92D of the IT Act, in order to provide that the information and document to be kept and maintained by a constituent entity of an international group, and filing of required form, shall be applicable even when there is no international transaction undertaken by such constituent entity. It is also proposed to provide that information shall be furnished by the constituent entity of an international group to the prescribed authority.

### **7.5 General**

#### **7.5.1 Consideration for immovable property scope extended for TDS under section 194-IA**

Section 194-IA of the IT Act provides for levy of TDS at the rate of 1% on the amount of consideration paid or credited on transfer of certain immovable property other than agriculture land. The term 'consideration for immovable property' is presently not defined for TDS under this section.

It has been proposed to insert an Explanation to said section to clarify the term 'consideration for immovable property' which shall include all charges of the nature of club membership fee, car parking fee, electricity or water facility fee, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property.

This amendment will take effect from 1 September 2019.

#### **7.5.2 TDS on cash withdrawals more than Rs. 1,00,00,000**

In order to further move towards less cash economy and to discourage cash transactions, it has been proposed to insert a new section 194N in the IT Act to provide for levy of TDS @ 2% on cash payments of Rs. 1,00,00,000 made in aggregate during the year by a banking company or co-operative bank or post office to any person (recipient) from an account maintained by the recipient except for certain specifically exempted recipients.

This amendment will be effective from 1 September 2019.

#### **7.5.3 Rationalisation of provisions relating to STT**

As per the existing provisions section 99 of the Finance (No.2) Act, 2004, the value of taxable securities transaction in respect of sale of an option in securities, where option is exercised, shall be, the settlement price. It is proposed to amend the said section so as to provide that value of taxable securities transaction in respect of sale of an option in securities, where option is exercised, shall be the difference between the strike price and the settlement price.

This amendment will take effect from 1 September 2019.

#### **7.5.4 Rationalisation of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 ('BM Act')**

The existing provisions of section 2 of the BM Act provide that the "assessee" means a person who is resident in India within the meaning of section 6 of the IT Act.

It is proposed to amend the said section to provide that the "assessee" shall mean a person being a resident in India as per section 6 of the IT Act, in the previous year, or a person being a non-resident or not ordinarily resident in India within the meaning of section 6 (6) of the IT Act, in the previous year, who was resident in India either in the previous year to which the income referred to in section 4 of the IT Act relates, or in the previous year in which the undisclosed asset located outside India was acquired

Under the existing provisions of section 72(c) of the BM Act, where an asset located outside India has been acquired prior to the commencement of the BM Act and declaration has not been made, such asset shall be deemed to have been acquired in the year in which a notice is issued by the AO.

These amendments will take effect retrospectively from 1 July 2015.

#### **7.5.5 Rationalisation of provisions of section 276CC relating to prosecution for failure to furnish ROI in case of non-corporate assessee**

The existing provision of section 276CC of the IT Act, provide that prosecution proceedings against a non-corporate assessee shall not be proceeded for failure to furnish ROI in due time, if the tax payable by such person, on the total income determined on regular assessment does not exceed Rs.3,000.

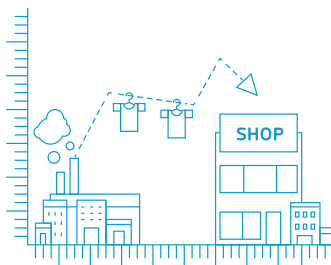
It is proposed to amend the proviso to include self-assessment tax, if any, paid before the expiry of the AY and TCS for the purpose of determining tax liability in addition to advance tax and increase the threshold of tax payable to Rs.10,000.

#### **7.5.6 Prescription of exemption from deeming of fair market value of shares for certain transactions:**

Determination of fair market value based on the prescribed rules under section 56(2)(x) and section 50CA of the IT Act may result into genuine hardship in certain cases where the consideration for transfer of shares is approved by certain authorities and the person transferring the share has no control over such determination. In order to provide relief to such type of transactions from the applicability of section 56(2)(x) and section 50CA of the IT Act, it is proposed to amend these sections to empower the Board to prescribe transactions undertaken by certain class of persons to which the provisions of section 56(2)(x) and 50CA shall not be applicable.

### 8.1 Goods and Service Tax

- GST rate on electrical vehicles to be reduced from 12% to 5%. India to be a global hub for manufacturing of electrical vehicles. (Notification yet to be published)
- Proposed single monthly return for tax payers having annual turnover below Rs. 5 crores. The same is currently available for trial and shall be applicable from October 2019 (Notification yet to be published)
- Free accounting software to be provided to small businesses for enabling GST return filing
- For large tax payers, electronic tax invoices to be generated on GST portal thereby, eliminating the need for a separate E-way bill, to be rolled out from Jan 2020 in a phased manner.
- Fully automated GST refund mechanism to be developed. Section 54 of the CGST Act has been amended so as to provide that the Central Government may disburse refund amount to the taxpayers in respect of refund of State taxes as well. This will enable exporter to receive refund under GST from a single authority.
- The definition of 'adjudicating authority' is being amended to exclude 'the National Appellate Authority for Advance Ruling' (which is being created in place of the Appellate Authority for Advance Ruling, by various amendments in chapter XVII of the CGST Act)
- Section 10 of the CGST Act has been amended to bring in an alternative composition scheme for supplier of services or mixed suppliers (not eligible for the earlier composition scheme) having an annual turnover upto Rs. 50 lakhs in preceding financial year, with GST rate @ 6% (CGST 3% + SGST 3%). Further, explanation is being added to section 10 to clarify that:
  - for computing the aggregate turnover to determine eligibility for the composition scheme, value of exempt supplies of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount shall not be taken into account; and
  - for determining the value of turnover in a State or Union territory



to calculate tax payable, value of exempt supplies of services provided by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount; and value of the first supplies from 1 April till the date when the taxpayer becomes liable for registration shall not be taken into account

- The Government may, at the request of a State and on the recommendations of the Council, enhance the aggregate turnover limit from Rs. 20 lakhs to such amount not exceeding Rs. 40 lakhs in case of supplier who is engaged in exclusive supply of goods.
- Section 25 of the CGST Act has been amended to make Aadhaar authentication mandatory for specified class of current and new taxpayers and to prescribe the manner in which certain class of registered taxpayers are required to undergo Aadhaar authentication. In absence of an Aadhaar Number, alternative and viable means of identification is to be provided by the Government.
- A new section 31A is being inserted in the CGST Act so that specified suppliers shall have to mandatorily give the option of specified modes of electronic payment to their recipients.
- Section 44 of the CGST Act has been amended so as to empower the Commissioner to extend the due date for furnishing annual return (prescribed Form GSTR-9/9A) and reconciliation statement (prescribed Form GSTR-9C), on the recommendation of Council.
- Section 49 of the CGST Act has been amended to provide a facility to the registered person to transfer an amount from one (major or minor) head to another (major or minor) head in the electronic cash ledger, subject to certain conditions and restrictions, as maybe prescribed.
- A new section 53A is being inserted in the CGST Act so as to provide for transfer of amount between Centre and States, consequential to amendment in section 49 of the CGST Act allowing transfer of an amount from one head to another head in the electronic cash ledger of the registered person.
- Section 50 of the CGST Act has been amended so as to provide for charging interest only on the net cash tax liability, except in those cases where returns are filed subsequent to initiation of any proceedings under section 73 or 74 (sections pertaining to issue of show cause notice, in case of short payment of tax) of the CGST Act.

- Section 52 of the CGST Act has been amended so as to empower the Commissioner to extend the due date for furnishing of monthly and annual statement by the person collecting tax at source, on the recommendation of Council.
- Section 95 of the CGST Act has been amended to define the 'National Appellate Authority for Advance Ruling'.
- NAA for Advance Ruling – New sections 101A, 101B and 101C are being inserted in the CGST Act so as to provide for constitution, qualification, appointment, tenure, conditions of services of NAA for Advance Ruling; to provide for procedures to be followed for hearing appeals against conflicting advance rulings pronounced on the same question by the Appellate Authorities of two or more States or Union territories in case of distinct persons; and to provide that the National Appellate Authority shall pass order within a period of 90 days from the date of filing of the appeal respectively.
- Section 171 of the CGST Act has been amended so as to empower the National Anti-Profiteering Authority (under sub-section (2) of section 171 of the Act) to impose penalty equivalent to 10% of the profiteered amount, in case when the profiteered amount has not been deposited within 30 days of the passing of order.
- A new section 17A is being inserted in the IGST Act so as to bring into the Act, provisions for transfer of amount between Centre and States, consequential to amendment in section 49 of the CGST Act allowing transfer of an amount from one head to another head in the electronic cash ledger of the registered person.
- For ease of access to credit for MSMEs, Government has introduced providing of loans upto Rs. 1 crore for MSMEs within 59 minutes through a dedicated online portal. An Interest Subvention Scheme for MSMEs, an amount of Rs. 350 crores has been allocated for FY 2019–20, 2% interest subvention for all GST registered MSMEs, on fresh or incremental loans.

## 8.2 Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019

With the advent of GST regime from July 2017 there has been considerable burden to complete and resolve disputes related to erstwhile Indirect Tax Laws. An amount of more than Rs. 3.75 Lakh Crores has been blocked on account of litigation under central excise and service tax, amongst others.

In her maiden Union Budget of 2019, the Hon. Finance Minister Ms. Nirmala

Sitharaman has proposed a dispute resolution cum amnesty scheme namely 'Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019', 'Scheme' to clear the backlog of litigations pending under various erstwhile Law. It shall come into force on such date as maybe decided by the Central Government.

**A. This Scheme shall be applicable to the following enactments, namely:—**

- a) the Central Excise Act, 1944 or the Central Excise Tariff Act, 1985 or Chapter V of the Finance Act, 1994 and the rules made thereunder; and various relevant acts.
- b) any other Act, as the Central Government may, by notification in the Official Gazette, specify.

**B. Every person shall be eligible to make declaration under this 'Scheme' except for the following, namely:—**

- a) Person who has filed an appeal before the appellate forum and such appeal has been heard finally on or before 30 June 2019;
- b) Person who has been convicted for any offence punishable under any provision of the indirect tax;
- c) Person who have been issued show cause notice, under IDT enactment and the final hearing has taken place on or before 30 June 2019;
- d) Person who have been issued show cause notice under IDT enactment for an erroneous refund or refund;
- e) Person who has been subjected to an enquiry or investigation or audit and the amount of duty has not been quantified on or before 30 June 2019;
- f) Person making a voluntary disclosure –
  - (i) after being subjected to any enquiry or investigation or audit; or
  - (ii) where in the Returns the amount has been mentioned as payable, but has not paid it;
- g) Who have filed an application in the settlement commission for settlement of a case;
- h) Persons seeking to make declarations with respect to excisable goods set forth in the fourth schedule to the Central Excise Act, 1944.

A declaration under clause 124 of the Scheme shall be made in an electronic form as may be prescribed, the correctness of which shall be verified by the designated officer.

**C. For the purpose of 'Scheme', Tax Dues mean:**

- a) An amount disputed in one or more appeals, which is pending as on 30 June 2019
- b) An amount shown as payable as per show cause notice issued on or before 30 June 2019
- c) An amount of duty payable under any of the Indirect Tax Enactment which has been quantified in case of an enquiry, investigation and audit, which is pending as on 30 June 2019
- d) An amount voluntarily disclosed in the declaration filed by the declarant
- e) An amount in arrears, relating to declarant, is due, the amount in arrears.

**D. Details of Relief available under the 'Scheme'**

- a) In case tax dues are relatable to a show cause notice or appeals or due to an enquiry, investigation or audit which is pending as on 30 June 2019

Quantum of Tax Dues	Relief
Less than Rs. 50 Lakhs	70%
More than Rs. 50 lakhs	50%

- b) In case tax dues are relatable to an amount in arrears

Quantum of Tax Dues	Relief
Less than Rs. 50 Lakhs	60%
More than Rs. 50 lakhs	40%

- c) In Other Cases

Particulars	Relief
Tax dues are relatable to a show cause notice for late fees or penalty only; and duty has been paid or is Nil.	100%
Voluntary disclosure of tax liability	0%

**E. Manner of payment of tax under the Scheme:**

- a) The declarant shall pay the amount electronically through internet-banking within 30 days of the issue of statement by the Designated Committee.
- b) Any amount payable under the Scheme shall not be paid through Input Tax Credit account under any of the Indirect Tax Enactments or be taken as Input Tax Credit as a recipient.
- c) Any amount paid as pre-deposit at any stage of appellate proceedings or as deposit during enquiry, investigation or audit, shall be deducted from the amount payable under the Scheme. However, in case of excess payment in above case, no refund shall



- be granted.
- d) Every Discharge Certificate issued under the Scheme shall be conclusive as to the matter and time period stated therein.
- e) The declarant who is discharged under the scheme shall not be liable for prosecution.

### 8.3 Central Excise

Amendments carried out through the Finance (No. 2) Bill, 2019 come into effect on the date of its enactment, unless otherwise specified.

#### I. AMENDMENTS IN THE FOURTH SCHEDULE TO THE CENTRAL EXCISE ACT, 1944

Sr. No.	Amendments affecting rate of Basic Excise Duty [to be effective from 06.07.2019]* [Clause [90] of the Finance (No. 2) Bill, 2019]	Rate of Duty		
Sr. No.	Heading, sub-heading tariff item	Commodity	From	To
1	2709 20 00	Petroleum Crude	Nil	Re. 1 per tonne

\* Will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

#### II. PROPOSALS INVOLVING CHANGE IN EXCISE DUTY RATES THROUGH NOTIFICATIONS:

Sr. No.	Heading, sub-heading tariff item	Commodity	From	To
1	2402	Filter cigarettes, Other than Filter Cigarettes, Tobacco.	Nil	Rs. 5 per thousand

Sr. No.	Heading, sub-heading tariff item	Commodity	From	To
2	2709 20 00	Crude petroleum oil produced in specified oil fields under production sharing contracts or in the exploration blocks offered under the New Exploration Licensing Policy (NELP) through international competitive bidding	Re. 1 per tonne	Nil

### III. Effective change in rate of Special Additional Excise Duty and Road and Infrastructure Cess on Petrol and Diesel

Sr. No.	Description	Rate of Duty	
		From	To
<b>A</b>	<b>Increase in effective rate of Special Additional Excise Duty on Petrol and Diesel</b>		
1	Motor spirit commonly known as petrol	Rs. 7 per litre	Rs. 8 per litre
2	High speed diesel oil	Rs. 1 per litre	Rs. 2 per litre
<b>B</b>	<b>Increase in effective rate of Road and Infrastructure Cess, levied as additional duty of excise, on Petrol and Diesel</b>		
1	Motor spirit commonly known as petrol	Rs. 8 per litre	Rs. 9 per litre
2	High speed diesel oil	Rs. 8 per litre	Rs. 9 per litre

## 8.4 SERVICE TAX

1. Services provided by the State Government by way of grant of liquor licence, are proposed to be exempted from service tax for the period from 1 April 2016 to 30 June 2017.
2. Consideration paid for long term lease of 30 years, or more in case of plots provided by the State Government Industrial Development Corporations or Undertakings or by any other entity having 50% or more ownership of Central Government, State Government, Union Territory to the developers in any industrial or financial business area, is proposed to be exempted from Service Tax from 1 October 2013 to 30 June 2017
3. Services provided by the Indian Institutes of Management (IIM), as per the guidelines of the Central Government, to their students, by way of prescribed educational programmes, except Executive Development Programme, are proposed to be exempted from service tax from 1 July 2003 to 31 March 2016.

## 8.5 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. Even duty on importation of certain items have been reduced to promote exportation of sports goods along-with much needed reduction of duty in specified defence, military equipments which are not manufactured in India. A thrust has been given for electric mobility by exempting custom duty on parts and equipments required for electric vehicles. A concise view is tabulated below:

### 8.5.1 CHANGES IN CUSTOM DUTY RATES:

#### DECREASE IN RATES:

Chapter/ heading/ sub-heading / Tariff Item		Commodity	Rate of Duty	
			From	To
Incentivizing domestic value addition, 'Make in India'				
A Reduction in Custom duty on inputs and raw materials to reduce cost of				
Chemicals				
1	2710	Naphtha	5%	4%
2	2910 20 00	Methyloxirane (Propylene Oxide)	7.5%	5%
3	2903 15 00	Ethylene dichloride (EDC)	2%	Nil
4	28, 70	Raw materials used in manufacture of Preform of Silica: -	Applicable rate	Nil
Textile				
5	5101, 5105	Wool fibre, Wool Tops	5%	2.5%
Steel and other base metals				
6	7225, 7225 19 90	Inputs for the manufacture of CRGO steel:-	5%	2.5%
7	7226 99 30	Amorphous alloy ribbon	10%	5%
8	8105 20 10	Cobalt mattes and other intermediate products of cobalt metallurgy	5%	2.5%

Chapter/ heading/ sub-heading / Tariff Item		Commodity	Rate of Duty	
			From	To
Capital goods				
9	82, 84, 85 or 90	Capital goods used for manufacturing of following electronic items	Applicable rate	Nil
10	Any Chapter	Parts for exclusive use Electric vehicles (following parts of electric vehicles)	Applicable rate	Nil
11	Any Chapter	Specified Defence equipment and their parts imported by Ministry of Defence or Armed forces	Applicable rate	Nil
INCREASE IN CUSTOM DUTY :				
Commodities which have seen an increase in the Custom duty which includes items such as cashew kernels, newsprint, printed books, automobile parts, electronic goods like CCTV, etc. petrol, diesel is already creating a buzz in the market and has not been well received. The detailed list is as under:				
B Changes in Custom duty to provide level playing field to domestic industry				
Oils and associated Chemicals, Plastics and Rubber				
1	15, 2915 70, 3823	Palm stearin and other oils	Nil	7.5%
2	3904	Poly Vinyl Chloride	7.5%	10%
3	3926 90 91, 3926 90 99	Articles of plastic	10%	15%
4	4002 3100	Butyl Rubber	5%	10%
5	4002 39 00	Chlorobutyl rubber or bromobutyl rubber	5%	10%
6	48	Paper and paper products	Nil	10%
7	4901 1010,	Printed books (including covers for printed books) and printed manuals	Nil	5%
		Input For Optical Fibre		
8	5603 94 00	Water blocking tapes for manufacture of optical fiber cables	Nil	20%
		Ceramic products		
9	6905, 6907	Ceramic roofing tiles and ceramic flags and pavings, hearth or wall tiles etc.	10%	15%

Chapter/ heading/ sub-heading / Tariff Item		Commodity	Rate of Duty	
			From	To
		<b>Steel and base metal products</b>		
10	7218	Stainless steel products	5%	7.5%
11	7224	Other alloy steel	5%	7.5%
12	7229	Wire of other alloy steel (other than INVAR)	5%	7.5%
13	8302	Base metal fittings, mountings and similar articles suitable for furniture, doors, etc	10%	15%
		<b>Electronic goods and machine</b>		
14	8415 90 00	Indoor and outdoor unit of split system air conditioner	10%	20%
		<b>Capital Goods</b>		
15	8474 20 10	Stone crushing (cone type) plants for the construction of roads	Nil	7.5%
		<b>Electronics</b>		
16	8504 40	Charger/ power adapter of CCTV camera/ IP camera and DVR / NVR	Nil	15%
17	8518 21 00, 8518 22 00	Loudspeaker	10%	15%
18	8521 90 90	Digital Video Recorder (DVR) and Network Video Recorder (NVR)	15%	20%
19	8525 80	CCTV camera and IP camera	15%	20%
20	9001 10 00	Optical Fibres, optical fibre bundles and cables	10%	15%
		<b>Automobile and automobile parts</b>		
21	6813	Friction material and articles thereof etc.	10%	15%
22	7009	Glass mirrors, whether or not framed, including rear-view mirrors	10%	15%

Chapter/ heading/ sub-heading / Tariff Item	Commodity	Rate of Duty	
		From	To
23 8301 20 00	Locks of a kind used in motor vehicles	10%	15%
24 8421 39 20 8421 39 90	Catalytic Converter	5%	10%
25 8421 23 00	Oil or petrol filters for internal combustion engines	7.5%	10%
26 8421 31 00	Intake air filters for internal combustion engines	7.5%	10%
27 8512 10 00, 8512 20 10, 8512 20 20	Lighting or visual signaling equipment of a kind used in bicycles or motor vehicles	10 %	15%
28 8512 30 10	Vehicle Horns	10%	15%
29 8512 20 90, 8512 30 90,	Other visual or sound signalling equipment for bicycle and motor vehicle	7.5%	15%
30 8512 90 00	Parts of visual or sound signaling equipment, windscreen wipers, defrosters, etc.	7.5%	10%
31 8512 40 00, 8539 10 00, 8539 21 20, 8539 29 40	Windscreen wipers, defrosters and demisters, Sealed beam lamp units, Other lamps for automobiles.	10%	15%
32 8702, 8704	Completely Built Unit (CBU) of vehicles	25%	30%
33 8706	Chassis fitted with engines, for the motor vehicles of headings 8701 to 8705	10%	15%
34 8707	Bodies (including cabs), for the motor vehicles of headings 8701 to 8705	10%	15%
	<b>Flooring materials</b>		
35 2515 12 20, 6802 10 00,	Marble Slabs	20%	40%

Chapter/ heading/ sub-heading / Tariff Item		Commodity	Rate of Duty	
			From	To
36	2709 00 00	Petroleum crude	Nil	Re. 1 per tonne
		<b>Electronics</b>		
37	84, 85 or 90	Specified electronic goods such as switches, sockets, plugs, connectors, relays etc.	Nil	Applicable rate
38	84, 85 or 90	Capital goods used for manufacturing of specified electronic items etc	Nil	Applicable rate
39	2710	<b>Road and infrastructure cess (customs)</b> Motor spirit commonly known as petrol, High speed diesel oil	Rs. 8 per litre	Rs. 9 per litre

### Customs duty rate on Gold, Silver, Platinum and other base metals

Chapter/ heading/ sub-heading / Tariff Item		Commodity	Rate of Duty	
			From	To
1	7106	Silver (including silver plated with gold or platinum) unwrought or in semi-manufactured forms, or in powder form	10%	12.50%
2	7106	Silver dore bar, having silver content <b>not exceeding 95%</b>	8.50%	11%
3	7107 00 00	Base metals clad with silver, not further worked than semi-manufactured	10%	12.50%
4	7108	Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form	10%	12.50%

Chapter/ heading/ sub-heading / Tariff Item		Commodity	Rate of Duty	
			From	To
5	7108	Gold dore bar, having gold content not exceeding 95%	9.35%	11.85%
6	7109 00 00	Base metals or silver, clad with gold, not further worked than semi-manufactured	10%	12.50%
7	7110	Platinum, unwrought or in semi-manufactured forms, or in powder form [other than Rhodium]	10%	12.50%
8	7111 00 00	Base metals, silver or gold, clad with platinum, not further worked than semi-manufactured	10%	12.50%
9	7112	Waste and scrap of precious metals or of metal clad with precious metals; other waste and scrap containing precious metal compounds, of a kind used principally for the recovery of precious metal.	10%	12.50%
10	71 or 98	Gold and Silver imported by an eligible passenger as baggage (excluding ornaments studded with stones or pearls)	10%	12.50%

### 8.5.2 Major Amendments in Customs Act, 1962:

- Section 41 of the Customs Act, 1962, has been amended by allowing furnishing of departure manifest by a person notified by the Central Government in addition to the person in charge.
- New section 99B has been introduced for verification of Aadhaar or any other identity and other compliance by a proper officer for protecting the interests of revenue or to prevent smuggling. Such verification of a person enables the proper officer to ensure compliance with the Customs Act.
- Section 103 provides for proper officer to scan or screen, with the prior approval of Deputy Commissioner of Customs or Assistant Commissioner of Customs, any person who has any goods liable to confiscation secreted inside his body and to enable the magistrate to take action upon the report of scanning by the proper officer.



- Section 104 empowers a proper officer of customs to arrest a person who has committed an offence outside India or Indian Customs waters and to make certain offences as cognizable and non-bailable.
- Section 110 empowers the proper officer to provisionally attach any bank account for safeguarding the government revenue and prevention of smuggling, for a period not exceeding 6 months which may be further extended by another 6 months by the Principal Commissioner of Customs or Commissioner of Customs.
- Section 110A provides powers to adjudicating authority to release bank account provisionally attached on fulfillment of certain conditions.
- Section 117 has been amended thus, increasing the maximum limit of penalty from Rs. 1 lakh to Rs. 4 lakh .
- Section 135(1) provides for making the offence punishable if the instrument (Duty Credit Scrips) obtained by fraud, collusion, willful misstatement or suppression of facts, is used for making payment of duty exceeding Rs. 50 lakh.
- Section 158(2) is being amended so as to increase the maximum limit of penalty for violation of any provisions of rules or regulations from Rs. 50,000 to Rs. 2,00,000.

### **8.5.3 Amendments in the Customs Tariff Act, 1975:**

- Section 9(1A) has been inserted to provide for anti – circumvention measure in respect of countervailing duty.
- Section 9C provides that appeal provisions against determination of safeguard duties to allow appeal against determination of safeguard duty by designated authority shall lie with CESTAT.
- First Schedule to the Customs Tariff Act, 1975 is amended to:
  - Create specific tariff lines for specific products, presently classified as “others”;
  - Rectify the errors to align it with HSN.
- Printed books imported for personal use will attract applicable merit rate from now on and would be excluded from the purview of heading 9804.

## 9.1 FEMA

9.1.1 It is proposed to merge the NRI-Portfolio Investment Scheme Route (Schedule 3) with the Foreign Portfolio Investment Route (Schedule 2), with a view to provide NRIs with seamless access to Indian equities.

9.1.2 It is proposed to increase the statutory limit for FPI



investment in a Company from 24% to sectoral foreign investment limit with option given to the concerned corporates to limit it to a lower threshold.

9.1.3 FPIs will be permitted to subscribe to listed debt securities issued by REITs and InvITs.

9.1.4 The Government will examine suggestions for further opening up of FDI in aviation, media, AVGC (Animation, Visual effects, Gaming and Comics) and insurance sector, in consultation with all stakeholders.

9.1.5 Currently, 49% FDI is allowed in insurance sector which includes insurance brokers, insurance companies, third party administrators, surveyors and loss assessors. It is proposed to allow 100% FDI for insurance intermediaries / brokers.

9.1.6 Currently, 100% FDI is allowed in single-brand retail sector under automatic route but requires an investor to source 30% of the value of goods sold from India. It is proposed to ease the local sourcing norms for FDI in single brand retail sector.

## 9.2 Financial Sector

9.2.1 It is proposed to rationalize and streamline the existing KYC norms for FPIs to make it more investor friendly, without compromising the integrity of cross-border capital flows.

9.2.2 It is proposed to permit investments made by FIIs/FPIs in debt securities issued by IDf-NBFCs to be transferred/sold to any domestic investor within the specified lock-in period.

9.2.3 SEBI to consider raising the threshold for minimum public shareholding in listed companies from 25% to 35%.

9.2.4 The Government will supplement the efforts by RBI to get retail investors to invest in government treasury bills and securities, with further institutional development using stock exchanges.

9.2.5 To deepen bond markets, stock exchanges will be enabled to allow AA rated bonds as collaterals.

- 9.2.6 It is proposed to create an electronic fund raising platform for listing social enterprises and voluntary organizations, which would enable them to raise capital as equity, debt or as units like a mutual fund.
- 9.2.8 The Reserve Bank of India (RBI) is the regulator for NBFCs. However, RBI has limited regulatory authority over NBFCs. Appropriate proposals for strengthening the regulatory authority of RBI over NBFCs are being placed in the Finance Bill.

### **9.3 Infrastructure Sector**

- 9.3.1 Government has announced its intention to invest Rs. 100 lakh crores in infrastructure over the next five years. To this end, it is proposed to set up an expert committee to study the current situation relating to long term finance and recommend the structure and required flow of funds through development finance institutions.

### **9.4 Start-ups**

- 9.4.1 To resolve the 'angel tax' issue, the start-ups and their investors who file requisite declarations and provide information in their returns will not be subjected to any kind of income tax scrutiny in respect of valuations of share premiums.
- 9.4.2 No income tax scrutiny of valuation of shares issued to Category II Alternative Investment Funds.

### **9.5 MSME**

- 9.5.1 For easy access of credit to MSMEs, loans upto Rs. 1 crore will be provided within 59 minutes through dedicated online portal.
- 9.5.2 Under Interest Subvention Scheme, 2% interest subvention on fresh or incremental loans for all GST registered MSMEs to be continued.
- 9.5.3 Introduction of Pradhan Mantri Karam Yogi Maandhan Scheme, extending pension benefit to retail traders & small shopkeepers whose annual turnover is less than Rs. 1.5 crores. Enrolment to be kept simple, requiring only Aadhaar, bank account and a self-declaration.

### **9.6 Reserve Bank of India Act, 1934**

- 9.6.1 Section 45-IA is amended to enhance the existing amount of net owned funds of NBFC, from Rs.2 crore to Rs.100 crore.
- 9.6.2 Section 45-ID and 45-IE are inserted to empower RBI to remove the directors and supersede the Board of directors of any NBFC (other than a Government owned NBFC) on certain grounds.

- 9.6.3 Section 45MAA is inserted to empower RBI to remove or debar an auditor of NBFC for a maximum period of 3 years on failure to comply with directions or order of the RBI under section 45MA.
- 9.6.4 Section 45MBA is inserted to empower RBI to merge, reconstruct or split NBFCs in public interest or in interest of financial stability.
- 9.6.5 Section 45NAA is inserted to empower RBI to direct NBFC for attachment or provision of financial statements of any group companies. RBI may also cause an inspection or audit to be made of any such group company.
- 9.6.6 Section 58B and 58G are amended to enhance the existing amount of penalties/ fines to be levied.

### **9.7 Prevention of Money–Laundering Act, 2002**

- 9.7.1 Section 12AA is inserted to provide for enhanced due diligence.
- 9.7.2 Section 72A is inserted to allow power to Central Government to constitute Inter Ministerial Co–ordination Committee that is responsible for coordination and cooperation across all relevant/competent authorities on implementation of Financial Action Task Force standards.

### **9.8 Securities and Exchange Board of India Act, 1992**

- 9.8.1 Section 15F is amended to provide for maximum penalty of Rs.1 crore in case of defaults by stock brokers
- 9.8.2 Section 15HAA is inserted to widen the ambit of fraudulent and unfair trade practices

### **9.9 Streamline multiple labour laws into a set of four labour codes**

To standardize and streamline registration and filing of returns, it is proposed to streamline multiple labour laws into a set of four labour codes.

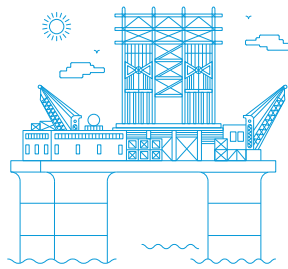
### **9.10 Certain Other Proposals**

- 9.10.1 It is proposed to consider issuing Aadhaar card for NRIs with Indian passports after their arrival in India without waiting for 180 days.
- 9.10.2 To provide additional investment space, the Government would realign its holding in CPSEs including Banks to permit greater availability of its shares and to improve depth of its market.
- 9.10.3 The Government will start raising a part of its gross borrowing programme in external markets in external currencies.
- 9.10.4 No mention of roll–out of Direct Tax Code.

## 10.1 Gems And Jewellery Industry

### 10.1.1 Key highlights

- The Gems and Jewellery sector plays a significant role in the Indian economy, contributing around 7% of the country's GDP and 15% of India's total merchandise exports. It also employs over 4.64 million workers and is expected to employ 8.23 million by 2022. It is an extremely important sector for the Indian economy since it is export oriented and labour intensive.
- The gems and jewellery market in India is home to more than 3,00,000 businesses, with majority being MSMEs. Its market size was about US\$ 75 billion as of 2017 and is expected to reach US\$ 100 billion by 2025. It contributes 29% to the global jewellery consumption.
- India's gems and jewellery exports stood at US\$ 30.96 billion during FY 2018–19. During the same period, exports of cut and polished diamonds stood at US\$ 23.81 billion, thereby contributing about 76.90% of the total gems and jewellery exports in value terms.
- Exports of gold coins and medallions stood at US\$ 876.40 million and silver jewellery exports stood at US\$ 837.81 million during FY 2018–19.



### 10.1.2 Positive Proposals / Impact

- In order to rationalise the levy of STT where the option is exercised, it is proposed to amend the law to provide that value of taxable securities transaction for levy of STT in respect of sale of an option in securities, where option is exercised, shall be the difference between the strike price and the settlement price.
- Bank recapitalization with an allocation of Rs. 70,000 crore may ease some of the credit squeeze and banking troubles of the gems and jewellery industry.
- Pension benefits extended to retail traders and shopkeepers having turnover below Rs. 1,50,00,000, wherein guaranteed monthly pension amount of Rs.3,000 to be given after attainment of the age of 60 years.
- The Government is proposing to streamline multiple labour laws into a set of 4 labour codes. This will ensure that the process of registration and filing of returns will get standardized and streamlined. Considering that gems and jewellery industry is labour intensive; the same will act as a boost to the industry.

### 10.1.3 Negative Proposals / Impact

- Increase in basic custom duty on import of gold and precious metals from existing 10% to 12.5%.

## 10.2 Media and Entertainment Industry

### 10.2.1 Key highlights:

- The Indian Media and Entertainment ('M&E') industry is a sunrise sector for the economy and is making high growth strides. Proving its resilience to the world, the Indian M&E industry is on the cusp of a strong phase of growth, backed by rising consumer demand and improving advertising revenues. The industry has been largely driven by increasing digitization and higher internet usage over the last decade.
- There is a robust demand owing to higher penetration, rapidly growing young population coupled with increased usage of 4G and portable devices.
- As such, the next three years are expected to witness digital technologies increasing their influences across the industry leading to a sea change in consumer behavior across all segments. India is one of the top five markets for the media, content and technology agency including sport events & related activities.
- The Media & Entertainment industry is anticipated to grow at a CAGR of 13.10% during 2018 to 2023 to reach Rs. 2,660 billion (US\$ 39.68 billion) in FY 2023 from Rs. 1,436 billion (US\$ 22.28 billion) in FY 2018.
- Indian Institute of Mass Communication (IIMC) under Ministry of Information and Broadcasting is setting up a National Centre of Excellence (NCoE) for Animation, Visual Effects, Gaming and Comics (AVGC) with a vision to develop highly skilled talent and nurture IP development in AVGC.

### 10.2.2 Positive proposal/ Impact

- The rate of custom duty has been reduced from the applicable rate to Nil rate for capital goods used for manufacturing of the following electronic items –
  - Populated Printed Circuit Board Assembly (PCBA),
  - Set Top box,
  - Lithium Ion Cell,
  - Compact camera module.
- Reduction in GST Rates –

- From 28% to 18% for
  - Services being rendered by way of admission to entertainment events/ amusement parks etc.
  - Cinema Tickets above Rs. 100.
- From 18% to 12% for
  - Cinema Tickets up to Rs. 100.
- It has been proposed to further open up FDI in media (animation, AVGC) sector in order to make India a more attractive FDI destination by consolidating the gains, after consultation with the various stakeholders. This move is expected to spur growth of this sector.

### 10.2.3 Negative Proposals / Impact

- Basic Custom Duty proposed to be increased for items such as optical fiber cable, CCTV Camera, IP camera, digital and network video recorders, etc.
- Proposed increase in Custom Duty:
  - Nil to 10% for paper Industry such as newsprints, uncoated paper used for newspapers and light weight paper used for magazines.
  - Nil to 5% for printed books including covers for printed books and printed manuals.
- Exemptions from Custom Duty on certain electronic items now manufactured in India, to be withdrawn.

## 10.3 Information Technology/ ITES Sector

### 10.3.1 Key highlights

- India's IT industry contributed around 7.7% to the country's GDP and is expected to contribute 10% of India's GDP by the year 2025. It is expected to grow to US\$ 350 billion by the year 2025.
- India's IT & ITeS industry has generated revenue of US\$ 181 billion in FY 2018-19. Exports from the industry increased to US\$ 137 billion in FY 2019, while domestic revenues (including hardware) advanced to US\$ 44 billion.
- The global sourcing market in India continues to grow at a higher pace compared to the IT-BPM industry. India is the leading sourcing destination across the world, accounting for approximately 55% market share of the US\$ 185-190 billion global services sourcing business in 2017-18. Indian IT & ITeS companies have set up over 1,000 global delivery centres in about 80 countries across the world.

- In the Interim Budget 2019–20, the Government of India had announced plans to launch a national programme on "Artificial Intelligence" (AI) and setting up of a National AI portal.
- National Policy on Software Products 2019 was passed by the Union Cabinet to develop India as a software product nation.

### 10.3.2 Positive Proposals/Impact

- A new section 269SU is proposed to be inserted making it compulsory for certain business establishments with annual turnover of more than Rs. 50,00,00,000 in the immediately preceding previous year to provide facility for accepting payment through the prescribed electronic modes in addition to the facility for other electronic modes of payment, if any, failing which a penalty of Rs. 5,000 per day shall be levied during the period such failure continues. The thrust of the Government on technology shall prove to be an impetus to IT / ITeS sector.
- For the purpose of claiming exemption under section 54GB of the IT Act, the sun-set date for transfer of residential property for investment in eligible start-ups has been extended from 31 March 2019 to 31 March 2021 along with relaxation of certain other conditions.
- The condition for carry forward and set off of losses in cases of eligible start-ups is proposed to be relaxed enabling them to carry forward their losses on satisfaction of any one of the two conditions, i.e. continuity of 51% shareholding/voting power or continuity of 100% of original shareholders.
- No scrutiny proceedings of any start-ups and their investors, if proper declarations and information is provided in their IT returns, in respect of valuation of share premiums (Relaxation from angel tax)
- The Government has proposed to start a television programme within the DD bouquet of channels exclusively for start-ups. This shall serve as a platform for promoting start-ups, discussing issues affecting their growth, matchmaking with venture capitalists and for funding and tax planning.

## 10.4 Real Estate and Infrastructure Industry

### 10.4.1 Key Highlights/ policy matters

- Real estate sector in India is expected to reach a market size of US\$ 1 trillion by 2030 from US\$ 120 billion in 2017 and contribute 13% of the country's GDP by 2025. Real Estate stock in India is expected to reach 3.7 million square feet in 2019, with addition of 200 million square feet during the year.



- Private Equity and Venture Capital investments in the sector have reached US\$ 4.47 billion in 2018 and US\$ 249 million in Q1 2019. Indian real estate sector attracted institutional investments worth US\$ 30 billion between 2009 to 2018.
- The Government of India has been supportive to the real estate sector. In August 2015, the Union Cabinet approved 100 Smart City projects in India. The Government has also raised FDI limits for townships and settlements development projects to 100 per cent. Real estate projects within the Special Economic Zone (SEZ) are also permitted 100% FDI. The total number of houses built under the Pradhan Mantri Awas Yojana (PMAY) reached 25.69 million up to 27 May 2019.
- India is the world's third largest domestic aviation market. For making aviation industry self-reliant and creating aspirational jobs in aviation finance, the government proposes to implement essential elements of the regulatory roadmap for making India a hub for such activities. Suitable policy interventions to be made for aviation industry for growth of ecosystem in Maintenance, Repair and Overhaul (MRO) industry.
- India is expected to become the third largest construction market globally by 2022. India has a requirement of investment worth Rs. 50 trillion (US\$ 777.73 billion) in infrastructure by 2022 to have sustainable development in the country.

#### 10.4.2 Positive proposals / impact

- With an objective of 'housing for all' and to enable home buyers to have low-cost funds at their disposal, section 80EEA of the IT Act has been introduced to provide a deduction in respect of interest up to Rs. 1,50,000 on loan taken for residential house property from any financial institution subject to the following conditions:
  - loan has been sanctioned by a financial institution during the period beginning on 1 April 2019 to 31 March 2020;
  - stamp duty value of house property does not exceed Rs. 45,00,000; and
  - assessee does not own any residential house property as on the date of sanction of loan.
- Amendment of section 80-IBA of the IT Act to modify certain conditions regarding the housing project approved on or after 1 September 2019 for alignment with the GST Act.
- The government plans to launch a scheme to invite global companies through a transparent competitive bidding to set up mega-

manufacturing plants in sunrise and advanced technology areas and provide them investment linked income-tax exemptions under section 35AD of the IT Act and other indirect tax benefits.

### 10.4.3 Negative proposal / impact

- In order to curb tax evasion, a new section 194M of the IT Act has been inserted for levy of TDS @ 5% on sums paid or credited in a year on account of contractual work or professional fees by an individual or HUF (not otherwise required to deduct tax under section 194C or 194J of the IT Act). Such tax has to be deducted if sums paid or credited exceeds Rs. 50,00,000 in a year. However, such individuals or HUFs shall be able to deposit the tax deducted using their PAN and shall not be required to obtain TAN.
- Section 194IA provides for levy of TDS @ 1% on consideration paid for transfer of immovable property. It has been explained that the term 'consideration for immovable property' shall include, besides sale consideration, all charges in 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.
- Effective rate of road and infrastructure cess, as additional duty of customs, on petrol and diesel has been increased and shall be taxable @ INR 9 per litre.
- Exemption from custom duty leviable on marble slabs falling under chapter headings 2515 22 00, 6802 10 00, 6802 21 10, 6802 21 20, 6802 21 90, 6802 91 00 and 6802 92 00 has been withdrawn. Resultantly, marble slabs will fall under 40% tax rate.
- Change in basic custom duty on Stone crushing (cone type) plants for the construction of roads from Nil to 7.5%.
- BCD on all goods falling under 3918 i.e. floor covering of plastics, wall or ceiling coverings of plastics has been increased from 10% to 15%.
- BCD on all goods falling under 6905, 6907 i.e. ceramic roofing tiles and ceramic flags and pavings, hearth or wall tiles has been increased from 10% to 15%.
- BCD on goods covered under 8302 i.e. base metal fittings, mountings and similar articles suitable for furniture, doors, staircases, windows, blinds, hinge for auto mobiles has been increased from 10% to 15%.

## 10.5 General Aspects applicable to all industries

### 10.5.1 Positive proposals / impact

- Domestic companies having turnover not exceeding Rs. 400 crore in FY 2017–18 shall be liable to pay tax at 25% (plus applicable surcharge and cess) for AY 2020–21. Earlier the turnover limit for the reduced rate was Rs. 250 crore.
- In case of a secondary adjustment, the excess money to be repatriated may be remitted by any non-resident AEs of the Indian entity. Further, for effective implementation of secondary adjustments regime, at the option of the taxpayer, an additional tax at the rate of 20.16% may be paid on the excess money not repatriated in addition to the interest to be calculated on such excess money till the payment of such additional income-tax.
- The benefit under section 201 of the IT Act for not treating the payer as assessee in default for non-deduction of tax if the payee has paid tax, filed his return of income and furnished an accountant's certificate extended to payments made to non-residents. Consequential beneficial amendments proposed in section 201(1A) and section 40 of the IT Act.
- The existing provisions of section 79 of the IT Act are not applicable to a company where any change in shareholding takes place in a previous year pursuant to a resolution plan approved under the Insolvency and Bankruptcy Code, 2016 (IBC). The provisions are now extended to cover the subsidiary and step down subsidiary of the aforementioned company. Consequent amendments for allowance of aggregate of loss and unabsorbed depreciation to such companies proposed under section 115JB of the IT Act.
- Faceless income tax assessment in electronic mode involving no human interface to be introduced this year in a phased manner. Cases selected for scrutiny shall be allocated to assessment units in a random manner and notices shall be issued electronically by a Central Cell, without disclosing the name, designation or location of the assessing officer. The Central Cell shall be the single point of contact between the taxpayer and the Department.
- Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019 proposed to be introduced for resolution and settlement of service tax, excise and cesses related legacy cases. This would help industries to address some of the old pending litigation matters related to erstwhile indirect tax laws.
- Proposed Single Monthly return for tax payers having annual turnover below Rs. 5,00,00,000. The same is currently available for trial and shall be applicable from October 2019 (Notification yet to be published).
- For Large tax payers, Electronic Tax Invoices to be generated on GST

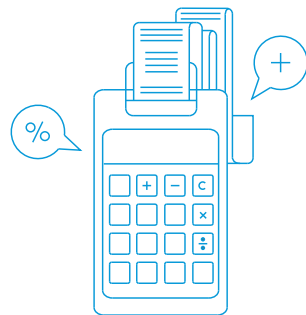
portal thus, eliminating the need for a separate E-way bill, to be rolled out from Jan 2020 in a phased manner.

- Fully Automated GST Refund mechanism to be developed. Section 54 of the CGST Act has been amended so as to provide that the Central Government may disburse refund amount to the taxpayers in respect of refund of State taxes as well. This will enable exporters to receive Refund under GST from a single authority.
- For ease of access to credit for MSMEs, Government has introduced providing of loans up to Rs. 1,00,00,000 for MSMEs within 59 minutes through a dedicated online portal. An Interest Subvention Scheme for MSMEs, amount of Rs. 350 crores has been allocated for FY 2019-20, 2% interest subvention for all GST registered MSMEs.
- In order to rationalise the levy of STT where the option is exercised, it is proposed to amend the law to provide that value of taxable securities transaction for levy of STT in respect of sale of an option in securities, where option is exercised, shall be the difference between the strike price and the settlement price.

### **10.5.2 Negative Proposals / Impact**

- The buy-back tax @ 23.296% under section 115QA of the Act extended to listed companies with effect from 5 July 2019. Consequential exemption provided to shareholders under section 10(34A) of the IT Act where tax has been paid by the company.
- Imposition of TDS @ 2% under section 194N of the IT Act on cash withdrawals exceeding Rs. 1,00,00,000 in a year from bank accounts.

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. On 25th June 2019, India has deposited the Instrument of Ratification to OECD, Paris along with its Final Position in terms of Covered Tax Agreements (CTAs), Reservations, etc. under the Multilateral Instruments (MLIs). Out of 93 CTAs (China and Taipei not covered) notified by India, 22 countries have already ratified the MLIs as on date and the Double Taxation Avoidance Agreement (DTAA) with these countries will be modified by MLIs. For these countries, MLIs 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. 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 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		Nil [Note 1]	20%/5% [Notes 6 and 7]	10% [Notes 3 and 7]	10% [Notes 3 and 7]	Rate as per the domestic tax regulations (to be further increased by applicable surcharge and education cess) or DTAA rate, whichever is more beneficial, shall apply.
1	Albania	10%	10%[Note 4]	10%	10%	
2	Armenia	10%	10%[Note 4]	10%	10%	
3	Australia	15%	15%	10%/15% [Note 5]	10%/15% [Covered under Article for Royalty]	
4	Austria	10%	10%[Note 4]	10%	10%	
5	Bangladesh	10% / 15%	10%[Note 4]	10%	No separate provision	10% tax on dividends if at least 10% of capital of company paying dividend is held by recipient company; 15% in all other cases

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
6	Belarus	10% / 15%	10%[Note 4]	15%	15%	10% tax on dividends if paid to a Company holding 25% shares;; 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 4]	10%	10%	7.50% tax on dividends if shareholder is a company and holds at least 25% shares in the investee company; 10%, in all other cases
9	Brazil	15%	15% [Note 4]	15% (25%)	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 4]	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 4]	10%	10%	
12	Canada	15% / 25%	15% [Note 4]	Note 5	Note 5	15% tax on dividends if at least 10% of the voting power in the company paying the dividends is controlled by the recipient company; 20% in other cases
13	China	10%	10%[Note 4]	10%	10%	
14	Croatia	5%/15%	10%[Note 4]	10%	10%	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); 15% in all other cases.
15	Cyprus	10%	10%[Note 4]	10%	10%	
16	Czech Republic	10%	10%[Note 4]	10%	10%	
17	Columbia	5%	10%[Note 4]	10%	10%	
18	Denmark	15% / 25%	15% / 10% [Note 4]	20%	20%	1. 15% tax on dividends if at least 25% of the capital of the company paying the dividend is

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
						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 4]	10%	10%	
20	Ethiopia	7.50%	10%[Note 4]	10%	10%	
21	Finland	10%	10%[Note 4]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
22	France	10%	10%[Note 4]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
23	Fiji	5%	10%[Note 4]	10%	10%	
24	Georgia	10%	10%[Note 4]	10%	10%	
25	Germany	10%	10%[Note 4]	10%	10%	
26	Greece	Taxable as per domestic laws in source country			No separate provision	
27	Hongkong	5%	10%[Note 4]	10%	10%	
28	Hungary	10%	10%[Note 4]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
29	Indonesia	10%	10%[Note 4]	10%	10%	
30	Iceland	10%	10%[Note 4]	10%	10%	
31	Ireland	10%	10%[Note 4]	10%	10%	
32	Israel	10%	10%[Note 4]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
33	Italy	15% / 25%	15%[Note 4]	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	10%	10%[Note 4]	10%	10%	
35	Jordan	10%	10%[Note 4]	20%	20%	
36	Kazakhstan	10%	10%[Note 4]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
37	Kenya	10%	10%	10%	10%	
38	Korea	15%	10%[Note 4]	10%	10%	
39	Kuwait	10%	10%[Note 4]	10%	10%	
40	Kyrgyz Republic	10%	10%[Note 4]	15%	15%	
41	Latvia	10%	10%[Note 4]	10%	10%	
42	Libya	Taxable as per domestic laws in source country			No separate provision	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
43	Lithuania	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 4]	10%	10%	
45	Macedonia	10%	10%[Note 4]	10%	10%	
46	Malaysia	5%	10%[Note 4]	10%	10%	
47	Malta	10%	10%[Note 4]	10%	10%	
48	Mauritius	5% / 15%	7.5%	15%	10%	<ol style="list-style-type: none"> <li>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%.</li> <li>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 4]</li> <li>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.</li> </ol>
49	Mongolia	15%	15%[Note 4]	15%	15%	
50	Montenegro	5% / 15%	10%[Note 4]	10%	10%	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership); in any other case 15%.
51	Morocco	10%	10%[Note 4]	10%	10%	
52	Mozambique	7.50%	10%[Note 4]	10%	No separate provision	
53	Myanmar	5%	10%[Note 4]	10%	No separate provision	
54	Namibia	10%	10%[Note 4]	10%	10%	
55	Nepal	5%/10%	10%[Note 4]	15%	No	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;



Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
						in any other case 10%. 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.
56	Netherlands	10%	10%[Note 4]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
57	New Zealand	15%	10%[Note 4]	10%	10%	
58	Norway	10%	10%[Note 4]	10%	10%	
59	Oman	10% / 12.5%	10%[Note 4]	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 12.50%.
60	Philippines	15% / 20%	15% / 10% [Note 4]	15%	No separate provision	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%. 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%. 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.
61	Poland	10%	10%[Note 4]	15%	15%	
62	Portuguese	10% / 15%	10%[Note 4]	10%	10%	10% tax on dividends if at least 25% Republic 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%.

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
63	Qatar	5% / 10%.	10%[Note 4]	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 4]	10%	10%	
65	Russian Federation	10%	10%[Note 4]	10%	10%	
66	Saudi Arabia	5%	10%[Note 4]	10%	No separate provision	
67	Serbia	5% / 15%	10%[Note 4]	10%	10%	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership); in any other case 15%.
68	Singapore	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	15%/25%	15% [Note 4]	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; in any other case 25%.
70	Slovenia	5% / 15%	10%[Note 4]	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 4]	10%	10%	
72	Spain	15%	15% [Note 4]	10% / 20%	20%	1. 10% tax on royalties if paid for the use or right to use any 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.

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
73	Sri Lanka	7.50%	10%[Note 4]	10%	10%	
74	Sudan	10%	10%[Note 4]	10%	10%	
75	Sweden	10%	10%[Note 4]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
76	Swiss Confederation	10%	10%[Note 4]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.
77	Syrian Arab republic	5% / 10%	10%[Note 4]	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 4]	10%	10%	
79	Tajikistan	5% / 10%.	10%[Note 4]	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 4]	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 4]	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 4]	10%	10%	
83	Turkey	15%	10%/15%	15%	15%	Interest is taxable at 10% if recipient[Note 4] is bank, insurance company or similar financial institution; in any other case 15%.
84	Turkmenistan	10%	10%[Note 4]	10%	10%	
85	Uganda	10%	10%[Note 4]	10%	10%	
86	Ukraine	10% / 15%	10%[Note 4]	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%.
87	United Arab Emirates	10%	5% / 12.5% [Note 4]	10%	No separate provision	Interest taxable at 5% if recipient is bank or similar financial institution; in any other case 12.50%.

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks
		Tax rate	Tax rate	Tax rate	Tax rate	
88	United Arab Republic (Egypt)	As per domestic law		Taxable in source country as per domestic tax rate	No separate provision	
89	United Kingdom	15% / 10%	15% / 10% [Note 4]	10%/15% [Note 5]	10%/15% [Note 5]	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 4]	10%	10%	
91	United States	15% / 25%	10% / 15% [Note 4]	10%/15% [Note 5]	10%/15% [Note 5]	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 4]	10%	10%	
93	Uzbekistan	10%	10%[Note 4]	10%	10%	
94	Vietnam	10%	10%[Note 4]	10%	10%	
95	Zambia	5% / 15%	10%[Note 4]	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:**

- As per section 115-O of the IT Act, subject to certain exceptions, any amount declared, distributed or paid by a domestic company by way of dividend [other than deemed dividend under section 2(22)(e)] shall be chargeable to DDT effectively @ 20.5553%. Deemed dividend shall be chargeable to DDT effectively @ 34.944%. In such cases, dividend distributed (which is subject to DDT) is not subject to any withholding tax and is tax exempt in the hands of the

non-resident shareholders.

2. Unless otherwise provided in the DTAA, both the countries have right to tax.
3. 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.
4. Interest earned by 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).
5. 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.
6. 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 a Government security. However, in case of interest on rupee denominated bonds issued during a period from 17 September 2018 to 31 March 2019, 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.
7. 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.

8. Where the provisions of GAAR are attracted (applicable from FY 2017-18), tax treaty benefit may be denied to a non-resident.
9. 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.

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	Rate at which Tax is to be Deducted [Note 1 & 16]	Proposed Threshold for Deduction w.e.f. 1 April 2019	Proposed Rate at which tax is to be Deducted [Note 1 & 16]
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 [Notes-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 [Notes-3 and 6]	193	Rs. 5,000 p.a. for interest on debentures by public company to individuals and HUF	10%	Rs. 5,000 p.a. for interest on debentures by public company to individuals and HUF	10%
4	Interest other than interest on securities [Notes-4, 6 and 7]	194A	Rs. 5,000 / Rs. 10,000 / Rs. 50,000 p.a.	10%	Rs. 5,000 / Rs. 40,000 / Rs. 50,000 p.a.	10%
5	Winning from lottery or crossword puzzle or card game or other game	194B	Rs. 10,000	30%	Rs. 10,000	30%
6	Winning from horse race	194BB	Rs. 10,000	30%	Rs. 10,000	30%
7	Payments to contractors [Notes-7 and 8]	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)
8	Insurance commission [Note-6]	194D	Rs. 15,000 p.a.	5%	Rs. 15,000 p.a.	5%
9	Payment in respect of life insurance policy [Notes-5, 6 and 18]	194DA	Less than Rs. 1,00,000 p.a.	1%	Less than Rs. 1,00,000 p.a.	5% (w.e.f. 1 September 2019)
10	Payment to non-resident sportsmen (including an athlete) / entertainer / sports association	194E	No threshold	20%	No threshold	20%
11	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%
12	Commission, etc. on sale of lottery tickets	194G	Rs. 15,000	5%	Rs. 15,000	5%

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate at which Tax is to be Deducted [Note1 & 16]	Proposed Threshold for Deduction w.e.f. 1 June 2018	Proposed Rate at which tax is to be Deducted [Note1 & 16]
13	Commission or brokerage [Note-7]	194H	Rs. 15,000 p.a.	5%	Rs. 15,000 p.a.	5%
14a	Rent of Land / Building / including factory building / Furniture or fitting [Note-6 and 7]	194I	Rs. 1,80,000 p.a.	10%	Rs. 2,40,000 p.a.	10%
14b	Rent of Plant, Machinery or Equipment [Notes-6 and 7]	194I	Rs. 1,80,000 p.a.	2%	Rs. 2,40,000 p.a.	2%
15	Payment/credit of consideration to a resident transferor of any immovable property (other than agricultural land) [Note-19]	194IA	Less than Rs. 50,00,000	1%	Less than Rs. 50,00,000	1%
16	Rent [Note-9]	194-IB	Rs. 50,000 p.m. or part of the month	5%	Rs. 50,000 p.m. or part of the month	5%
17	Monetary Consideration payable under joint development agreement	194-IC	No threshold (w.e.f. 1 April 2017)	10%	No threshold	10%
18	Fees for professional and technical services / royalty / remuneration to Director other than salary [Notes7, 10 and 11]	194J	Rs. 30,000 p.a.	10%	Rs. 30,000 p.a.	10%
19	Payment of compensation for acquisition of certain immovable property (other than agricultural land) [Note-12]	194LA	Rs. 2,50,000 p.a.	10%	Rs. 2,50,000 p.a.	10%
20	Income by way of Interest from Infrastructure Debt Fund	194LB	No threshold	5%	No threshold	5%
21 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%, (5% for non-residents)
21 b	Income from units of real estate investment trust 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-15]	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate at which Tax is to be Deducted [Note 1 & 16]	Proposed Threshold for Deduction w.e.f. 1 June 2018	Proposed Rate at which tax is to be Deducted [Note 1 & 16]
						DTAAs, whichever is beneficial [Note-15]
22	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 DTAAs, whichever is beneficial [Note-15]	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant DTAAs, whichever is beneficial [Note-15]
23	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 DTAAs, whichever is beneficial [Note-15]	No threshold	30% (25% for individual and HUF) and for non-residents as per rate in force or rate specified in the relevant DTAAs, whichever is beneficial [Note-15]
24	Income by way of Interest payable to non-residents from Indian company or a business trust [Note-13]	194LC	No threshold	5%	No threshold	5%
25	Income by way of Interest on certain Bonds and Government Securities held by FII and QFI [Note-14]	194LD	No threshold	5%	No threshold	5%
26	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 15 and 17]			
27	Payment of certain sums by certain individuals or HUF [Note-20]	194M (w.e.f. 1 September 2019)	-	-	Rs. 50,00,000 p.a.	5% (w.e.f. 1 September 2019)
28	Payment of certain sums amounts in cash [Note-21]	194N (w.e.f. 1 September 2019)	-	-	Rs. 1,00,00,000 p.a.	2% (w.e.f. 1 September 2019)



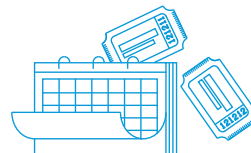
**Notes:**

1. 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%

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 of 35.88%.
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 Central Government 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. 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.
9. 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.
10. 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.
11. 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.
12. 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.
13. 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.
    - rupee denominated bond issued outside India before the 1 July 2020.
    - It is proposed in the Bill that no TDS will be required to be deducted on rupee denominated bond issued outside India during the period commencing from 17 September 2018 and ending on 31 March 2019.
  14. Interest payable on or after 1 June 2013 but before 1 July 2020 in respect of investment made by FIIL or QFI in Rupee denominated bond of an Indian Company or Government Security
  15. 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.
  16. It has been clarified that 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.
  17. It is proposed to amend section 10 so as to provide that the income arising to non-resident or a foreign company, by way of royalty from, or fees for technical services 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.
  18. It is proposed to amend this section so as to provide 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 the section 10(10D) of the Act.
  19. The explanation to section 194-IA is amended to provide that 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.
  20. It is proposed that 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 and 194J of the Act shall be required to deduct tax at source on the aggregate sum exceeding the threshold limit. Such individual and HUF shall be able to deposit the TDS using PAN and shall not be required to obtain TAN.
  21. It is proposed that 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. 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.

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



### Direct Tax Compliance Calendar

Nature of Compliances	Person		
	Company	Partnership Firm / LLP	Individual and HUF
I. Due date for filing of Return of Income ('ROI'), obtaining Tax Audit Report and Transfer Pricing (Note 1)			
Person covered under tax audit (other than whom transfer pricing is applicable)	30 September		
Person covered under transfer pricing	30 November		
Other persons	30 September	31 July	31 July
II. Advance Tax Payments for Income Tax (Note 2 & 3)			
1 <sup>st</sup> Installment – on or before 15 June	15%		
2 <sup>nd</sup> Installment – on or before 15 September	45%		
3 <sup>rd</sup> Installment – on or before 15 December	75%		
4 <sup>th</sup> Installment – on or before 15 March	100%		
III. Tax Deducted at Source ('TDS') (Note 4)			
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), must be deposited in bank within period of 30 days from the end of month of deduction	Applicable		
Tax shall be deducted under section 194(IB) on rent 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.	Not Applicable		Applicable, only if person is not covered under tax audit in the preceding previous year
IV. Tax Collected at Source ('TCS') (Note 5)			
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.			

Nature of Compliances	Person		
	Company	Partnership Firm / LLP	Individual and HUF
V. Due dates for filing of TDS / TCS Returns (Note 6)			
For quarter ended June	31 July / 15 July		
For quarter ended September	31 October / 15 October		
For quarter ended December	31 January / 15 January		
For quarter ended March	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) and Form 27D (for TCS)			
Issue of Form 16 and Form 12BA annually	15 June		
Issue of Form 16A / 27D for quarter ended June	15 August / 30 July		
Issue of Form 16A / 27D for quarter ended September	15 November / 30 October		
Issue of Form 16A / 27D for quarter ended December	15 February / 30 January		
Issue of Form 16A / 27D for quarter ended March	15 June / 30 May		
Issue of Form 16B	15 days from the date of furnishing Form 26QB		
VII. Due date for payment of DDT			
Applicable to all companies declaring/paying or distributing dividend	Within 14 days from the date of declaration or payment or distribution or dividend, whichever is	Not Applicable	
VIII. 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 ending 30th September	31 October		
For declarations received in Form 60 for second half year ending 31st March	30 April		
IX. Due dates for submission of payment under section 285 of the IT Act (Note 6)			
Non-resident having liaison office in India to file statement in Form 49C	Within 60 days from the end of the financial year		
X. Due date for filing Annual Information Return under section 285BA of the IT Act			
Specified persons to furnish Annual Information Return in Form 61A in respect of specified financial transactions	31 May		
XI. 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)	Within 30 days from the date of service 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 7)	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 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 8)			
Time of deduction	When amount is paid or payable		
Rate of Tax	6% on Gross amount paid		
Date of Deposit	7 <sup>th</sup> of the next month		
Date of Annual Statement of Specified Services in Form no.1	30 <sup>th</sup> June of next year		

## Notes:

1. In case of working 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 30 September.
2. 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.
3. 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 15th March of the financial year.
4. 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.
5. 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. The TCS rate is different for each category of goods 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.
6. 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.
7. 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.
8. 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.

## Current GST Compliance Returns :

### Due date for filing of Quarterly GST Return

Taxpayer whose aggregate turnover does not exceeds Rs. 1.5 crores in preceding financial year or current financial year

Forms	Description	Due Dates	Reference Note
GSTR-1	Details of Outward Supply	Last day of the month succeeding the quarter	1
GSTR-4	Composition Scheme Tax-Payers	18th day of the month succeeding the quarter	—
GST CMP 08	Payment of Self assessed tax for composition tax-payers	18th day month succeeding the quarter	—
ITC-04	Return by Job-worker	25th day of the month succeeding the quarter	2

### Due date for filing of Monthly GST Return

Taxpayer whose aggregate turnover exceeds Rs. 1.5 crores in preceding financial year or current financial year

Forms	Description	Due Dates	Reference Note
GSTR-1	Details of outward supplies	11th day of the succeeding month	—
GSTR-3B	Summary monthly Return	20th day of the succeeding month	—
GSTR-5	Return by Non-Resident taxable person	20th days after the end of a tax period or 7th day after the last day of the validity period of registration, whichever is earlier.	—
GSTR-5A	Return by OIDAR service provider	20th day of the succeeding month	—
GSTR-6	Return by Input Service Distributor	13th day of the succeeding month	—
GSTR-7	Return by Person deducting Tax at Source (TDS)	10th day of the succeeding month	3
GSTR-8	Return by E-commerce Operator collecting tax under section 52	10th day of the succeeding month	—

### Due date for filing Annual Return

GSTR-9	Annual Return	31st December of succeeding financial year,	4
GSTR-9A	Annual Return for Composition scheme dealers	31st December of succeeding financial year	4
GSTR-9B	Annual Return by E-commerce operator collecting tax under section 52	31st December of succeeding financial year	4

### Due date for GST Audit

GSTR-9C	Reconciliation statement, in case of audit of taxable person having aggregate turnover exceeding Rs. 2 Crore	31st December of succeeding financial year	4
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Interest on delayed payment of GST		Reference Note
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	Reference Note
Rs. 200 per day subject to maximum Rs. 5,000	5

### Reference Note :

1. For e.g., for Q-1 due date shall be 31st July.
2. Due date for filing ITC -04 for the months of July 17 to June 19 have been extended till the 31st August, 2019 as per Notification No. 32/2019 – Central Tax dated 28/06/2019
3. Due date for filing GSTR 7 for the months of October 18 to July 19 have been extended till the 31st August, 2019 as per Notification No. 26/2019 – Central Tax dated 28/06/2019
4. For FY 2017-18, due date for Annual Return and Audit has been extended to 31st August, 2019.
5. 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.

## Proposed GST Compliance Returns from October –2019 onwards :

Proposed GST Returns to replace GSTR –1 and GSTR 3 B which are available on trial basis for the period from July 2019 to September 2019

Forms	Nature of Compliances	Frequency of Filing	Reference Note
GST ANX 1	Details of Outward Supplies, imports and Inward Supplies attracting reverse	Quarterly / Monthly	6
GST ANX 2	Details of Auto-drafted Inward Supplies	Quarterly / Monthly	6
GST PMT 08	Payment of Self-assessed Tax for the first 2 Month of the quarter.	Monthly	7
Anyone of the below mentioned Returns to be filed, depending on Turnover of the Taxpayer and the Nature of Transactions undertaken			
GST RET 01	Normal Return For Large Tax- Payers ( > 5 Crore) Optional for Small Tax-Payers	Quarterly / Monthly	6
GST RET 02	Sahaj – Only having B2C Supplies For Small Tax-Payers ( < 5 Crore)	Quarterly	6
GST RET 03	Sugam – For B2B and B2C Supplies For Small Tax-Payers ( < 5 Crore)	Quarterly	6

### Reference Notes :

#### 6. Types of Tax-Payers

- Larger Tax Payers : Taxpayer whose aggregate turnover exceeds Rs. 5 crores in preceding financial year or current financial year. Periodicity – Monthly
- Small Tax Payers : Taxpayer whose aggregate turnover does not exceeds Rs. 5 crores in preceding financial year or current financial year. Periodicity – Quarterly or Monthly as per choice of Tax-payer

#### 7. GST-PMT-08

- Taxpayers opting to file the return on quarterly basis have to make payment on monthly assumptive basis for supplies made during each month in PMT-08.
- Payment of self-assessed liabilities shall be made for the first two months of the quarter.
- Credit of the tax paid during the first two months of the quarter shall be available at the time of filing the return for the quarter.



## ABBREVIATIONS

<b>A</b>		<b>D</b>	
AE	Associated Enterprise	DDT	Dividend Distribution Tax
AIF	Alternative Investment Fund	DTAA	Double Taxation Avoidance Agreement
ALP	Arm's Length Price		
AMT	Alternate Minimum Tax	<b>E</b>	
AOP	Association of Persons	E-filing	Electronic Filing
APA	Advance Pricing Agreement	EBITDA	Earnings before Interest Tax Depreciation and Amortisation
ARE	Alternative Reporting Entity	EC	Education Cess
AY	Assessment Year	ECS	Electronic Clearing System
		ECB	External Commercial Borrowing
<b>B</b>		ELSS	Equity Linked Savings Scheme
BCD	Basic Customs Duty	EMDE	Emerging Market and Developing Economies
BED	Basic Excise Duty	EPF	Employees Provident Fund
BEPS	Base Erosion and Profit Shifting	ETF	Exchange Traded Fund
BHIM	Bharat Interface for Money App	EU	European Union
BM Act	Black Money (Undisclosed Foreign Income and Assets)		
BOI	Body of Individuals	<b>F</b>	
BSE	Bombay Stock Exchange	FDI	Foreign Direct Investment
		FEMA	Foreign Exchange Management Act, 1999
<b>C</b>		FII	Foreign Institutional Investor
CAD	Current Account Deficit	FIPB	Foreign Investment Promotion Board
CAGR	Compounded Average Growth Rate	FMV	Fair Market Value
CAT	Common Admission Test	FOB	Free On Board
CbCR	Country-by-Country Report	FPI	Foreign Portfolio Investor
CBDT	Central Board of Direct Taxes	FTS	Fees for Technical Services
CBEC	Central Board of Excise and Customs	FY	Financial Year
CBIC	Central Board of Indirect Tax and Customs	<b>G</b>	
CBU	Completely Built Up	GAAR	General Anti Avoidance Rules
CD-ROM	Compact Disc-Read Only Memory	GCC	Gulf Corporation Council
CENVAT	Central Value Added Tax	GDP	Gross Domestic Product
CESTAT	Customs Excise & Service Tax Appellate Tribunal	GST	Goods and Services Tax
CG	Central Government	GSTN	Goods and Services Tax Network
CGST	Central Goods and Services Tax	<b>H</b>	
CIF	Cost Insurance and Freight	HEC	Health & Education Cess
CIT	Commissioner of Income Tax	HNI	High Net-worth Individual
CKD	Complete Knocked Down	HUF	Hindu Undivided Family
CPI	Consumer Price Index	HFC	Housing Finance Cos
CPSE	Central Public Sector Enterprise	<b>I</b>	
CTA	Covered Tax Agreement	IBC	Insolvency and Bankruptcy Code, 2016
CTA	Customs Tariff Act	IDF-NBFC	Infrastructure Debt Fund – Non-Bank Finance Companies
CSO	Central Statistics Office		
CTT	Commodity Transaction Tax		

## ABBREVIATIONS

IDS	Income Disclosure Scheme, 2016	P	
IFSC	International Financial Services Centre	PAN	Permanent Account Number
IGST	Integrated Goods and Services Tax	PBPT	Prohibition of Benami Property Transaction Act
Ind-AS	Indian Accounting Standards	PCIT	Principal Commissioner of Income Tax
InvIT	Infrastructure Investment Trust	PFRDA	Pension Fund Regulatory and Development Authority
ISIN	International Securities Identification Number	PMLA	Prevention of Money Laundering Act, 2002
IT	Information Technology	PPP	Public Private Partnership
IT Act	Income-tax Act, 1961	PSU	Public Sector Undertakings
IT Rules	Income-tax Rules, 1962		
ITeS	Information Technology enabled Services	R	
J		R&D	Research & Development
JDA	Joint Development Agreement	RBI	Reserve Bank of India
K		RDB	Rupee Denominated Bond
KYC	Know Your Customer	REC / RECL	Rural Electrification Corporation Limited
L		ReIT	Real Estate Investment Trust
LED	Light-Emitting Diode	RIC	Road and Infrastructure Cess
LLP	Limited Liability Partnership	ROI	Return of Income
LOB	Limitation of Benefit	S	
LTCA	Long Term Capital Asset	SAD	Special Additional Duty of Customs levied under sub-section (5) of section 3 of the Customs Tariff Act, 1975
LTCG	Long Term Capital Gain	SBI	State Bank of India
M		SEBI	Securities Exchange Board of India
MAT	Minimum Alternate Tax	SDT	Specified Domestic Transaction
MFs	Mutual Funds	SEZ	Special Economic Zone
MFN	Most Favored Nation	SFT	Statement of Financial Transactions
MMR	Maximum Marginal Rate	SLM	Straight Line Method
MLI	Multilateral Instrument	SME	Small and Medium Enterprises
MSME	Micro, Small and Medium Enterprises	SPV	Special Purpose Vehicle
N		STT	Security Transaction Tax
NBFC	Non-Banking Financial Company	SUUTI	Special Undertaking of the Unit trust of India
NCLT	National Company Law Tribunal	SWS	Social Welfare Surcharge
NHAI	National Highway Authority of India	T	
NIIF	National Infrastructure Investment Fund	TAN	Tax Deduction and Collection Account Number
NPAs	Non Performing Assets	TCS	Tax Collected at Source
NPS	National Pension Scheme	TDS	Tax Deducted at Source
NR	Non-Resident	TP	Transfer Pricing
NRI	Non-Resident Indian	U	
NTRO	National Technical Research Organization	UEN	Unique Entity Number
O		US\$/USD	United States Dollar
ODI	Overseas Direct Investment	V	
OECD	Organisation for Economic Co-operation and Development	VAT	Value Added Tax



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