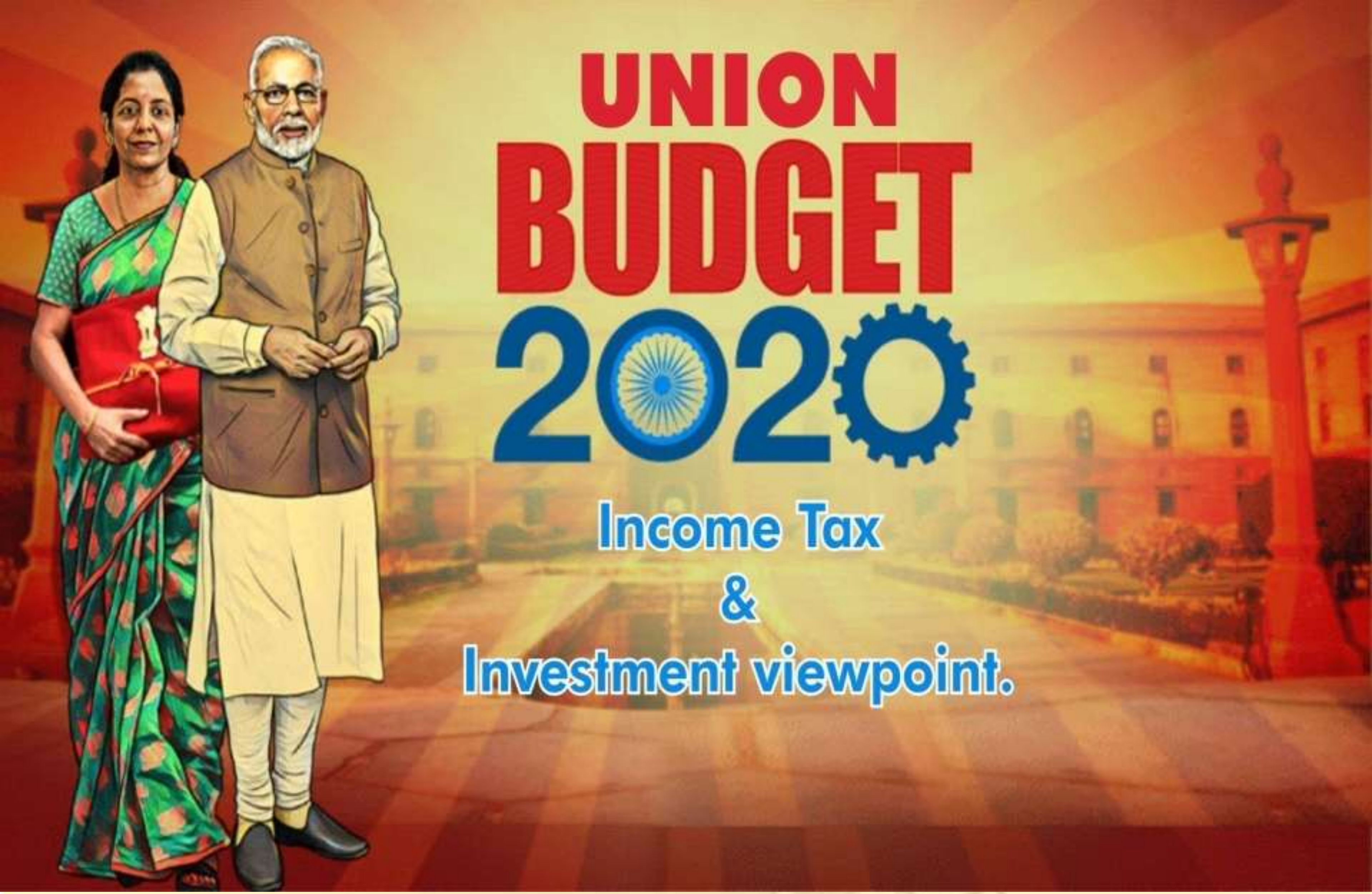



ASHUTOSH ®

# Welcome to the 15th Budget Presentation


**Union Budget – 2020 – 21**

**Income Tax & Investment Viewpoint**

ASHUTOSH®

# State of the Economy

# State of the Economy

## GDP growth of India has come under stress in the recent times.

| Year | 2014–15 | 2015–16 | 2016–17 | 2017–18 | 2018–19 | 2019–20 (Adv. Est.) |
|---|---|---|---|---|---|---|
| Change | 7.4 % | 8.0 % | 8.3 % | 7.0 % | 6.1 % | 5.0 % |

# State of the Economy

## Growth of the top 20 economies of the world.

| Rank | Country | GDP Growth |
|---|---|---|
| 1 | China | 5.8 |
| 2 | Indonesia | 5.1 |
| 3 | India | 5.0 |
| 4 | Turkey | 3.0 |
| 5 | Australia | 2.3 |
| 6 | Korea | 2.2 |
| 7 | Saudi Arabia | 2.2 |
| 8 | USA | 2.1 |
| 9 | Brazil | 2.0 |
| 10 | Russia | 1.9 |

| Rank | Country | GDP Growth |
|---|---|---|
| 11 | Canada | 1.8 |
| 12 | Spain | 1.8 |
| 13 | Netherlands | 1.6 |
| 14 | United Kingdom | 1.4 |
| 15 | France | 1.3 |
| 16 | Mexico | 1.3 |
| 17 | Swizerland | 1.3 |
| 18 | Germany | 1.2 |
| 19 | Italy | 0.5 |
| 20 | Japan | 0.5 |

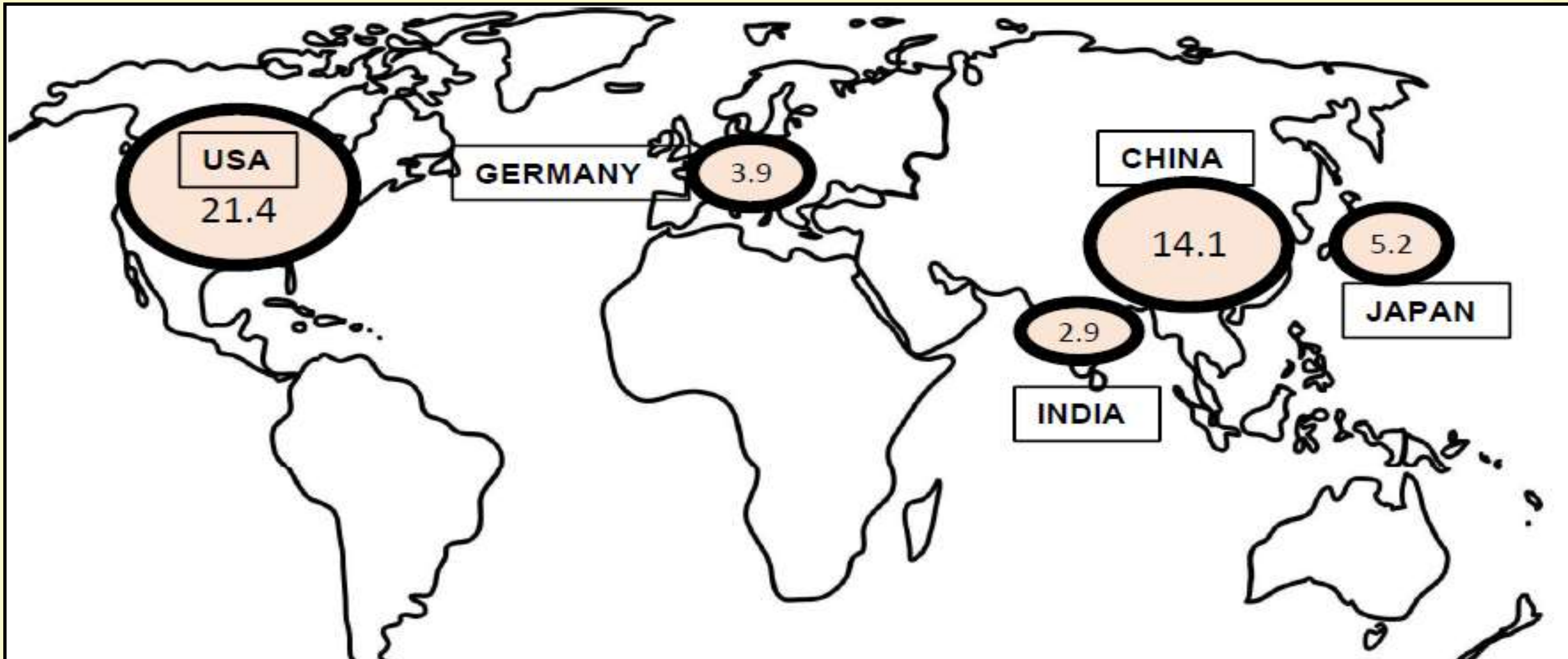
**Still India continues to be one of the fastest growing economy in the world.**

GDP for the year 2019.

Source : www.imf.org & Economic Survey

# State of the Economy

**India is $5^{th}$ largest economy in the world in terms of GDP.**




All figures in US $ Trillion

# State of the Economy

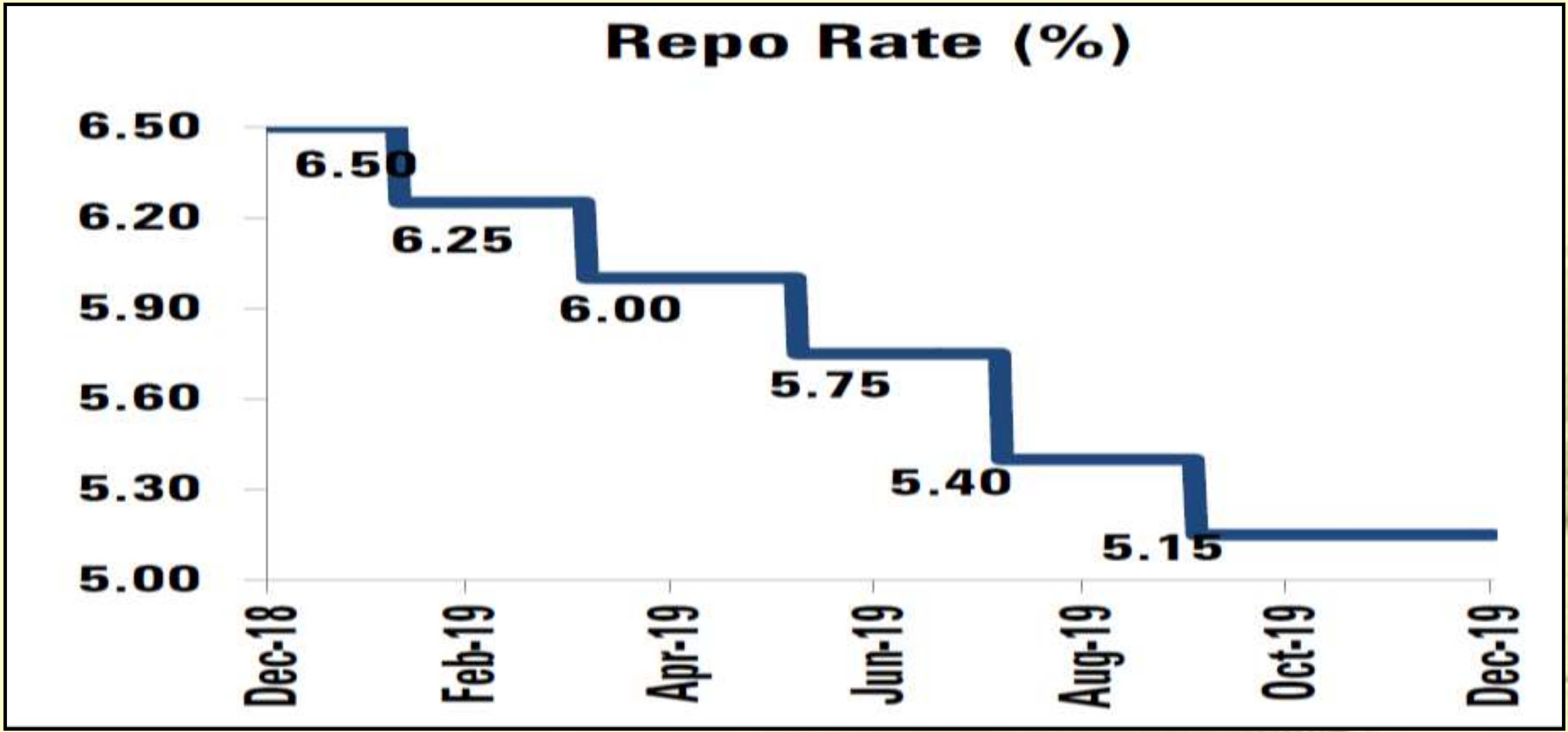
## Consumer Price Index ( CPI ) Inflation.

| Year | 2014–15 | 2015–16 | 2016–17 | 2017–18 | 2018–19 | 2019–20 (Apr. – Dec.) |
|---|---|---|---|---|---|---|
| Change | 5.9 % | 4.9 % | 4.5 % | 3.6 % | 3.4 % | 4.1 % |

**Inflation on a rise.**

# State of the Economy

**Interest rates on a decline.**




**Will the interest rate decline continue ?**

# State of the Economy

## Interest rates in the top 20 economies of the world.

| Rank | Country | Interest % |
|---|---|---|
| 1 | Turkey | 11.25 |
| 2 | Mexico | 7.25 |
| 3 | Russia | 6.25 |
| 4 | India | 5.15 |
| 5 | Indonesia | 5.00 |
| 6 | Brazil | 4.50 |
| 7 | China | 4.15 |
| 8 | United States | 2.50 |
| 9 | Saudi Arabia | 2.25 |
| 10 | Canada | 1.75 |

| Rank | Country | Interest % |
|---|---|---|
| 11 | South Korea | 1.75 |
| 12 | Australia | 0.75 |
| 13 | United Kingdom | 0.75 |
| 14 | France | 0.00 |
| 15 | Germany | 0.00 |
| 16 | Italy | 0.00 |
| 17 | Netherlands | 0.00 |
| 18 | Spain | 0.00 |
| 19 | Japan | -0.01 |
| 20 | Switzerland | -0.75 |

# State of the Economy

## Crude oil prices on a decline.

Price of Brent crude in US $

| 2015 | 2016 | 2017 | 2018 | 2019 | 04–02–2020 |
|---|---|---|---|---|---|
| 49.49 | 40.76 | 52.51 | 69.78 | 64.05 | 55.27 |

**India's annual crude bill (2018 – 19) : 111.9 $ bn.**

**India is 83.8 % dependent on crude import.**

Source : www.ppac.gov.in

# State of the Economy

## Stock Market Performance in last 1 year.

01 Feb. 2019 to 31 Jan. 2020

Source : Business India, www.investing.com

| Rank | Country | Change in % |
|---|---|---|
| 1 | USA Nasdaq | 25.67 |
| 2 | Russia - MCEX | 22.04 |
| 3 | Australia - S&P/ASX 200 | 19.65 |
| 4 | Switzerland - SMI | 18.49 |
| 5 | Italy - FTSE MIB | 17.77 |
| 6 | Brazil – Bovespa | 17.00 |
| 7 | France - CAC 40 | 16.30 |
| 8 | Germany - DAX | 16.19 |
| 9 | China - Shanghai Composite | 15.17 |
| 10 | Turkey - BIST 100 | 14.48 |
| 11 | Netherlands – AEX | 13.23 |

| Rank | Country | Change in % |
|---|---|---|
| 12 | India - Sensex | 12.32 |
| 13 | Japan - NIKKEI 225 | 11.71 |
| 14 | Canada - S&P/TSX Composite | 11.44 |
| 15 | Indonesia - IDX | 9.08 |
| 16 | U K - FTSE 100 | 4.55 |
| 17 | Saudi Arabia - Tadawul All Share | 3.66 |
| 18 | Spain - IBEX | 3.44 |
| 19 | Mexico -IPC | 0.27 |
| 20 | Korea - KOSPI | -3.89 |

**Stock market benchmark rallying on account of a few stocks.**
**Broad based rally still illusive.**

# State of the Economy

## Forex Reserves ( $ bn ).

| 2014–15 | 2015–16 | 2016–17 | 2017–18 | 2018–19 | 2019–20 * |
|---|---|---|---|---|---|
| 341.6 | 360.2 | 369.9 | 424.5 | 412.9 | 462.16 |

* Till 17 Jan. 2020

**Healthy Forex Reserves.**

# State of the Economy

## Exchange Ratio – Stable.

| 2014 – 15 | 2015 – 16 | 2016 – 17 | 2017 – 18 | 2018 – 19 | 2019 – 20* |
|---|---|---|---|---|---|
| 61.14 | 65.50 | 67.10 | 64.50 | 69.90 | 70.49 |

**Rs. 9.35 depreciation.**

**Just 15.29 % depreciation in 6 years.**

* Ave till 30 Jan. 2020

# State of the Economy

## Foreign Institutional Investment ( FII )

## V/s.

## Domestic Institutional Investments ( DII ).

Amount in Cr.

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| FII | 67423 | - 20373 | - 10582 | - 44108 | - 73212 | 44151 |
| DII | - 28557 | 67586 | 35362 | 90738 | 109661 | 42257 |

Source : www.moneycontrol.com

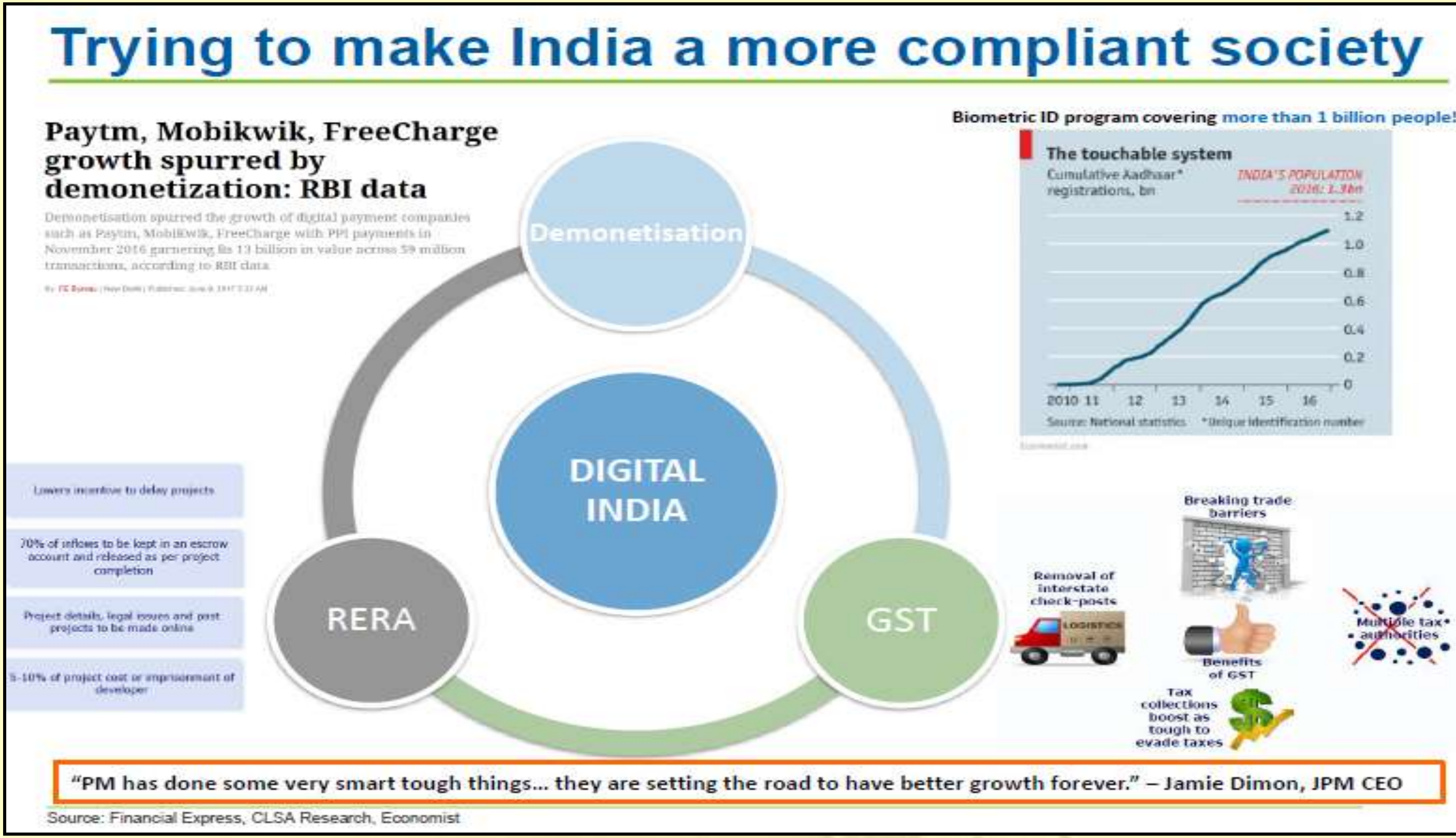
# State of the Economy

## Assured flows from Domestic Investors.

| Month | Mutual Funds SIP flows / Month (Rs. Cr.) |
|---|---|
| March 2016 | 2,719 |
| March 2017 | 4,335 |
| March 2018 | 7,119 |
| March 2019 | 8,055 |
| December 2019 | 8,518 |

**That is Rs. 1,02,216/- ( 8,518 X 12 ) Crores annually.**

# State of the Economy



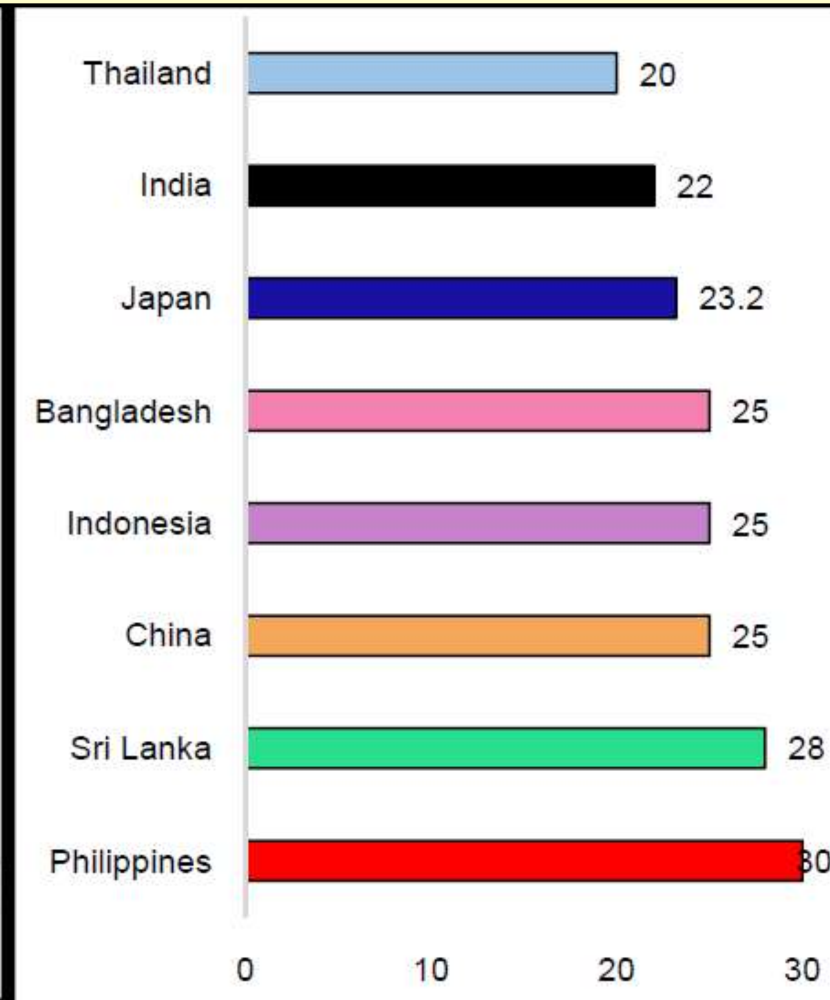
# State of the Economy

## Government finances are under pressure.

- ✓ GST collection below expectation.
- ✓ Disinvestment target falling short by 38%.
  - Target : Rs. 1.05 Lakh Crore.
  - Actual : Rs. 0.85 Lakh Crore.
- ✓ Reduction in the rate of Corporate Tax to revive the economy. From 34.9% to 25.2% and for manufacturing companies setup after 1/10/19 - 17% (all rates with surcharge and cess). This would cost the government Rs. 1.45 lakh cr.

# State of the Economy

## Indian Corporate Tax Rate now comparable to Global Peers.


Union Budget – 2020 – 21
Income Tax & Investment Viewpoint

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# Expectations

- ✓ Putting the economy back, fast, on the growth trajectory.
- ✓ Reviving investments in the economy.
- ✓ Reviving demand in the economy.
- ✓ Fiscal discipline.

# Budget at a Glance

(In ₹ crore)

| | 2018-2019 Actuals | 2019-2020 Budget Estimates | 2019-2020 Revised Estimates | 2020-2021 Budget Estimates |
|---|---|---|---|---|
| 1. Revenue Receipts | 1552916 | 1962761 | 1850101 | 2020926 |
| 2. Tax Revenue (Net to Centre) | 1317211 | 1649582 | 1504587 | 1635909 |
| 3. Non Tax Revenue | 235705 | 313179 | 345514 | 385017 |
| 4. Capital Receipts | 762197 | 823588 | 848451 | 1021304 |
| 5. Recovery of Loans | 18052 | 14828 | 16605 | 14967 |
| 6. Other Receipts | 94727 | 105000 | 65000 | 210000 |
| 7. Borrowings and Other Liabilities [1] | 649418 | 703760 | 766846 | 796337 |
| 8. Total Receipts (1+4) | 2315113 | 2786349 | 2698552 | 3042230 |
| 9. Total Expenditure (10+13) | 2315113 | 2786349 | 2698552 | 3042230 |
| 10. On Revenue Account of which | 2007399 | 2447780 | 2349645 | 2630145 |
| 11. Interest Payments | 582648 | 660471 | 625105 | 708203 |
| 12. Grants in Aid for creation of capital assests | 191781 | 207333 | 191737 | 206500 |
| 13. On Capital Account | 307714 | 338569 | 348907 | 412085 |
| 14. Revenue Deficit (10-1) | 454483 (2.4) | 485019 (2.3) | 499544 (2.4) | 609219 (2.7) |
| 15. Effective Revenue Deficit (14-12) | 262702 (1.4) | 277686 (1.3) | 307807 (1.5) | 402719 (1.8) |
| 16. Fiscal Deficit [9-(1+5+6)] | 649418 (3.4) | 703760 (3.3) | 766846 (3.8) | 796337 (3.5) |
| 17. Primary Deficit (16-11) | 66770 (0.4) | 43289 (0.2) | 141741 (0.7) | 88134 (0.4) |

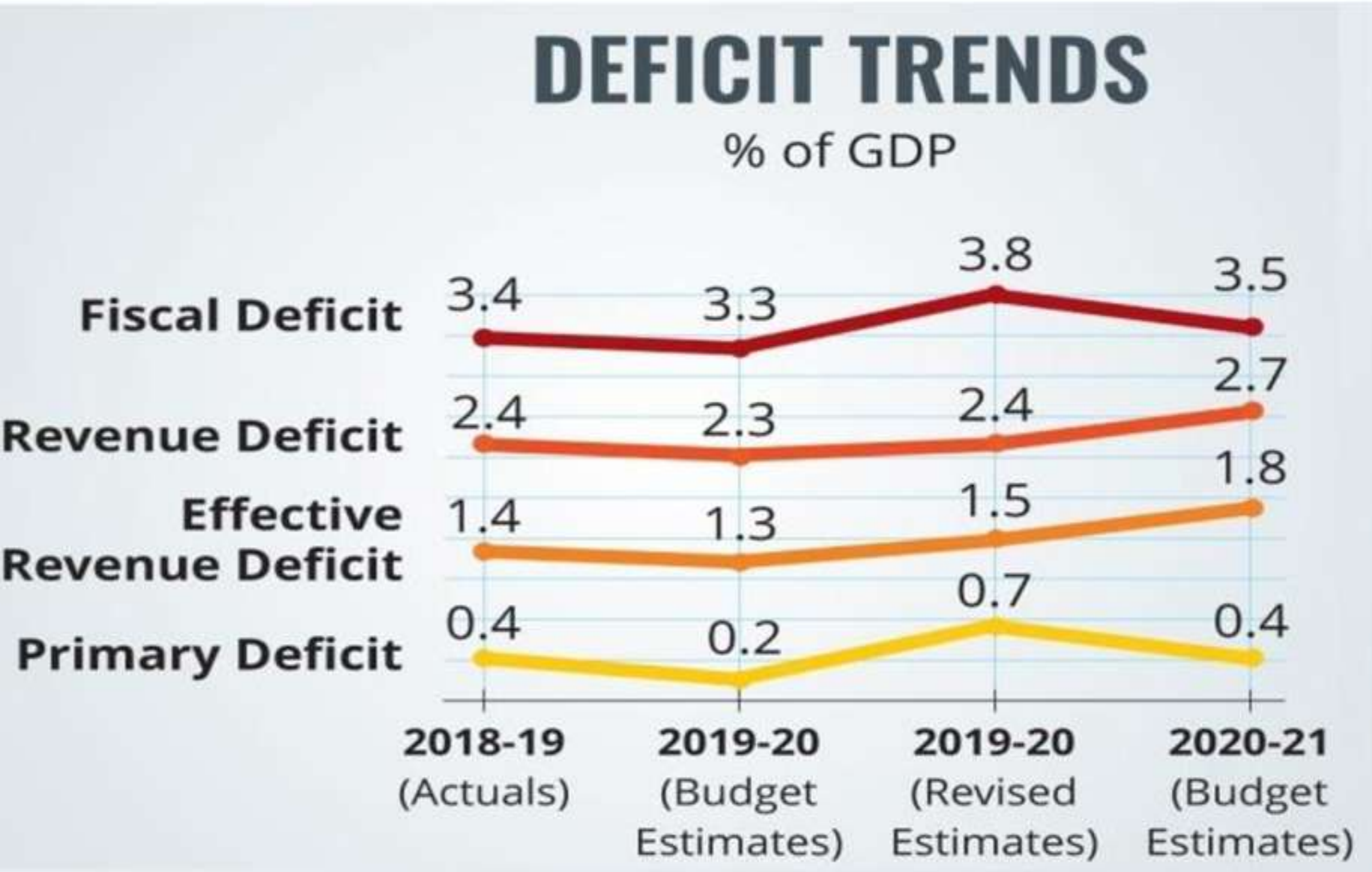
[1] Includes drawdown of cash Balance

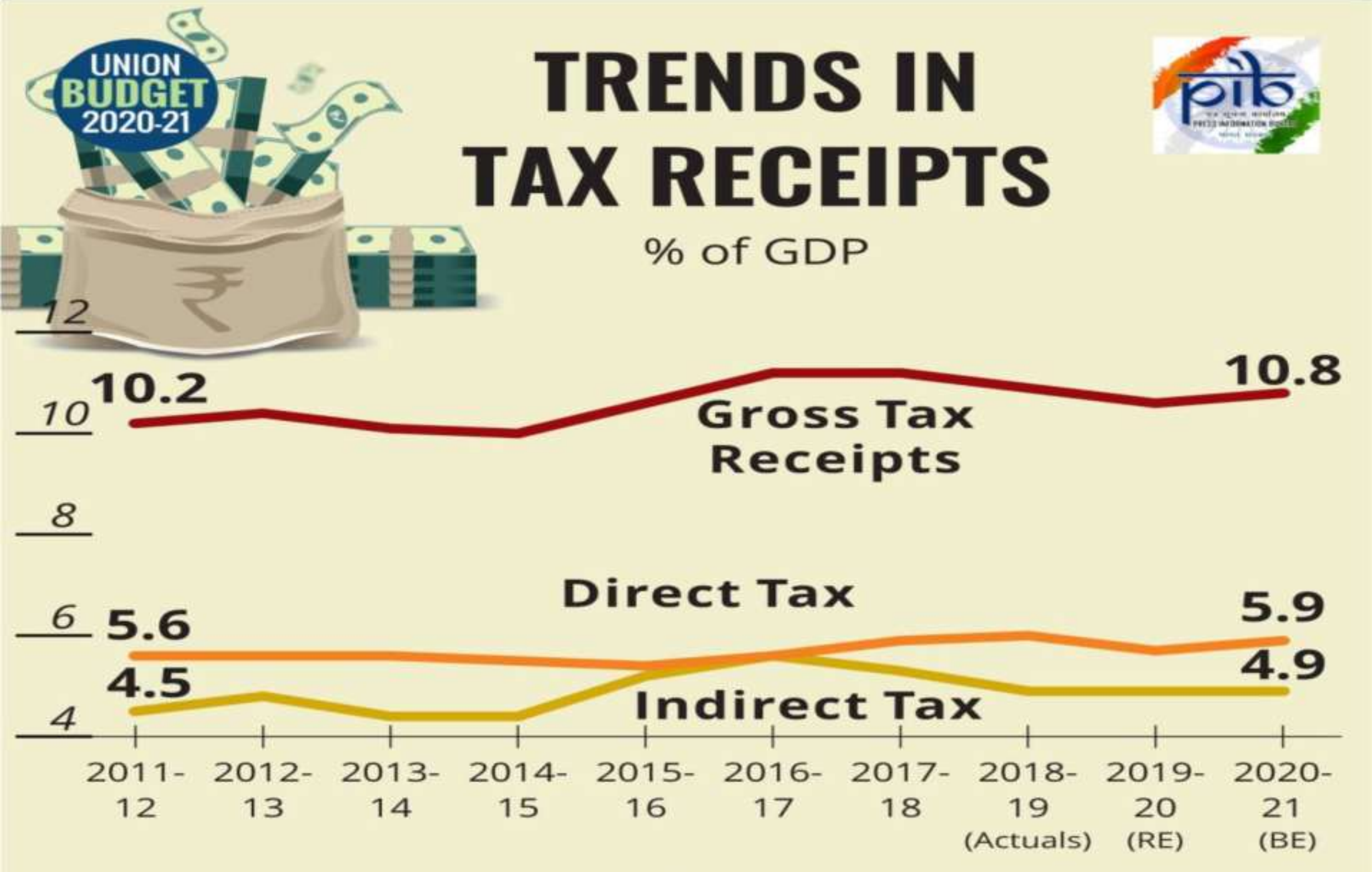
**Notes:**

(i) GDP for BE 2020-2021 has been projected at ₹22489420 crore assuming 10.0 % GDP of ₹20442233 crore for 2019-2020 (RE).

(ii) Individual items in this document may not sum up to the totals due to rounding off

(iii) Figures in parenthesis are as a percentage of GDP


DEFICIT TRENDS
% of GDP
Fiscal Deficit
Revenue Deficit
Effective Revenue Deficit
Primary Deficit
3.4
3.3
3.8
3.5
2.4
2.3
2.4
2.7
1.4
1.3
1.5
1.8
0.4
0.2
0.7
0.4
2018-19 (Actuals)
2019-20 (Budget Estimates)
2019-20 (Revised Estimates)
2020-21 (Budget Estimates)


UNION BUDGET 2020-21
TRENDS IN TAX RECEIPTS
% of GDP
12
10
8
6
4
10.2
10.8
Gross Tax Receipts
Direct Tax
5.6
5.9
4.5
4.9
Indirect Tax
2011-12
2012-13
2013-14
2014-15
2015-16
2016-17
2017-18
2018-19 (Actuals)
2019-20 (RE)
2020-21 (BE)

# Some Important Announcements

- ✓ Disinvestment target set at higher level of Rs. 2.1 lakh Crores.
- ✓ Strategic disinvestments of BPCL, CONCOR, Air India.
- ✓ Public issue of LIC (Life Insurance Corporation). Sovereign guarantee to continue.
- ✓ Government stake in IDBI Bank to be sold off.

# Some Important Announcements

- ✓ Insurance on Bank Deposits to increase from Rs. 1 lakh to Rs. 5 lakhs.
- ✓ Simplified GST return from 1st April. Refund process to be fully automated.
- ✓ ETF of Government Securities (G – Secs) to be launched.

# Changes in the Income Tax Act

# Changes in Income Tax Act

## Personal Taxation (Individual & HUF)

✓ There is no change in the following rates of Income Tax.

| Income | Tax Rate |
|---|---|
| 0 to 2,50,000 | Nil |
| 2,50,000 to 5,00,000 | 5% |
| 5,00,000 to 10,00,000 | 20% |
| 10,00,000 and above | 30% |

Relief U/s. 87A of Rs. 12,500/- available.

# Changes in Income Tax Act

## Personal Taxation (Individual & HUF)

✓ Concessional Rate of tax offered U/s. 115BAC.

| Income | Tax Rate |
|---|---|
| 0 to 2,50,000 | Nil |
| 2,50,000 to 5,00,000 | 5% |
| 5,00,000 to 7,50,000 | 10% |
| 7,50,000 to 10,00,000 | 15% |
| 10,00,000 to 12,50,000 | 20% |
| 12,50,000 to 15,00,000 | 25% |
| 15,00,00 and above | 30% |

# Changes in Income Tax Act

✓ **Concessional rates of tax offered U/s. 115BAC.**

**CONDITIONS**

**Deductions not available in order to arrive at taxable income.**

| | | |
|---|---|---|
| I | Related to income from salaries | ▪ Leave Travel Concession |
| | | ▪ House Rent Allowance |
| | | ▪ Some allowance of Sec. 10(14) |
| | | ▪ Allowance to MPs / MLAs |
| | | ▪ Standard deductions |
| | | ▪ Professional Tax |
| | | ▪ Entertainment Allowance |

# Changes in Income Tax Act

✓ **Concessional rates of tax offered U/s. 115BAC.**

## CONDITIONS

**Deductions not available in order to arrive at taxable income.**

| | | |
|---|---|---|
| II | Related to income from House Property | ▪ Interest on housing loan – Self occupied U/s. 24 or let out U/s. 23(2). |
| III | Related to income from other sources | ▪ Deduction from family pension U/s. 57 (iia) |

# Changes in Income Tax Act

✓ **Concessional rates of tax offered U/s. 115BAC.**

**CONDITIONS**

**Deductions not available in order to arrive at taxable income.**

| | | |
|---|---|---|
| IV | Related to business income | ■ Additional depreciation U/s. 32 |
| | | ■ Deduction U/s. 32AD, 33AB, 33ABA |
| | | ■ Deduction on Scientific Research 35(2AA)(ii)(iia)(iii) |
| | | ■ Deduction U/s. 35AD, 35CCC |
| | | ■ Deduction U/s. 10AA |

# Changes in Income Tax Act

✓ **Concessional rates of tax offered U/s. 115BAC.**

**CONDITIONS**

**Deductions not available in order to arrive at taxable income.**

| | | |
|---|---|---|
| V | Deduction under chapter VI – A | 80C, 80CCC, 80CCD, 80D, 80DD, 80DDB, 80E, 80EE, 80EEA, 80EEB, 80G, 80GG, 80GGA, 80GGC, 80IA, 80IAB, 80IAC, 80IB, 80IBA etc. |

# Changes in Income Tax Act

✓ **Concessional rates of tax offered U/s. 115BAC.**

## CONDITIONS

**Deductions <u>will be available</u> in order to arrive at taxable income.**

| | | |
|---|---|---|
| I | Related to Chapter VI – A | ■ 80CCD (2) (Employer's contribution on account of employees in pension scheme) |
| | | ■ 80JJAA (New employment) |
| II | Related to Salaries | ■ Transport allowance to Divyang employees |
| | | ■ Conveyance allowance for office duty |
| | | ■ Allowance to meet cost of travel on tour or on transfer. |
| | | ■ Daily allowance at place other than normal place of duty. |

# Changes in Income Tax Act

## Concessional rates of tax offered U/s. 115BAC.

### OTHER CONDITIONS

- ✓ Brought forward losses and depreciation of earlier year shall not be allowed.
- ✓ Loss under the head house property shall not be allowed.
- ✓ Loss and depreciation will not be carried forward.
- ✓ If the Individual / HUF has income from the head of business & profession, he can exercise the option before due date of return. Option once exercised, can only be changed one more time only.

# Changes in Income Tax Act

**Concessional rates of tax offered U/s. 115BAC.**

**OTHER CONDITIONS**

- ✓ **If the Individual /HUF has income other than business & profession, he can choose the option every year.**
- ✓ **Concessional rate of tax be availed only if return is filed in time before the due date U/s 139(1), while benefit is not available to late returns.**

# Changes in Income Tax Act

## Taxation of Corporate Dividends.

Present Provisions (till 31-03-2020).

- ✓ Dividend Distribution Tax (DDT) @ 20.56%.
- ✓ Further taxation of 10% on Resident Individual if total dividend income exceeds Rs. 10 lakh.
- ✓ No Tax Deduction at Source (TDS).
- ✓ No deduction of any expenses, including interest, as the dividend income was tax free.

# Changes in Income Tax Act

## Taxation of Corporate Dividends.

**New Provisions (from 01-04-2020).**

✓ **Dividend Distributed will be taxed in the hands of recipient and taxed at slab rates.**

✓ **Tax Deduction at Source (TDS) will be made**

- **Residents : 10 %.**
- **Non Resident : 30 % + Surcharge.**

✓ **Deduction of interest to the extent of 20% of dividend income can be allowed, if borrowed funds are used to buy the shares.**

# Changes in Income Tax Act

## Taxation of Dividend from Mutual Funds.

Present provisions (till 31-03-2020).

- ✓ Dividend Distribution Tax (DDT) on Equity oriented Mutual Funds @ 12.9422 %.
- ✓ Dividend Distribution Tax (DDT) on Debt oriented Mutual Funds :
  - Individual & HUF : 38.8267%
  - Any other person : 49.92%
- ✓ No Tax Deduction at Source (TDS) on Dividends.

# Changes in Income Tax Act

## Taxation of Dividend from Mutual Funds.

**New provisions (from 01-04-2020).**

- ✓ All dividends from Mutual Funds, equity oriented or non equity oriented, shall be taxable in the hands of recipients at slab rates.

- ✓ Tax Deduction at Source (TDS), on dividends only, at the following rates :

  - Residents (U/s. 194K) : 10% – (above Rs. 5000/- per Mutual Funds).
  - Non Resident (U/s. 196A) : 20% + Surcharge & Cess.

# Changes in Income Tax Act

## The taxability in case of REITs or InVITs <u>NOT OPTING</u> for Sec 115BAA (Old Tax Regime)

| Tax on business trust and its unit holder | | | | |
|---|---|---|---|---|
| **Income** | **Business Trust** | | **Unit holders** | |
| | **Taxability** | **Tax Rate** | **Taxability** | **Tax Rate** |
| Interest from SPV | Exempt | --- | Taxable | Applicable Rates |
| Rental Income of REITs | Exempt | | Taxable | |
| Dividend from SPV | Exempt | | Taxable | |
| Rental Income of InvITs | Taxable | 42.744% | Exempt | --- |
| Capital Gain | Taxable | 42.744% (Except those taxable U/s. 111A and 112) | Exempt | |
| Any other income | Taxable | 42.744% | Exempt | |

# Changes in Income Tax Act

## The taxability in case of REITs or InVITs OPTING for Sec 115BAA ( New Tax Regime)

| Tax on business trust and its unit holder | | | | |
|---|---|---|---|---|
| Income | Business Trust | | Unit holders | |
| | Taxability | Tax Rate | Taxability | Tax Rate |
| Interest from SPV | Exempt | --- | Taxable | Applicable Rates |
| Rental Income of REITs | Exempt | | Taxable | |
| Dividend from SPV | Exempt | | Exempt | --- |
| Rental Income of InvITs | Taxable | 42.744% | Exempt | |
| Capital Gain | Taxable | 42.744% (Except those taxable U/s. 111A and 112) | Exempt | |
| Any other income | Taxable | 42.744% | Exempt | |

# Changes in Income Tax Act

✓ **Tax treatment of listed REITs & InvITs on transfer of units**

| | | |
|---|---|---|
| Short Term | Less than 36 months | Tax @ 15% (after payment of STT) U/s. 111A |
| Long Term | More than 36 months | Tax @ 10% (after payment of STT) U/s. 112A |

# Changes in Income Tax Act for Non Residents

## Present provisions (till 31-03-2020)

This definition applies to :

i) An Indian Citizen who leaves India for the purposes of employment outside India or

ii) An Indian Citizen leaving India as a member of the crew of an Indian ship or

iii) An Indian Citizen or Person of Indian Origin (PIO) who is outside India, comes on a visit to India.

An individual is resident in India, if he is in India for a period of 182 days or more during the previous year.

# Changes in Income Tax Act for Non Residents

## Present provisions (till 31-03-2020)

This definition applies to persons other than:

i) An Indian Citizen who leaves India for the purposes of employment abroad or

ii) An Indian Citizen leaving India as a member of the crew of an Indian ship or

iii) An Indian Citizen or Person of Indian Origin (PIO) who is outside India, comes on a visit to India.

**An individual is resident in India :**

182 days or more during the previous year

OR

60 days or more during the previous year AND 365 days or more during the four years preceding that previous year.

# Changes in Income Tax Act for Non Residents

## New provisions (from 01-04-2020)

This definition applies to – An Indian Citizen or Person of Indian Origin (PIO) who is outside India, comes on a visit to India and has Indian Income + Foreign incomes from a business controlled or a profession set up in India NOT exceeding Rs. 15 Lakhs during the previous year.

An individual is a resident in India if he is in India for a period of :

182 days or more during the previous year

A Person of Indian Origin(PIO) is a person either of whose parents or grandparents were born in undivided India.

# Changes in Income Tax Act for Non Residents

## New provisions (from 01-04-2020)

This definition applies to – An Indian Citizen or Person of Indian Origin (PIO) who is outside India, comes on a visit to India and has Indian Income + Foreign incomes from a business controlled or a profession set up in India exceeding Rs. 15 Lakhs during the previous year.

1) An individual is a resident in India if he is in India for a period of :
182 days or more during the previous year OR
120 days or more during the previous year AND 365 days or more during the four years preceding that previous year.

2) An individual is deemed to be a Resident but not Ordinarily Resident (R but not OR) in India if he is in India for a period of :
More than 120 days but less than 182 days during the previous year AND 365 days or more during the four years preceding that previous year.

# Changes in Income Tax Act for Non Residents

**New provisions (from 01-04-2020)**

**This definition applies to:**

1) **An Indian Citizen who leaves India for the purposes of employment abroad.**
2) **An Indian Citizen leaving India as a member of the crew of an Indian Ship.**

**An individual is a resident in India if he is in India for a period of :**

**182 days or more during the previous year.**

# Changes in Income Tax Act for Non Residents

## New provisions (from 01-04-2020)

This definition applies to persons other than :

i.) An Indian Citizen who leaves India for the purposes of employment abroad or

ii.) An Indian Citizen leaving India as a member of the crew of an Indian ship or

iii.) An Indian Citizen or Person of Indian Origin (PIO) who is outside India, comes on a visit to India.

An individual is a resident in India if he is in India for a period of :

182 days or more during the previous year

OR

60 days or more during the previous year AND 365 days or more during the four years preceding that previous year.

# Changes in Income Tax Act for Non Residents

## New provisions (from 01-04-2020)

Under section 6(1A) of the Income Tax Act, persons satisfying the following conditions shall be deemed to be Resident but not Ordinarily Resident (R but not OR) in India.

1st condition: The person is a Citizen of India.

2nd condition: The person is not liable to tax in any jurisdiction/country by reason of his domicile or residence or any other criteria.

3rd condition: The person has Indian Income + Foreign Income from a business controlled or a profession set up in India exceeding Rs. 15 Lakhs during the previous year.

# Changes in Income Tax Act for Non Residents

## New provisions (from 01-04-2020)

**For persons who are residents**

| Resident & Ordinarily Resident (R & O R) | Resident but not Ordinarily Resident (R but not OR) |
|---|---|
| Resident in India at least 2 out of 10 previous years preceding the relevant previous year<br>AND<br>Has been in India for a period of 730 days or more during 7 years immediately preceding the relevant previous year. | Has been a Non Resident in India in 9 out of 10 previous years preceding that previous year<br>OR<br>Has been in India for 729 days or less in 7 years immediately preceding the relevant previous year. |

**Persons who are Non Residents or deemed to be Resident but Not Ordinarily Resident (R but not OR) need not go into the above bifurcation of residents.**

# Changes in Income Tax Act for Non Residents

## Scope of taxability in India

### Indian Income

✓ Income received or accrued or arised in India.

### Foreign Income

✓ Income not received nor accrued nor arises from India.

# Changes in Income Tax Act for Non Residents

## Scope of taxability in India

| Particular | Resident and Ordinarily Resident in India (R & OR) | Resident but not Ordinarily Resident in India (R but not OR) | Non-Resident in India (NR) |
|---|---|---|---|
| Indian income | Taxable | Taxable | Taxable |
| Foreign Income | Taxable | Non Taxable | Non Taxable |
| Income from business or profession accruing or arising outside India, but business controlled from India or a profession setup in India. | Taxable | Taxable | Non Taxable |

# Changes in Income Tax Act for Non Residents

## What is a “business controlled from India or a profession setup in India” ?

**Business/Profession by NR in Company form:**

- ✓ **If business is carried out through a company (LLC, etc.) then the Non- Resident and the company are separate entities.**

- ✓ **A company is governed by the jurisdiction where it is registered.**

# Changes in Income Tax Act for Non Residents

## What is a "business controlled from India or a profession setup in India" ?

**Business/Profession by NR in Company form:**

✓ A company becomes a Indian Tax Resident if:

- It has a turnover in excess of Rs. 50 crores.

AND

- It satisfies the POEM (Place of Effective Management) guidelines as laid down in explanation to Section 6(3) of the Income Tax Act.

# Changes in Income Tax Act for Non Residents

## What is a "business controlled from India or a profession setup in India" ?

**<u>Business/Profession by NR in Individual form:</u>**

✓ Principles laid down in the following decisions:

1. B.B.Iranee v. Commissioner of Income-tax 50 ITR 366 (Bombay High Court)
2. B.B.Iranee v. Commissioner of Income-tax 60 ITR 437 (Supreme Court of India)

# Changes in Income Tax Act for Non Residents

## What is a "business controlled from India or a profession setup in India" ?

- ✓ Where the headquarters of the business or profession are located.
- ✓ Mere presence or absence in one jurisdiction, long or short, is not the deciding factor. The place continued or discontinued as the headquarter of the business or profession is important.
- ✓ If the headquarters have shifted from one jurisdiction to another, then income can be apportioned in accordance with or shall move from one place to another.

# Changes in Income Tax Act for Non Residents

## What is a "business controlled from India or a profession setup in India" ?

Business/Profession by NR in Partnership form:

✓ A partnership firm becomes a Indian Tax Resident if :
The control and management of its affairs is situated wholly or partly in India.

# Changes in Income Tax Act

## The Direct Tax – Vivad Se Vishwas

- ✓ All <u>disputes</u> relating to <u>Income Tax pending</u> before Supreme Court, High Court, Income Tax Appellate Tribunal (ITAT), Commissioner (Appeals) are eligible.
- ✓ All disputes <u>pending</u> before the above authorities <u>as on 31/01/2020</u> shall be eligible.

# Changes in Income Tax Act

## The Direct Tax – Vivad Se Vishwas

- ✓ A person whose case writ / SLP is pending before HC or SC are eligible.
- ✓ A person in whose case any order has been passed but the time limit of filing of appeal has not expired on 31/01/2020 are also eligible.

# Changes in Income Tax Act

## Steps in – Vivad Se Vishwas

i) ■ Withdrawal of the appeal / petition and furnish proof.

ii) ■ Filing of declaration before the designated authority in Form-1 online on the e-filing portal.

■ Undertaking for waiving of right to pursue any direct or indirect legal remedy in Form-2 online on the e-filing portal.

# Changes in Income Tax Act

## Steps in – Vivad Se Vishwas

iii) **Tax payable shall be determined and a certificate in <u>Form-3</u> shall be granted by the department within <u>15 days</u> from the date of filing declaration.**

iv) **<u>Payment</u> of taxes, <u>within 30 days.</u>**

v) **<u>Intimate</u> the designated authority about the <u>payment made</u> in <u>Form-4.</u>**

# Changes in Income Tax Act

## Steps in – Vivad Se Vishwas

vi) If taxes already paid, excess shall be refunded.

No interest shall be granted, on refund.

vii) Designated Authority shall pass an appropriate order full And final settlement of Tax Arrear in Form-5.

# Changes in Income Tax Act

## The Direct Tax – Vivad Se Vishwas

| Type of case | Amount payable up to 30-06-2020 |
|---|---|
| Cases relating to disputed tax, interest chargeable and penalty on such disputed tax | |
| An appeal by a taxpayer where search and seizure have occurred, and the disputed tax does not exceed Rs. 5 crores. | Disputed tax plus 25% of disputed tax. |
| An appeal by a taxpayer, in any other case. | Disputed tax. |
| *Note* : Where 25% of disputed tax, exceeds the total of interest and penalty, such excess amount shall be ignored. | |

# Changes in Income Tax Act

## The Direct Tax – Vivad Se Vishwas

| Type of case | Amount payable up to 30-06-2020 |
|---|---|
| **Cases relating to disputed tax, interest chargeable and penalty on such disputed tax** | |
| An appeal by the department, where search and seizure have occurred and the disputed tax does not exceed Rs. 5 crores. | 50% of disputed tax plus 12.5% of disputed tax. |
| An appeal by the department, in any other case. | 50% of disputed tax. |
| *Note* : Where 12.5% of disputed tax, exceeds the total of interest and penalty, such excess amount shall be ignored | |

# Changes in Income Tax Act

## The Direct Tax – Vivad Se Vishwas

| Type of case | Amount payable up to 30-06-2020 |
|---|---|
| Cases relating to disputed interest, penalty and disputed fee. | |
| If an appeal by the taxpayer. | 25% of disputed interest, penalty or fee. |
| If an appeal is by the department. | 12.5% of disputed interest, penalty or fee. |

# Changes in Income Tax Act

- ✓ Registration of trusts to undergo a complete filtration.
- ✓ All charitable and religious trusts to reregister by 31/08/2020.
- ✓ Registration granted shall be valid for a period of 5 years. Concept of perpetual registration withdrawn.
- ✓ Re-registration required for all entities governed by Sec. 10(23C) and Sec 10(46) also.

# Changes in Income Tax Act

- ✓ <u>Re–application</u> for trusts approved U/s. 80G.
- ✓ <u>Deduction</u> U/s. 80G / 80GGA to a donor shall be allowed on the <u>basis of statement</u> required to be <u>furnished by</u> such <u>trust.</u> <u>No</u> submission of statement mentioning details of each donor is liable to <u>fee and penalty.</u>
- ✓ Cash donation U/s. 80GGCA restricted to Rs. 2,000/-.

# Changes in Income Tax Act

✓ For capital assets being land and / or building or both purchased before 01/04/2001. Cost of acquisition is its value as on 01/04/2001.

The value as on 01/04/2001 cannot exceed its stamp duty value. Applicable from A.Y. 21–22.

✓ U/s. 50C, of the stamp duty value of immovable asset sold shall be regarded as a deemed sale consideration, if sale consideration is below stamp duty value.

# Changes in Income Tax Act

**As a relief in this provision (Sec. 50C), difference between 110% (earlier 105%) of sale consideration and the stamp duty value shall not ignite provision of Sec. 50C.**

**If stamp duty value exceeds 110% of the sale consideration, stamp duty value shall be the deemed sale consideration.**

# Changes in Income Tax Act

- ✓ Enabling provision for e-appeal introduced for appeals before Commissioner of Income Tax (Appeals).
- ✓ Survey U/s. 133A shall not be conducted by or without prior approval of :
  - Where information is received – No authority below Joint Director or Joint Commissioner.
  - In other cases – No authority below Commissioner or Director.

# Changes in Income Tax Act

- ✓ Enabling provision for e-penalty introduced for penalty proceeding.
- ✓ Income Tax Appellate Tribunal (ITAT) shall not be granted stay of demand without deposit / security of 20% of demand. Total stay granted by ITAT cannot exceed 365 days.

# Changes in Income Tax Act

- ✓ Time limit for approval <u>affordable housing</u> project for availing <u>deduction</u> U/s. 80 – IBA extended till <u>31/03/2021.</u>

- ✓ Time limit for <u>sanctioning</u> of loan for <u>affordable housing</u> for availing deduction U/s. 80EEA of the Act extended till <u>31/03/2021.</u>

# Changes in Income Tax Act

## Scope of TCS expanded (Effective from 1/10/2020)

| Goods & Services liable to TCS | | |
|---|---|---|
| | New Provision | |
| | PAN / Aadhar furnished | PAN / Aadhar not furnished |
| Remittance of Forex under LRS exceeding Rs. 7 lakh in a financial year excluding the below exceptions: | 5% | 10% |
| 1) Remittance for overseas tour travel package of any amount | 5% | 10% |
| 2) Remittance for foreign education through loan obtained from specified institutions | 0.5% | 10% |

# Changes in Income Tax Act

## Scope of TCS expanded (Effective from 1/10/2020)

| Goods & Services liable to TCS | | |
|---|---|---|
| | New Provision | |
| | PAN / Aadhar furnished | PAN / Aadhar not furnished |
| Overseas tour travel package | 5% | 10% |
| Sale of goods excluding import and export in excess of Rs. 50 lakh in financial year* | 0.1% | 1% |

*This provision shall be applicable to a person whose turnover, gross receipts or sales exceeds Rs. 10 Crore.

# Changes in Income Tax Act

✓ E – commerce operators to deduct tax from proceeds payable to particulars

- With PAN / Aadhar : 1%
- Without PAN / Aadhar : 5%

Applicable to Individuals & HUF where amount payable exceeds Rs. 5 lakhs and PAN / Aadhar is submitted.

# Changes in Income Tax Act

- ✓ TDS provisions U/s. 194A, 194C, 194H, 194I and 194J were not applicable to Individuals or HUF who were not required to get the accounts audited U/s. 44AB. Limit U/s. 44AB has been enhanced to Rs. 5 Crore (with certain conditions).

  Hence a New limit for Business Receipts exceeding Rs. 1 Crore & Professional Receipts exceeding Rs. 50 Lakh has been inserted for its applicability.

- ✓ Two rates have been prescribed separately U/s. 194J
  - Technical Services : 2%
    (other than professional services)
  - Professional Services : 10%.

# Changes in Income Tax Act

✓ Section 194A requires deduction of Tax at Source TDS from Interest Income.

Newly inserted Section 194A(5) enables issuance of Lower Tax Deduction at Source Certificate.

Existing arrangement of Form No. 15H and 15G shall continue as it is, the Lower TDS Certificate provisions are over and above the existing provisions.

# Changes in Income Tax Act

- ✓ Form No. 26AS scrapped. New form containing not just Tax Paid / Tax Deducted, but also multiple information on sale / purchase etc. Operative from 01st June, 2020.

- ✓ Capital gain on mutual fund units under segregated portfolio

  - Date of Acquisition – Date on which main units were acquired.

# Changes in Income Tax Act

- <u>Cost</u> of the segregated portfolio

$$\text{Cost price of segregated portfolio} = \frac{\text{Cost price of the original investment} \times \text{NAV of segregated portfolio}}{\text{NAV of main portfolio before segregation}}$$

| | | |
|---|---|---|
| Total cost price | : | |
| Less : Cost price of segregated portfolio | : | |
| Cost price of main portfolio | : | |

# Changes in Income Tax Act

✓ **Tax Audit limit U/s. 44AB revised to Rs. 5 Crores if following conditions satisfied :**

- **Aggregate of all receipts in cash during the previous year does not exceed 5% of total receipts.**
- **Aggregate of all payments in cash during the previous year does not exceed 5% of total payments.**

**All receipts & all payments include items pertaining to Trading and Profit & Loss Accounts and Balance Sheet.**

# Changes in Income Tax Act

- New penalty provision U/s. 271AAD for (i) false entry (ii) on omission of any entry. Penalty equal to such entry.
- Due date of filing :
  - Tax Audit Report : 30 September
  - Return of persons required to get accounts audited : 31 October
  - All partners of firms required to get accounts audited : 31 October

Applicable for Asst. Yr 2020 – 21.

# Message in these lines…

*“ Illiterate of the 21st Century are not those who cannot read & write*

*BUT*

*those who cannot learn, unlearn and relearn.”*

*Alvien Toffler*

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