INDIA BUDGET 2020

Key Aspects in a Nutshell

Key Highlights of India Budget 2020

RSM

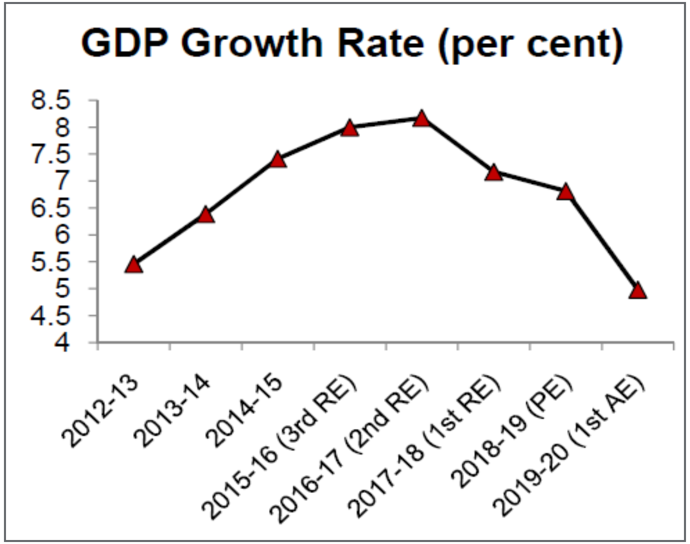
Introduction to Budget 2020

MACRO ECONOMIC ANALYSIS – ECONOMIC SURVEY 2019-20

Hon’ble Finance & Corporate Affairs Minister Mrs. Nirmala Sitharaman presented Economic Survey 2019-20 in parliament on 31 January 2020. The key highlights of the Economic Survey 2019-20 are:

GDP GROWTH

- The World Economic Outlook of October 2019 has estimated India’s economy to become the fifth largest in the world, as measured using GDP at current US$ prices, moving past United Kingdom and France. The size of the economy is estimated at US$ 2.9 trillion in 2019.
- India’s GDP growth is estimated at 5% for FY 2019-20, amidst a weak environment for global manufacturing, trade and demand. The GDP growth rate for FY 2020-21 is estimated to range from 6% to 6.5%.



Introduction to Budget 2020

MACRO ECONOMIC ANALYSIS – ECONOMIC SURVEY 2019-20

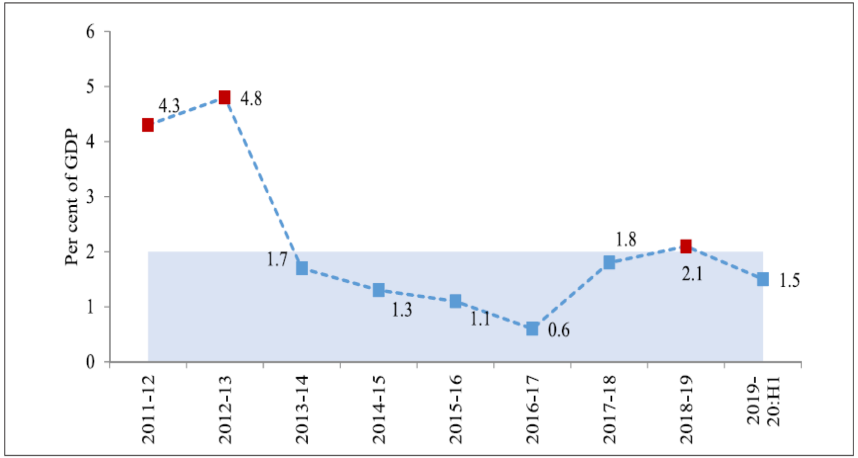
INFLATION

- Headline Consumer Price Index-Combined (CPI-C) inflation increased to 4.1% in 2019-20 (April to December, 2019) as compared to 3.7% in 2018-19 (April to December, 2018).
- Wholesale Price Index (WPI) inflation fell from 4.7% in 2018-19 (April to December, 2018) to 1.5% during 2019-20 (April to December, 2019).

EXTERNAL SECTOR

- India's Balance of Payments position improved from US$ 412.9 billion of forex reserves in March, 2019 to US$ 461.2 bn as on 10 January 2020.
- Current account deficit (CAD) narrowed from 2.1% in FY 2018-19 to 1.5% of GDP in H1 of FY 2019-20.

Current Account Deficit (CAD) as per cent of GDP



Source: Reserve Bank of India.

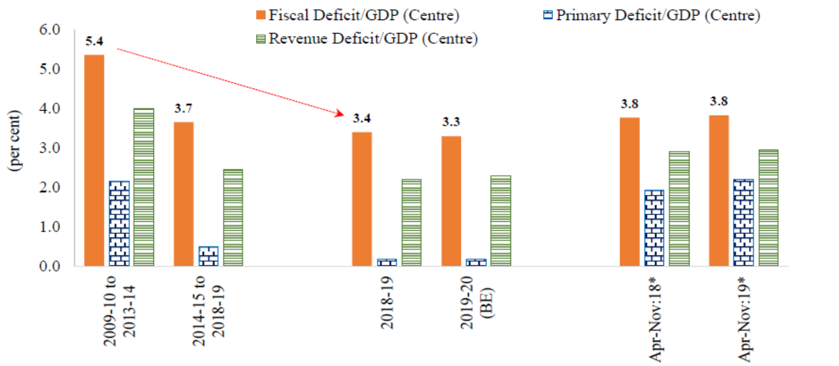
Introduction to Budget 2020

MACRO ECONOMIC ANALYSIS – ECONOMIC SURVEY 2019-20

FISCAL DEFICIT

- In FY 2019-20, Centre's fiscal deficit was budgeted at INR 7.04 lakh crore (3.8% of GDP), as compared to INR 6.49 lakh crore (3.4 % of GDP) in FY 2018-19. In the first eight months of FY 2019-20, fiscal deficit stood at 114.8% of the budgeted level.

Gross Fiscal Deficit (Centre) as percentage of GDP



SERVICE SECTOR

- The services sector accounts for 55% of India's Gross Value Added. It constitute about two-thirds of total FDI inflows into India and about 38% of the total exports.

TARGETING EASE OF DOING BUSINESS IN INDIA

- India has made substantial gains in the World Bank's Doing Business rankings from 142 in 2014 to 63 in 2019. The GST and the Insolvency and Bankruptcy Code tops the list of reforms that have propelled India's rise in rankings.

Capturing India's journey in the Doing Business Rankings

Years	2014	2015	2016	2017	2018	2019
Overall Rank	142	130	130	100	77	63

Introduction to Budget 2020

In the backdrop of the economic survey, the Hon'ble Finance & Corporate Affairs Minister Mrs. Nirmala Sitharaman presented the second budget of the NDA Government 2.0 on 1 February 2020. The budget is woven around three prominent themes of Aspirational India, Economic development and Caring Society.

The tax proposals are introduced in the budget by the Government with a view to stimulate growth, simplify tax structure, bring ease of compliance and reduce litigations. The tax proposals for amendments under the Finance Bill, 2020 are organized under the following heads:

A. Direct Tax Proposals

1. Rates of Income-tax

a) Individual & HUF
b) Corporate Entities
c) Others

2. Other tax announcements

a) Business Entities
b) Personal Taxation
c) Non-resident
d) Transfer Pricing
e) General

B. Indirect Tax Proposals

C. Other Aspects

The said proposals will be effective after the Finance Bill, 2020 receives the assent of the Hon'ble President of India.

Direct Tax Proposals

RATES OF INCOME-TAX – Individuals & HUFs

- **Option to be governed by new tax regime** – Section 115BAC introduced to provide an option to individuals or HUFs to pay tax at reduced slab rates subject to foregoing of certain exemptions / deductions and satisfaction of certain conditions#
- The option shall be exercised for every financial year where the individual or the HUF has no business income and in other cases, the option once exercised shall be valid for that financial year and all subsequent years.
- The option can be withdrawn only once where it was exercised by the individual or HUF having business income for a financial year other than the year in which it was exercised and thereafter, the individual or HUF shall never be eligible to exercise option under this new tax regime, except where such individual or HUF ceases to have any business income.
- Provisions of alternate minimum tax (AMT) shall not be applicable to individual or HUF exercising this option.

Comparison of old tax regime v. new tax regime

Total Income (Rs.)	Old Regime - Rate	New Regime – Rate*
Upto 2,50,000	Nil	Nil
2,50,001 to 5,00,000	5%	5%
5,00,001 to 7,50,000	20%	10%
7,50,001 to 10,00,000	20%	15%
10,00,001 to 12,50,000	30%	20%
12,50,001 to 15,00,000	30%	25%
Above 15,00,000	30%	30%

Surcharge and health & education cess unchanged
*subject to fulfillment of conditions#

Direct Tax Proposals

RATES OF INCOME-TAX – Individuals & HUFs

 # Conditions to be fulfilled –

1. No deductions available under –
   - 10(13A) – House Rent Allowance
   - 10(5) – Leave travel Concession
   - 10(14) – Covers special allowance detailed in Rule 2BB (such as children education allowance, hostel allowance, transport allowance, per diem allowance, uniform allowance, etc.)
   - 10(17) – Income by way of Daily allowance / any other allowance received by MP, member of state legislature, etc.
   - 10(32) – Clubbing benefit of Rs. 1,500 per minor child
   - 10AA – Exemption to SEZ unit
   - Section 16 – Standard Deduction of Rs. 40,000
   - 24(b) – Interest on borrowed loan for a Self Occupied property (rented property not covered)
   - 32(1)(iia) –Foreign Motor Car
   - 32AD – Investment Allowance for investment in Andhra Pradesh / Telangana / Bihar / West Bengal
   - 33AB – Tea / Coffee / Rubber Development allowance
   - 33ABA – Site Restoration Fund
   - 35(2AA) – deduction for Payment to National Laboratory or University or IIT
   - 35AD – Deduction in respect of specified business
   - 35CCC - Expenditure on agricultural extension project
   - 57(iia)- Family pension
   - Any provision of chapter VI – A – section 80C, 80D etc. [excluding section 80CCD(2) and section 80JAA]
2. No set-off of loss or depreciation from earlier years pertaining to deduction mentioned under point 1 and no set-off of house property loss with any other head of income
3. Claiming depreciation under section 32 as may be prescribed (yet to be prescribed)
4. No exemption or deduction for allowances or perquisites.

Direct Tax Proposals

RATES OF INCOME-TAX – Corporate Entities

- **Introduction of new corporate tax regime -** The Government of India, in September 2019, through Ordinance made certain path breaking amendments in relation to taxation of domestic companies allowing the domestic companies to opt for concessional tax regime subject to certain conditions.
- As per the said Ordinance, under section 115BAA, the base corporate tax rate for domestic companies is reduced to the effective tax rate of 25.17% (including surcharge of 10% and health & education cess at 4%) provided the domestic companies will not avail specified deductions / exemptions.
- The said Ordinance also introduced provisions under section 115BAB, which allows any domestic company incorporated on or after 1st October 2019 making fresh investment in manufacturing, an option to pay income-tax at the effective tax 17.16% (including surcharge of 10% and health & education cess at 4%). Such concessional tax regime is available to companies which do not avail any exemption / incentive and commences their production on or before 31st March, 2023. Budget 2020 has further extended the benefit of concessional rate of 15% under section 115BAB to the business of generation of electricity. Also, such companies shall not be required to pay MAT.
- The companies opting for such concessional tax regime would not be subject to MAT. For other companies who opts for pre-amended tax regime, the said Ordinance slashed the base tax rate on book profit under MAT provisions to 15% from 18.5%.
- The said concessional tax regime under sections 115BAA and section 115BAB is amended to restrict the deduction under any provisions of Chapter – VIA except for section 80JJAA and section 80M.
- No change in surcharge and health & education cess.

Direct Tax Proposals

RATES OF INCOME-TAX – Corporate Entities

- **Abolition of dividend distribution tax ('DDT') and moving to classical system of taxing dividend in the hands of shareholders / unit holders –**Dividend or income from units to be taxed in the hands of shareholders or unit holders at the applicable rates (Subject to deduction of dividends received by domestic company from another domestic company).
- The domestic company or specified company or mutual funds are no longer required to pay DDT.
- Deduction under section 57 for interest expenditure in connection with dividend income is restricted to 20% of dividend income. No other expense shall be allowed.
- Section 115BBDA which provided for 10% tax on dividend income above Rs. 10,00,000 amended to be applicable for dividend declared, distributed or paid by domestic company on or before 31 March 2020.
- Section 194 and 194K specifies the withholding tax rate of 10% for residents earning dividend / income from units above Rs. 5,000.
- Section 195 would be applicable for withholding tax on dividends to non-resident shareholders as per the applicable rates. Section 115A provides for taxability of dividends in the hands of non-resident shareholders at 20% (plus applicable surcharge and cess) subject to beneficial rates as per the relevant tax treaty.
- Certain other consequential amendments have been made.

RATES OF INCOME-TAX – Others

- **Co-operative Societies -** In line with concessional tax regime applicable to domestic companies, section 115BAD introduced for resident co-operative societies providing them an option of reduced tax rate of 22% subject to specified conditions. Surcharge applicable at the rate of 10% in such case. AMT provisions not applicable for societies opting for such concessional tax rate.
- No changes in tax rates and surcharge / cess rates for other assessees.

Direct Tax Proposals

OTHER TAX ANNOUNCEMENTS – Business Entities

- **Amendment in section 194J –** In order to reduce litigation, TDS rate for fees for technical services (other than professional services) reduced to 2% from existing 10%. TDS rates in case of other cases under section 194J to continue at 10%.
- **TDS on e-commerce transactions –** Section 194-O introduced to provide for 1% TDS on gross value of sale of goods or services or both facilitated by e-commerce operator through its digital or electronic facility or platform.
- The tax is required to be deducted by e-commerce operator at the time of credit or payment, whichever is earlier, to the e-commerce participant (seller).
- No TDS applicable to e-commerce participant, being an individual or HUF, whose gross amount of sales, through e-commerce operator does not exceed Rs. 5,00,000 subject to furnishing of PAN or Aadhar Card.
- No TDS applicable under other provisions of the Income-tax Act, 1961 on such sale of goods / services.
- TDS at the rate of 5% in case of no PAN.

- **Rationalisation of provisions relating to tax audit -** In order to reduce compliance burden on small and medium enterprises, threshold limit for a person carrying on business increased from INR 1,00,00,000 to INR 5,00,00,000 in cases where,-
  - Aggregate of all receipts in cash during the previous year does not exceed 5% of such receipt; and
  - Aggregate of all payments in cash during the previous year does not exceed 5% of such payment.

  Due date of tax audit report to be 1 month prior to due date of filing of return of income.
- **Due date for filing of return –** Section 139 amended to –
  - Provide due date of 31st October of AY to whom due date of 30th September was applicable
  - Remove the distinction between a working and a non-working partner of a firm with respect to the due date of filing of return of income

Direct Tax Proposals

OTHER TAX ANNOUNCEMENTS – Business Entities

- **Increase in safe harbour limit from 5% to 10% in respect of transfer of immovable property -** The present provisions of section 43CA, section 50C and section 56 which relates to transfer of immovable property, being land or building or both, provides for safe harbour of 5% between transfer value and stamp duty value. The said limit is increased to 10%.
- **Option of not availing deduction under section 35AD –** In order to grant depreciation under section 32 to the companies opting for concessional tax regime, deduction under section 35AD to be optional in nature.
- **Allowing deduction for amount disallowed under section 43B to insurance companies on payment basis –** In case of insurance companies, any sum payable by the assessee which is added back under section 43B shall be allowed as deduction the year of payment. No such deduction was available earlier.
- **Widening the scope of TCS under section 206C –** Scope of section 206C widened to include TCS on foreign remittance through Liberalised Remittance Scheme (5% in case remittance exceed INR 7,00,000 in a FY; 10% - no PAN/Aadhar) and on selling of overseas tour package (5%; 10% - no PAN/Aadhar) as well as TCS on sale of goods over a limit. (0.1% of consideration exceeding INR 50,00,000; 1% - no PAN/Aadhar). Said TCS provisions not applicable in certain specified cases.
- **Widening the scope of Commodity Transaction Tax (CTT)** - it is proposed to charge CTT on the new commodity derivative products at following rates:
  - Sale of a commodity derivative based on prices or indices of prices of commodity derivatives – 0.01% by seller
  - Sale of an option in goods, where option is exercised resulting in actual delivery of goods – 0.0001% by buyer
  - Sale of an option in goods, where option is exercised resulting in a settlement otherwise than by the actual delivery of goods – 0.125% by buyer.

Direct Tax Proposals

OTHER TAX ANNOUNCEMENTS – Business Entities

- **Enlarging the scope for tax deduction on interest income under section 194A** – Scope of section 194A enlarged to cover interest paid by co-operative societies if the total sales, gross receipts or turnover of the co-operative society exceeds INR 50,00,00,000 and amount of interest exceeds INR 50,000 in case of senior citizen & INR 40,000 in other case.
- **Amending definition of "work" in section 194C –** The definition of "work" under section 194C amended to provide that in a contract manufacturing, the raw material provided by the assessee or its associate shall fall within the purview of the 'work' under section 194C.
- **Penalty for fake invoice –** Provision introduced to provide for penalty in case of (i) false entry or (ii) any entry relevant for computation of total income has been omitted to evade tax liability. The penalty payable to be the aggregate amount of false entries or omitted entry. Any other person abetting a false entry or omit any entry, shall also be liable to same penalty.
- **Rationalization of provisions of section 55** – Fair market value of the asset as on 1 April 2001 for computation of capital gains on asset acquired before 1 April 2001 shall not exceed stamp duty value of such asset as on that date.
- **Rationalization of provisions of start-ups -** In order to rationalize the provisions relating to start-ups, section 80-IAC to be amended –
  - The deduction to be available for a period of 3 consecutive AYs out of 10 years beginning from the year in which it is incorporated; (earlier it was 3 consecutive years out of 7 years)
  - The deduction to be available if the total turnover of its business does not exceed INR 100,00,00,000 in any of the financial years beginning from the year in which it is incorporated. (earlier it was INR 25,00,00,000)

OTHER TAX ANNOUNCEMENTS – Personal Taxation

- **Extending time limit for sanctioning of loan for affordable housing for availing deduction under section 80EEA –** In order to continue promoting purchase of affordable housing, the period of sanctioning of loan by the financial institution for claim of deduction under section 80EEA to be extended to 31 March 2021. Similarly, in order to incentivize building affordable housing to boost the supply of such houses, the period of approval of the project for claim of deduction under section 80-IBA is proposed to be extended to 31 March 2021.
- **Deferring TDS or tax payment in respect of income pertaining to ESOP of start- ups** - In order to ease the burden of payment of taxes by the employees of the eligible start-ups or TDS by the start-up employer, amendment to deduct or pay, as the case may be, tax on perquisite within fourteen days -
  - after the expiry of 48 months from the end of the AY; or
  - from the date of the sale of such specified security or sweat equity share by the assessee; or
  - from the date of which the assessee ceases to be the employee of the person;

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

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

Direct Tax Proposals

OTHER TAX ANNOUNCEMENTS – Non-resident

- **Modification of residency provisions –**
  - At present, various NRIs and PIOs visiting India for their business or personal reasons and staying in India for a period less than 182 days are maintaining their non-resident status without any reporting requirements. It has been proposed to revise the limit to 120 days from existing 182 days.
  - Further, an individual or an HUF shall be said to be "not ordinarily resident" in India in a previous year, if such individual or the manager of the HUF has been a non-resident in India in 7 out of 10 previous years preceding that year. Earlier, this condition was 9 out of 10 years.
  - Further, an Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India.
- **Deferring Significant Economic Presence (SEP) proposal** - The current SEP provisions under section 9 for constitution of business connection for a non-resident shall be omitted from AY 2021-22 and the new provisions will take effect from 1 April 2022 and will, accordingly, apply in relation to the AY 2022-23 onwards.
- **Extending source rule under section 9 -** Income from advertisement that targets Indian customers or income from sale of data collected from India or income from sale of goods and services using such data collected from India, to be taxable in India from AY 2021-22 onwards.
- **Rationalising the definition of royalty -** Consideration for the sale, distribution or exhibition of cinematographic films shall be taxable as royalty. Earlier the same was excluded.

Direct Tax Proposals

OTHER TAX ANNOUNCEMENTS – Non-resident

- **Amendment of section 194LC of the Act to extend the period of concessional rate of withholding tax –** It is proposed to:
  - Extend the period of concessional rate of TDS of 5% to 1 July 2023 from 1 July 2020;
  - Provide rate of TDS of 4% on the interest payable to a non-resident, in respect of monies borrowed in foreign currency from a source outside India, by way of issue of any long term bond or RDB on or after 1 April 2020 but before 1 July 2023 and which is listed only on a recognized stock exchange located in any IFSC.
- **Exempting non-resident from filing of Income-tax return in certain conditions -** Amendment in section 115A in order to provide that a non-resident, shall not be required to file return of income if
  - His or its total income consists of only dividend or interest income or royalty or FTS income
  - TDS on such income has been deducted
- **Aligning purpose of entering into Double Taxation Avoidance Agreements (DTAA) with Multilateral Instrument (MLI) -** Section 90 to be amended to provide that the Central Government may enter into an agreement with the Government of any country outside India or specified territory outside India for, inter alia, the avoidance of double taxation of income under the Act and under the corresponding law in force in that country or specified territory, as the case may be, without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in this agreement for the indirect benefit of residents of any other country or territory). The same is in lines with MLI. Similar amendment to be made in section 90A.

OTHER TAX ANNOUNCEMENTS – Transfer Pricing

- **Amendment for providing attribution of profit to Permanent Establishment in Safe Harbour Rules (SHR) under section 92CB and in Advance Pricing Agreement (APA) under section 92CC -** The attribution of income in case of a non-resident person to the Permanent Establishment (PE) to be covered under the provisions of the SHR and the APA.
- **Amendment in Dispute Resolution Panel (DRP) -** It is proposed to amend section 144C so as to enable the eligible assessee to file his objection to dispute resolution panel where the Assessing Officer proposes to make any variation which is prejudicial to the interest of such assessee. It is also proposed to include a non-resident, not being a company under the definition of 'eligible assessee'.
- **Definition of specified date under section 92F -** It is proposed to provide that "specified date" for transfer pricing shall mean one month prior to the due date for furnishing the return of income under section 139 for the relevant AY

OTHER TAX ANNOUNCEMENTS – General

- **Introduction of 'Vivad Se Vishwas' scheme -** Under the proposed 'Vivad Se Vishwas' scheme, a taxpayer would be required to pay only the amount of the disputed taxes and will get complete waiver of interest and penalty provided he pays the tax amount by 31 March 2020. Those who avail this scheme after 31 March 2020 will have to pay some additional amount. The scheme will remain open till 30 June 2020. Taxpayers in whose cases appeals are pending at any level can benefit from this scheme. The detailed scheme is awaited.
- **Modification of the definition of "business trust" –** For taxation under section 115UA, it is proposed to amend section 2(13A) of the Act to modify the definition of "business trust" so as to do away with the requirement of the units of business trust to be listed on a recognized stock exchange.
- **Modification of e-assessment scheme -** It is proposed to amend section 143(3A) to expand its scope so as to include the reference of section 144 of the Act relating to best judgement assessment under e-assessment scheme.
- **Provision for e-appeal and e-penalty -** In order to ensure that the reforms initiated by the Income-tax department to eliminate human interface from the system reach the next level, an e-appeal scheme and e-penalty scheme to be launched on the lines of faceless e-assessment scheme.
- **Insertion of Taxpayer's Charter in the Act**- It is proposed to insert a new section 119A in the Act to empower the Board to adopt and declare a Taxpayer's Charter and issue such orders, instructions, directions or guidelines to other income-tax authorities as it may deem fit for the administration of Charter.
- **Filing of statement of donation by donee to cross-check claim of donation by donor -** The entities receiving donation/ sum may be made to furnish a statement in respect thereof, and to issue a certificate to the donor/ payer. In order to ensure proper filing of the statement, levy of a fee and penalty provided in cases where there is failure to furnish the statement.

Indirect Tax Proposals

CGST AMENDMENTS

- The definition of "Union territory" is being amended to update the definition of "Union territory" to include U.T. of Ladakh and newly merged U.T. of Dadra and Nagar Haveli and Daman and Diu.
- Section 10 is being amended, so as to exclude certain categories of taxable persons from the ambit of the Composition scheme, who are engaged in exempted or inter-state supply of services or supply of services through an e-commerce operator.
- Due date for claiming ITC on Debit Note as per Section 16(4) is no more linked to date of its original invoice, rather date of such debit note is to be referred for claiming ITC.
- Section 29(1)(c) is being amended to provide for cancellation of registration which has been obtained voluntarily under section 25(3).
- Proviso to Section 30(1) is being substituted to provide for additional 30 days for filing application for revocation of cancellation of registration, in deserving cases by Additional Commissioner or Joint Commissioner and another 30 days by Commissioner.
- Section 31 is being amended to provide enabling provision to prescribe the manner of issuance of Tax invoices in case of services or supplies.
- Section 51 is being amended to provide for issuance of TDS Certificate in a prescribed form and in a prescribed manner. Further, to omit the corresponding provision of late fees for delay in issuance of TDS certificate.
- Section 109 is being amended to bring the provision for Appellate Tribunal under the CGST Act in the Union Territory of Jammu and Kashmir and Ladakh.

Indirect Tax Proposals

CGST AMENDMENTS

- Section 122 is being amended by inserting a new sub-section to make the beneficiary of the transactions of passing on or availing fraudulent Input Tax Credit liable for penalty similar to the penalty leviable on the person who commits such specified offences.
- Section 132 is being amended to make the offence of fraudulent availment of input tax credit without an invoice or bill a cognizable and non-bailable offence; and to make any person who commits, or causes the commission, or retains the benefit of transactions arising out of specified offences liable for punishment.
- Section 140 is being amended w.r.e.f. 1.July 2017, to prescribe the manner and time limit for taking transitional credit.
- Section 168 is being amended to remove power of Commissioner to give instructions and directions as per Section 66(5) and second proviso to Section 143(1).
- Section 172 is being amended to make provision for enabling issuance of removal of difficulties order for another 2 years, i.e. till 5 years from the date of commencement of the said Act.
- Entries at 4(a) & 4(b) in Schedule II is being amended w.r.e.f. 1 July 2017 to make provision for omission of supplies relating to transfer of business assets made without any consideration from Schedule II of the said Act..

Indirect Tax Proposals

CGST AMENDMENTS

- Exemption from GST for fishmeal [HS 2301], for the period 1 July 2017 to 30 September 2019, subject to the condition that if GST has been paid, the same would not be eligible for refund.
- Levy of 12% rate of Tax during the period 1 July 2017 to 31.December 2018, on pulley, wheels and other parts (falling under heading 8483) and used as parts of agricultural machinery of headings 8432, 8433, and 8436, subject to the condition that if GST has been paid, the same would not be eligible for refund.
- The refund of accumulated credit of compensation cess on tobacco products arising out of inverted duty structure in Compensation Cess is disallowed w.e.f 1 October, 2019 vide notification No. 3/2019-Compensation Cess (Rate) dated 30 September 2019. This notification is being given retrospective effect from 1 July 2017 onwards. Accordingly, no refund on account of inverted duty structure would be admissible on any tobacco products.

IGST AMENDMENTS

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

Indirect Tax Proposals

CHANGES IN CUSTOMS DUTY RATE :

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

LEVY OF HEALTH CESS:

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

EXEMPTION FROM LEVY OF SOCIAL WELFARE SURCHARGE

- Certain specified goods mainly falling under Chapter 8, 31, 52, 55, 61 and 62

AMENDMENTS IN CUSTOMS ACT, 1962:

- Inclusion of all goods in addition to Gold and Silver for preventing injury to the economy by the uncontrolled import or export
- Insertion of new provision for creation of an Electronic Duty Credit Ledger in the custom's system
- Enabling provision for administering the Preferential tax treatment regime under Trade Agreement

Indirect Tax Proposals

AMENDMENTS TO THE CUSTOMS TARIFF ACT, 1975

- Changes in Anti-dumping duty rules to strengthen the anti circumvention measures by making them more comprehensive and wider
- Changes in Countervailing duty rules to enable investigation in case of circumvention of Countervailing Duty
- Substitution of section 8B to empower Central Government to apply safety measures

CENTRAL EXCISE - AMENDMENTS

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

Other Aspects

- **Financial Sector**
  - Some categories of government securities will be opened fully for non-resident investors, apart from being available to domestic investors as well.
  - The quantum of deposits insured in the event of a bank failure would be raised to Rs. 5 lakh from current Rs. 1 lakh.
  - It is proposed to increase limit for Foreign Portfolio Investment in corporate bonds from 9% to 15% of the outstanding stock of corporate bonds.
  - In order to incentivize the investment by the Sovereign Wealth Fund of foreign governments in the priority sectors, it is proposed to grant 100% tax exemption to their interest, dividend and capital gains income in respect of investment made in infrastructure and other notified sectors before March 31, 2024 and with a minimum lock-in period of 3 years.
- **Infrastructure Sector**

  It is proposed to set-up an international bullion exchange at IFSC in GIFT city and with the approval of the regulator, GIFT city would set up an international bullion exchange at IFSC in GIFT as an additional option for trade by global market participants.

- **MSME**
  - It is proposed to release National Logistic policy which will create a single window e-logistics market and focus on generation of employment, skills and making MSMEs competitive.
  - It is proposed to introduce a scheme to provide subordinate debt for entrepreneurs of MSMEs. This subordinate debt to be provided by banks would count as quasi-equity and would be fully guaranteed through the Credit Guarantee Trust for the Medium and Small Entrepreneurs.
  - It is proposed to launch an app-based invoice financing loans product to end the delayed payments and cash flow mismatches for MSMEs.
  - It is proposed to amend Factor Regulation Act 2011 to enable NBFCs to extend invoice financing to MSMEs through TReDs, thereby enhancing economic and financial sustainability.

Contact Us

For further information please contact:
RSM Astute Consulting Pvt. Ltd.
13th Floor, Bakhtawar, 229, Nariman Point, Mumbai - 400 021.
T: (91-22) 6108 5555 / 6121 4444
F: (91-22) 2287 5771
E: emails@rsmindia.in
W: www.rsmindia.in

Offices: Mumbai, New Delhi - NCR, Chennai, Kolkata, Bengaluru, Surat, Hyderabad, Ahmedabad, Pune, Gandhidham and Jaipur.

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