

BUDGET HIGHLIGHTS 2020



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CHARTERED ACCOUNTANTS

SNAPSHOT OF KEY HIGHLIGHTS

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- Direct Tax Amendments
- GST (CGST & IGST Act, 2017)
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DIRECT TAX





GLOSSARY

FY	Financial Year
AY	Assessment Year
HUF	Hindu Undivided Family
HEC	Health & Education Cess
DTAA	Double Tax Avoidance Agreement
NPS	National Pension Scheme
Pr. CIT	Principal Commission of Income Tax
CIT	Commission of Income Tax
w.e.f.	With Effect From
Act	Income Tax Act, 1961
NBFC	Non-Banking Financial Company
IFSC	International Financial Services Centre
CDT	Corporate Dividend Tax
DDT	Dividend Distribution Tax
PAN	Permanent Account Number
TDS	Tax Deducted at Source
AE	Associated Enterprises
AO	Assessing Officer
SEZ	Special Economic Zone
MP	Member of Parliament
MLA	Member of Legislative Assembly
AMT	Alternative Minimum Tax



GLOSSARY

CBDT	Central Board of Direct Tax
PBPT	Prohibition of Benami Property Transactions
AIR	Annual Information Report
MF	Mutual Fund
COA	Cost of Acquisition
NAV	Net asset value
Ao	Assessing Officer
ITAT	Income Tax Appelat Tribunal
RNOR	Resident but not ordinary resident
NR	Non resident
FTS	Fee for technical services
TDS	Tax deducted at source
GTI	Gross Total Income
PY	Previous Year
RDB	Rupee Denominated Bonds
IFSC	International Financial Services Centres
FII	Foreign Institutional Investors
QII	Qualified Institutional Investo
SEP	Significant Economic Presence
SEBI	Securities and Exchange Board of India
FPI	Foreign portfolio investors
DTAA	Double Taxation Avoidance Agreement



GLOSSARY

LTCG	Long-term Capital Gain
UAE	United Arab Emirates
ADIA	Abu Dhabi Investment Authority
FTS	Fee For Technical Services
PAN	Permanent Account Numbe
FEMA	Foreign Exchange Management Ac
TCS	Tax Collected at Source
CTT	Commodities Transaction Tax
SHR	Safe Harbor Rules
PE	Permanent Establishment
AE	Associated Enterprises
ITC	Input Tax Credit



INCOME TAX RATES

Slab Rates in case of Individuals/HUF/AOP/BOI/AJP for AY 2021-22

Total Income (INR)	Tax Rates (No change)	Tax Rate under new optional regime*
0 – 2.5 Lakhs	Exempt	Exempt
Above 2.5 Lakhs – 5 Lakhs	5%	5%
Above 5 Lakhs – 7.5 Lakhs	20%	10%
Above 7.5 Lakhs – 10 Lakhs	20%	15%
Above 10 Lakhs – 12.5 Lakhs	30%	20%
Above 12.5 Lakhs – 15 Lakhs	30%	25%
Above 15 Lakhs	30%	30%

***Option available to Individual and HUF u/s 115BAC subject to certain conditions and tax deductions/exemptions forgone, as discussed in following slides**



CONDITIONS TO OPT FOR TAX RATE U/S 115BAC

Individual/HUF NOT having Business Income	Individual/HUF having Business Income
<ul style="list-style-type: none">• Option is to be exercised along with return of income u/s 139(1) of the Act• Option may be exercised for every previous year	<ul style="list-style-type: none">• Option is to be exercise on or before due date of filing return of income u/s 139(1) of the Act• Option once exercised shall be valid for that year and to all subsequent years.• Option can be withdrawn only once except in the year it was exercised.• If withdrawn, shall never be eligible to exercise option under this section. <div data-bbox="1182 1150 1957 1374"><p>Exception: where assessee <u>ceases</u> to have any <u>business income</u>, then option can be exercised for that PY relevant to the AY.</p></div>



BENEFITS FORGONE ON OPTING TAX RATE U/S 115BAC

SECTION	EXEMPTION OR DEDUCTION FOREGONE
10(13A)	House Rent allowance
10(5)	Leave travel concession
10(14)	Any special allowances and benefits (except as mentioned in Note-1)
10(17)	Allowances to MPs/MLAs
10(32)	Allowance for income of minor
10AA	Exemption for SEZ unit
16	Standard deduction, deduction for entertainment allowance and employment/professional tax
24(b)	Interest on home loan in respect of self occupied or vacant property
32(1)(iia)	Additional depreciation
32AD	Investment in new plant or machinery in notified backward areas in certain states
33AB	Deduction in respect of Investment deposit account
33ABA	Deduction in respect of Site restoration fund



BENEFITS FORGONE ON OPTING TAX RATE U/S 115BAC

SECTION	EXEMPTION OR DEDUCTION
35(1)(ii)/ 35(1)(ia)/ 35(1)(iii)/ 35(2AA)	Various deduction for donation for or expenditure on scientific research
35AD	Deduction in respect of expenditure on specified business
35CCC	Deduction in respect of expenditure on agricultural extension project
57(ia)	Deduction from family pension
Rule 3	Exemption in respect of free food and beverages through vouchers provided to employees
Any <u>deduction</u> under <u>chapter VIA</u> of the Act will <u>not be available</u> except deduction u/s 80CCD(2) (employer contribution on account of employee in notified pension scheme) and 80JJAA (for generation of new employment)	
Note 1: <ul style="list-style-type: none">• Transport allowance to Divyang employees to meet expenditures for commuting between place of residence and place of duty• Conveyance allowance in performance of official duties• Any allowance to meet cost of travel on tour or on transfer• Daily allowance to meet the ordinary charges in respect of absence from normal place of duty.	



BENEFITS FORGONE ON OPTING TAX RATE U/S 115BAC

- Provisions of AMT will not apply
- Credit of AMT will not be available
- Carried forward losses or unabsorbed depreciation from any earlier AY, if such loss or depreciation is attributable to any of the deductions/exemptions discussed earlier
- Set off of any loss under the head house property with any other head of income is not available
- No exemption or deduction for any allowance or perquisites

OUR COMMENTS

- In order to avail the new tax rates, the Assessee has to forego a number of exemptions/deductions including some of the very popular tax exemptions/deductions like Standard Deduction, House Rent Allowance from salary income, Deduction u/s 80C on tax saving investments, Deduction on payment of Medical Insurance premium u/s 80D, Deduction of Housing loan Interest etc.
- In order to determine whether to avail tax regime u/s 115BAC, a taxpayer will have to make complex calculations
- Keeping in view the exemptions/deductions foregone by a taxpayer, the benefit of concessional tax rates, if any, may not be significant.



INCOME TAX RATES

Slab Rates for Senior Citizens/Super Senior Citizens

TOTAL INCOME SLAB (RS.)	TAX RATES FOR RESIDENT SENIOR CITIZEN	TAX RATES FOR SUPER SENIOR CITIZEN	TAX RATE UNDER U/S 115BAC (OPTIONAL AND CONDITIONAL)
0 to 2.5 Lakhs	Exempt	Exempt	Exempt
Above 2.5 - upto 3 Lakhs	Exempt	Exempt	5%
Above 3 - upto 5 Lakhs	5%	Exempt	5%
Above 5 - upto 7.5 Lakhs	20%	20%	10%
Above 7.5 - upto 10 Lakhs	20%	20%	15%
Above 10 –upto 12.5 Lakhs	30%	30%	20%
Above 12.5 - upto 15 Lakhs	30%	30%	25%
Above 15 Lakhs	30%	30%	30%



SURCHARGE ON INCOME TAX

Proposed Surcharge Rates in case of Individuals/HUF/AOP/BOI/AJP for AY 2020-21

	Total Income		Rate
(i)	Exceeding 50 Lakhs upto 1 Crore	(including income u/s 111A & 112A)	10%
(ii)	Exceeding 1 Crore upto 2 Crores	(including income u/s 111A & 112A)	15%
(iii)	Exceeding 2 Crores upto 5 Crores	(excluding income u/s 111A & 112A)	25%
(iv)	Exceeds 5 Crores	(excluding income u/s 111A & 112A)	37%
(v)	Exceeds 2 Crores [Not covered under (iii) and (iv) above]	(including income u/s 111A & 112A)	15%

Surcharge on tax on
income chargeable
u/s 112A and 111A
shall not exceed
15%

Marginal relief for
surcharge available.

Health and
Education cess to
continue at 4%

The above rates are also applicable in case of Income u/s 115AD of the Act



NEW TAX REGIME FOR COOPERATIVE SOCIETY

SECTION	PROVISIONS OF PROPOSED SECTION
115BAD	<ul style="list-style-type: none">• To bring parity between cooperative societies and companies, resident cooperative society has been given an option to pay tax at concessional rate of 22%• Surcharge applicable at the rate of 10%• Return to be filed within time prescribed u/s 139(1) to exercise the option• Option once exercised can not be withdrawn <p>Benefits foregone on opting for concessional rate under this section are as below:</p> <ul style="list-style-type: none">• Deduction available u/s 10AA, 32(1)(iia), 32AD, 33AB, 33ABA, 35AD, 35CCC, sub-clause (ii)/(iia)/(iii) of 35(1), 35(2AA) or chapter VI-A• Set off of loss attributable to any of the deductions referred above, carried forward from any earlier AY
115JC & 115JD	<ul style="list-style-type: none">• Provisions relating to AMT shall not apply to cooperative society opting for Section 115BAD• Credit of AMT will not be available



RELAXATION TO SMALL AND MEDIUM ENTERPRISES

AMENDMENT PROPOSED (Applicable from AY 2020-21 and onwards)

- Section 44AB of the Act mandates to get the accounts audited by a chartered accountant for the following persons as under:

Category of person	Existing threshold	Proposed threshold
Person carrying on business whose gross turnover/receipts/total sales exceeding	1 crore	5 crores
Person carrying on profession whose gross receipts exceeding	50 lakhs	No change

- The proposed threshold shall be applicable to the persons carrying on business only if following conditions are satisfied:-
 - Amount received in cash \leq 5% of total gross receipt/turnover **and**
 - Amount paid in cash \leq 5% of total gross receipt/turnover.
- It is also proposed that the due date of furnishing of tax audit report **will be one month prior to due date of filing of ITR** to enable pre-filing of ITRs.

OUR COMMENTS

- This move has been taken in view to relax those taxpayers, from tax audit provisions, who transact mainly through digital modes
- Due date for filing tax audit report has been fixed one month before the due date of filing ITR, to get the data pre-filled in ITR from tax audit report, to avoid any mismatch between ITR and tax audit report



SEGREGATED PORTFOLIO

AMENDMENT PROPOSED (Applicable from AY 2020-21 and onwards)

SEBI vide circular dated 28 Dec 2018 permitted creation of segregated portfolio of debt and money market instruments by MF schemes. According to same all the existing unit holders in the scheme as on date of credit event shall be allocated equal number of units in the segregated portfolio as held in main portfolio.

Section 2(42A)	<ul style="list-style-type: none">A new clause has been inserted to provide that in case of above, period of holding shall include the period for which the original unit(s) in the main portfolio were held by the assessee.
Section 49	<ul style="list-style-type: none">A new sub-section has been inserted to provide manner of calculation of cost of acquisition in the segregated portfolio, as under:- Cost of Acquisition of unit(s) held in the total portfolio*(Net asset value of the asset transferred to the segregated portfolio / Net asset value of the total portfolio immediately before the segregation of portfolios)
	<ul style="list-style-type: none">Another sub-section has been inserted to provide that the cost of the acquisition of the original units shall be deemed to have been reduced by the amount arrived as above



EXPANSION OF FACELESS PROCEEDINGS

SECTION	KEY AMENDMENT PROPOSED
143	<ul style="list-style-type: none">• Scope of section 143(3A) expanded to include Best Judgement Assessment• Due date of issuance of directions in respect of above extended to 31 March 2022
274	<ul style="list-style-type: none">• For imparting greater efficiency, transparency and accountability, new sub-section 2A, 2B and 2C inserted:<ul style="list-style-type: none">- To empower CG to notify the E-penalty scheme- Eliminate interface between the Assessing officer and Assessee- Optimizing utilization of resources and use of functional expertise- Dynamic Jurisdiction with one of more Income-tax authorities to conclude the proceeding• Directions in respect of above can be issued upto 31 March 2022• Every Notification shall be required to be laid before each house of Parliament.



EXPANSION OF FACELESS PROCEEDINGS

SECTION	KEY AMENDMENT PROPOSED
250	<ul style="list-style-type: none">• For imparting greater efficiency, transparency and accountability, new sub-section 6A, 6B and 6C inserted to:<ul style="list-style-type: none">- Empower CG to notify the E-appeal scheme- Eliminate interface between the CIT(A) and Appellant- Optimizing utilization of resources and use of functional expertise- Dynamic jurisdiction with one or more CIT(A)s to adjudicate the appeal• Directions in respect of above can be issued upto 31 March 2022• Every Notification shall be required to be laid before each house of Parliament.

OUR COMMENTS

As an expansion of faceless tax proceedings and to accomplish greater efficiency, transparency and accountability even appellate proceedings have been proposed to be conducted electronically. However since the nature, objective of and expectations from appellate proceeding are significantly different from assessment proceeding, the parameters to judge efficiency of E-assessments may not apply to E-appellate proceedings and the comfort and satisfaction of appellants need to be kept in mind to assess whether E-Appellate proceedings are a success.



DISPUTE RESOLUTION

SECTION	KEY AMENDMENT PROPOSED
144C	<p>It is proposed that now assessee may approach DRP for any type of variation proposed by AO (not only in case of variation in returned income/loss)</p> <p>Further now DRP route of assessment is also proposed to be made available to non corporate non-resident assesseees.</p>
254	<p>It is proposed that ITAT may grant stay of demand if Assessee has deposited a minimum of 20% of the amount of tax, interest, fees, penalty or any other sum payable under the provisions of Act or furnished security of equal amount.</p>



PROPOSED AMENDMENT AND INSERTION OF NEW CLAUSE IN SECTION 6

Particulars	Existing provisions	Proposed provisions
As per clause (b) of explanation 1 of section 6(1) of the Act, a person of the Indian origin living outside India is considered a resident if he visits India for;	182 Days or more in previous year	120 Days or more in previous year
As per clause (a) & (b) of section 6(6) of the Act, a person or a manager of HUF is considered as a RNOR if ; Indian citizen not liable to tax in any country or territory	Non resident in India in 9 out of 10 preceding assessment years preceding that year or the stay in India out of last 7 assessment years is 729 days or less No such condition	Non resident in India in 7 years out of 10 preceding assessment years preceding that year Such a citizen to be deemed a resident of India



REMOVING DIFFICULTIES FACED BY TAXPAYERS

SECTION	KEY AMENDMENT PROPOSED
35AD	<ul style="list-style-type: none"> Section 35AD provides for 100% deduction in respect of capital expenditure (other than expenditure on acquisition of land or goodwill or financial instrument) incurred for the purposes of specified business. It was mandatory to apply section 35AD, however, it is proposed to make this section optional.

ILLUSTRATION STATING THE IMPACT OF THE ABOVE AMENDMENT:-

Particulars	Pre Amendment (Rs. in Lakhs)	Post Amendment (Rs. in Lakhs)
Business Income	100	100
<u>Less:</u> Deduction u/s 35AD against capital expenditure of specified business	750	-
<u>Less:</u> Deduction u/s 32	-	112.5
Taxable Income/(Loss)	(650)	(12.5)
Remarks	Specified Business Loss can be carried forward till 4 years only.	Unabsorbed depreciation is allowed to be carried forward for unlimited period.



SCOP OF EXEMPTION FROM RETURN FILING EXTENDED

SECTION	KEY AMENDMENT PROPOSED
115A	<p>Presently section provides that a non-resident or a foreign company is not required to furnish its return of income, if its total income, consists only of certain dividend or interest income and the TDS on such income has been deducted.</p> <p>Now, the scope of this section has been extended to include income in the nature of <u>royalty and fees for technical services.</u></p>





ESOP TO EMPLOYEES OF START-UPS

In order to defer the payment of tax on perquisite by the employees of eligible start-ups or deduction of Tax at source by the start-ups, following amendment has been proposed:-

Pre-Amendment	Post-Amendment
Perquisites in the form of Employees Stock Options (ESOP) are taxed in the hands of employees at the time of exercising of option.	Now, tax is to be paid or deducted within <u>14 days from</u> :- <ul style="list-style-type: none">• The expiry of 48 months from the end of the relevant AY, or• Date of the sale of such specified security or sweat equity share, or• Date on which the assessee ceases to be the employee of the start-up <p style="text-align: right;">} Whichever is Earlier</p>

Note:-

- Eligible Start-Ups are as defined u/s 80-IAC of the Act
- The rates in force of the FY in which such specified security or sweat equity share is allotted or transferred are to be considered
- The liability of employer to deduct TDS on the above perquisites shall defer accordingly



AMALGAMATION

SECTION	KEY AMENDMENT PROPOSED
72AA	<p>Section 72AA provides for carry forward of accumulated losses and depreciation allowance by the amalgamated banking company.</p> <p>Now, it is proposed to extend the benefit of this section to amalgamation of:-</p> <ul style="list-style-type: none">• one or more corresponding new bank or banks with any other corresponding new bank under a scheme brought into force by the CG u/s 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 or u/s 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, or both, as the case may be, or• one or more Government company or companies with any other Government company under a scheme sanctioned and brought into force by the CG u/s 16 of the General Insurance Business (Nationalisation) Act, 1972.



ABOLISHMENT OF DIVIDEND DISTRIBUTION TAX

SECTION	AMENDMENT PROPOSED
115-O & 115-R	<ul style="list-style-type: none"><li data-bbox="636 440 1991 568">• Income distributed by any domestic company or unit trust of India, by way of dividend, which is currently taxed in the hands of the distributor, is now to proposed to be taxed in the hands of the recipient at the applicable rates<li data-bbox="636 624 1991 743">• Consequent to above amendment, section 10(34), 10(35), 10(23FC), 10(23FD), 115UA, 10(23D), 115BBDA, 196A, 196C and 196D are also proposed to be amended accordingly.<li data-bbox="636 799 1991 919">• While computing the dividend/income distributed from mutual fund deduction of interest expenses subject to cap of 20% of such income is proposed to be allowed u/s 57 of the Act.<li data-bbox="636 975 1991 1142">• To mitigate the cascading effect of double taxation on the amount of dividend distributed, Section 80M has been proposed to be reintroduced, which provides that a domestic company shall be eligible for deduction, from its GTI, of dividend received from any other domestic company



ABOLISHMENT OF DIVIDEND DISTRIBUTION TAX

SECTION	AMENDMENT PROPOSED
	<ul style="list-style-type: none"><li data-bbox="577 544 1980 715">• TDS to be deducted @10% u/s 194 on any dividend including deemed dividend, with an enhanced limited of Rs. 5000/-, similarly in case of income distrusted by Mutual funds to its unit holder shall be subjected to TDS @10% u/s 194K (Newly inserted), if income distributed exceeds Rs. 5000/-<li data-bbox="577 767 1980 847">• Similar amendment is proposed u/s 194LBA, for deduction of tax @10% in respect of income distributed by business trust



NOT FOR PROFIT ENTITIES/EXEMPTED ENTITIES

SECTION	AMENDMENT PROPOSED
11, 12A, 12AA & 12AB	<ul style="list-style-type: none">• Presently section 11 provides that where a trust or an institution has obtained registration under section 12AA/12A and said registration is in force for any previous year, then, exemption under section 10 [except under clauses (1) and (23C)] shall not be allowed• However, the same exclusion is not available to entities claiming exemption u/s 10(46) of the Act, if they are holding registration under section 12A/12AA.• It has been proposed to be exclude entities notified u/s 10(46) of the Act subject to condition that exemption u/s 10 can only be taken where registration u/s 12AA/12A is inoperative• Commencing from 1st April 2020 every entity registered under section 12AA/12A/10(23C)/35 shall be required to take approval/intimate of its registration once in every 5 years.• New section 12AB, for registration of trust existing as well as new has been introduced w.e.f 1st June 2020. The registration shall remain valid for 5 years if application has been made u/s 12A(ac)(i) to (v). In case application is made u/s 12A(ac)(vi), provisional registration for 3 years shall be granted. Thus every existing charitable entity has to apply for registration u/s 12AB by 31st August, 2020.



NOT FOR PROFIT ENTITIES/EXEMPTED ENTITIES

Filing of Statement of donation by donee to cross-check claim of donation by donor

- Presently under certain provisions, on giving donation, a donor gets deduction while computing taxable income and there is no reporting obligation on the donee, to report the donations received.
- It is proposed that the entities receiving donation, shall furnish a statement in respect thereof, to match the records of donation received with the donation made by donor.
- Fee and penalty may also be levied to ensure proper filing of the statements.





NOT FOR PROFIT ENTITIES/EXEMPTED ENTITIES

SECTION	AMENDMENT PROPOSED
80G (Applicable from 1 st June 2020)	<ul style="list-style-type: none">• Entities already approved u/s 80G are required to re-apply for approval• Once registration granted, the same shall be valid for a period mentioned therein, not exceeding 5 years• Deduction u/s 80G shall be allowed to donor only if specified statement is furnished by the donee.
80GGA (Applicable from 1 st June 2020)	<ul style="list-style-type: none">• Cash donation restricted to Rs. 2000/- similar to section 80G• Deduction u/s 80G shall be allowed to donor only if statement is furnished by the donee



RELAXATION FOR OFFSHORE INVESTMENT FUNDS

SECTION	KEY AMENDMENT PROPOSED
<p>9A (Effective from AY 2020-21)</p>	<p>Section 9A of the Act provides that in the case of an eligible investment fund, the fund management activity carried out through an eligible fund manager shall not constitute business connection in India of the aforesaid fund.</p>
Pre-amendment conditions	Amendment proposed
<p>Aggregate participation or investment in the fund by Indian residents should not exceed 5% of the corpus of the fund</p>	<p>While calculating participation or investment limit of 5% contribution by the eligible fund manager, up to 25 crore rupees, shall not be taken into account during first three years,</p>
<p>If the fund has been established during the previous year, the monthly average of the corpus shall be at least INR 100 Cr. at</p> <ul style="list-style-type: none"> a) the end of a period of 6 months from the last day of the month of its incorporation or b) at the end of such previous year, <p>whichever is later</p>	<p>The period for which the minimum corpus is to be maintained will be 12 months from the last day of the month of its establishment or incorporation.</p>



MODIFICATION IN TAX REGIME U/S 115BAA & 115BAB

SECTION	KEY AMENDMENT PROPOSED
115BAB	<ul style="list-style-type: none">• Section 15BAB gives an option to companies engaged in the business of manufacture or production of any article or thing and research in relation to it, to pay tax at a concessional rate of 15% subject to fulfillment of prescribed conditions.• It is proposed to extend this benefit, to the electricity generation companies.
115BAA and 115BAB	<ul style="list-style-type: none">• Section 115BAA and Section 115BAB give an option to certain companies to pay tax at a lower rate of 22% and 15% respectively subject to certain conditions• Presently, the Assessee opting the above can't claim the any deduction under chapter VI-A under the heading 'C- Deductions in respect of certain incomes' of the Act. However, deduction u/s 80JJAA is allowed• Now, it is proposed to amend this section to not to allow all the deduction falling under chapter VI-A of the Act except deductions under section 80JJAA and 80M of the Act



CHANGES IN WITHHOLDING TAXES

SECTION	KEY AMENDMENT PROPOSED
194LC	<p>Section 194LC of the Act, provides for a concessional rate of TDS (5%), on interest paid by an Indian company to non-residents on certain forms of borrowings.</p> <p>In order to attract fresh investment, create jobs and stimulate the economy, it is proposed to –</p> <ul style="list-style-type: none">• Extend the period of concessional rate of TDS to 1st July, 2023 from 1st July, 2020;• Provide that the rate of TDS shall be 4% on the interest payable to a non-resident, in respect of monies borrowed in foreign currency from a source outside India, by way of issue of any long term bond or RDB on or after 1st April, 2020 but before 1st July, 2023 and which is listed only on a recognized stock exchange located in any IFSC.



CHANGES IN WITHHOLDING TAXES

SECTION	KEY AMENDMENT PROPOSED
194LD	<p>Section 194LD of the Act provides for lower TDS of 5% in case of interest payments to FIIs & QFIs on their investment in Government securities and RDB of an Indian company, subject to the certain condition.</p> <p>In order to attract fresh investment, create jobs and stimulate the economy, it has been proposed to –</p> <ul style="list-style-type: none">• Extend the period of concessional rate of TDS to 1st July, 2023 from the existing 1st July, 2020• Provide that the concessional rate of TDS of 5% shall also apply on the interest payable, on or after 1st April, 2020 but before 1st July, 2023, to a FII or QFI in respect of the investment made in municipal debt security.



CHANGES IN SECTION 9

Particulars	KEY AMENDMENT PROPOSED
Significant Economic Presence (SEP) (Effective from AY 2022-23)	<p>Section 9(1) creates a legal fiction that certain incomes shall be deemed to accrue or arise in India which, inter alia, says that all income accruing or arising through or from any business connection in India shall be deemed to accrue or arise in India. Explanation 2A of the said section says that Significant economic presence shall also constitute as Business connection. The same has also been defined in the said explanation.</p> <p>Now it is proposed to:</p> <ul style="list-style-type: none">• Defer the applicability of SEP from assessment year 2022-23.• Make certain changes in the definition of SEP
Source Rule (Effective from AY 2022-23)	<p>Explanation 3A has been inserted to clarify that income attributable to the operations carried out in India shall include income from:</p> <ul style="list-style-type: none">• Such advertisement which targets a customer who resides in India or a customer who accesses the advertisement through internet protocol address located in India



CHANGES IN SECTION 9

Particulars	KEY AMENDMENT PROPOSED
	<ul style="list-style-type: none">• Sale of data collected from a person who resides in India or from a person who uses internet protocol address located in India• Sale of goods or services using data collected from a person who resides in India or from a person who uses internet protocol address located in India
Benefit to Category-I foreign portfolio investor (Effective from AY 2020-21)	<p>Explanation 5 to Section 9(1)(i) states that an asset or capital asset being any share or interest in a company or entity registered or incorporated outside India shall be deemed to be situated in India if the share or interest derives its value substantially from the assets located in India.</p> <p>Second proviso to said Explanation, provides that the Explanation shall not apply to an asset or capital asset, which is held by a non-resident by way of investment, in Category-I or Category-II FPIs under the [SEBI (FPI) Regulations, 2014].</p> <p>Due to changes made by SEBI, in its FPI Regulations, 2019, the Second proviso to Explanation 5 of section 9 has become ineffective.</p>



CHANGES IN SECTION 9

Particulars	KEY AMENDMENT PROPOSED
	<p>Hence, Third Proviso has been inserted which states that above explanation shall not apply to an asset or a capital asset, which is held by a non-resident by way of investment, in Category-I foreign portfolio investor under the SEBI (FPI) Regulations, 2019.</p>
Change in definition of Royalty (Effective from AY 2021-22)	<p>Section 9(1)(vi) deems certain income by way of royalty to accrue or arise in India.</p> <p>Currently the definition of Royalty excludes consideration for the sale, distribution or exhibition of cinematographic films from the definition of royalty. Due to such exclusion such royalty is not taxable in India even if the DTAA gives India the right to tax such royalty.</p> <p>Hence, it is proposed to amend the definition of royalty so as to include consideration for the sale, distribution or exhibition of cinematographic films from its meaning.</p>



VIVAD SE VISHWAS SCHEME

The following scheme is proposed to be implemented in order to reduce tax litigations:-

Highlights of the scheme:-

As per the Budget Speech, on payment of taxes within the following time period, the appellant will get relief from vexatious litigation process:-

If disputed taxes paid by	Amount to be paid
31.03.2020	Only Disputed Tax
01.04.2020 to 30.06.2020	Disputed Tax + Some Additional Amount*

Notes:-

- There will be complete waiver of penalty and interest under this scheme
- Additional Amount (*) specified above, is yet to be notified
- The scheme will remain open, only till 30.06.2020
- A similar scheme (Sabka Vishwas Scheme) was already brought in indirect taxes
- The above scheme has neither been mentioned in the finance bill nor the memorandum. This information is based on the budget speech.



WITHDRAWAL OF EXEMPTION ON PERQUISITES AND ALLOWANCES

SECTION	AMENDMENT PROPOSED (Applicable from AY 2021-22 onwards)
10(45)	<ol style="list-style-type: none">1) Exemption under Section 10(45) of the Income Tax Act,1961 is proposed to be deleted.2) Amendment made u/s 8 of the Election Commission Act,1991 accordingly.3) Existing Exemption available to serving/retired:<ul style="list-style-type: none">• UPSC Chairman and members;• Chief Election Commissioner; and• Election Commissioners4) List of allowances & perquisites exempt under existing section 10(45):<ul style="list-style-type: none"><u>Serving Chairman & members of UPSC</u><ol style="list-style-type: none">i. value of rent-free official residence;ii. value of conveyance facilities(including transport allowance);iii. Sumptuary allowance; andiv. Leave travel concession;<u>Retired Chairman & members of UPSC</u><ol style="list-style-type: none">i. Sum upto Rs.14,000 p.m. for meeting expenses on secretarial assistance on contract basis.ii. Telephonic allowance to the extent of Rs.1,500 .m.(over & above the no. of free calls p.m. allowed by telephone authorities.



TAX INCENTIVES

In order to incentivize the investment of sovereign wealth fund (incl. wholly owned subsidiary of Abu Dhabi Investment Authority) in India, it is proposed to insert new section 10(23FE) which will provide exemption on income earned in the nature of dividend, interest or LTCG by making investment in India.

10(23FE)	<ol style="list-style-type: none">1) Investment to be made in company or enterprise carrying on business of:<ol style="list-style-type: none">i. Developing; orii. operating & maintaining; oriii. Developing, operating or maintainingany infrastructural facility as defined u/s 80IA of the Act or such other business as notified by CG.3) Investment to be made by “specified person” in debt or equity of the company.4) Investment is required to be made on or before 31st March 2024.
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Lock-in period for investment=3years



TAX INCENTIVES

SECTION	New Clause inserted to give exemption to Indian Strategic Petroleum Reserves Limited(ISPRL) (Applicable from AY 2021-22 onwards)
10(48C)	<ol style="list-style-type: none">1) Exemption on income accruing or arising to ISPRL; wholly owned subsidiary of Oil Industry Development Board2) CONDITION: Exemption is available only if crude oil is replenished within 3 years from the end of relevant FY in which crude oil was removed from the storage for the first time.





TAX INCENTIVES

For the purpose of section 10(23FE), the meaning of “specified person” is proposed to mean:

10(23FE)

- 1) A wholly owned subsidiary of the ADIA which is resident of UAE and makes investment out of the fund owned by Govt. of UAE; and
- 2) A sovereign wealth fund which satisfies the following conditions:
 - A. Is wholly owned and controlled by Govt. of a foreign country;
 - B. Is set up and regulated under the law of the foreign country;
 - C. Its earnings are credited either to the account of the Govt. of the foreign country or to any other account designated by that Govt. such that no portion of the earnings inures any benefit to any private person;
 - D. Its asset vest in the Govt. of the foreign country upon dissolution;
 - E. It does not undertake any commercial activity whether within or outside India; and
 - F. It is notified by the Central Govt. in the Official Gazette.



TAX INCENTIVES

SECTION	AMENDMENT PROPOSED (Applicable from AY 2021-22 onwards)
80-IBA	<ol style="list-style-type: none">1) 100% of profits and gains derived from business of developing and building affordable housing is allowed as deduction if project is approved by the competent authority during the period 1st June 2016 to <u>31st March 2020</u>.2) In order to boost the supply of affordable houses, period of approval of affordable housing project is proposed to be extended to <u>31st March 2021</u>.





TAX INCENTIVES

SECTION	AMENDMENT PROPOSED (Applicable from AY 2021-22 onwards)
80-EEA	<ol style="list-style-type: none">1) Deduction upto Rs.1,50,000 on interest on loan taken from any financial institution for acquisition of affordable residential house property if the loan is sanctioned during the period 1st April 2019 to <u>31st March 2020</u>.2) In order to promote purchase of affordable housing, the period of sanctioning of loan is proposed to be extended to <u>31st March 2021</u>.





INCENTIVES FOR START-UPS IN INDIA

SECTION	AMENDMENT PROPOSED (Applicable from AY 2021-22 onwards)									
80-IAC	The scope of section 80-IAC has been widened by amending the provisions of the said section as below:									
	<table border="1"><thead><tr><th>Basis</th><th>Existing Provisions</th><th>New Provisions</th></tr></thead><tbody><tr><td>100% exemption</td><td>1. 3 consecutive years out of 7 years.</td><td>1. 3 consecutive years out of 10 years.</td></tr><tr><td>Turnover</td><td>2. Total turnover \leq 25 crores</td><td>2. Total turnover \leq 100 crores</td></tr></tbody></table>	Basis	Existing Provisions	New Provisions	100% exemption	1. 3 consecutive years out of 7 years.	1. 3 consecutive years out of 10 years.	Turnover	2. Total turnover \leq 25 crores	2. Total turnover \leq 100 crores
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100% exemption	1. 3 consecutive years out of 7 years.	1. 3 consecutive years out of 10 years.								
Turnover	2. Total turnover \leq 25 crores	2. Total turnover \leq 100 crores								
No relaxation in time limit for incorporation of start-ups after 31 st March 2021.										



TAX DEDUCTED AT SOURCE

SECTION	KEY AMENDMENT
194A	<p>Section 194A of the Act, governing interest other than interest on securities, provided certain exemptions from tax deduction to Co-operative Societies.</p> <p>Now it is proposed that Co-operative Societies would also have to deduct tax on interest other than interest on securities if :</p> <ol style="list-style-type: none">(1) Total sales, gross receipts or turnover of the co-operative society exceeds Rs. 50Cr. and(2) Amount of interest to be paid exceed Rs. 50,000 in case senior citizen and Rs. 40,000 in any other cases.
194J	<p>Section 194J provides for deduction of tax @ 10% on any sum payable by way of fees for technical services among others.</p> <p>A huge litigation is pending on the issue of short deduction of tax where the assessee has deducted tax u/s 194C @ 2%, while the tax officers claim that tax should have been deducted @ 10% u/s 194J of the Act</p> <p>To reduce litigation rate of tax withholding in case of fee for technical services (Other than professional services) has been reduced from 10% to 2%.</p>



TAX DEDUCTED AT SOURCE

SECTION	KEY AMENDMENT
194-O Insertion of New Section	<p>In order to widen and deepen the tax net by bringing participants of e-commerce within tax net, it is proposed to insert a new section 194-O in the Act. As per newly inserted section 194-O, E-commerce operator would be liable to deduct tax @ 1% on the amount paid to e-commerce participant on account of payment made for sales or services or both.</p> <p>An exemption has been provided to e-commerce participant being individual or HUF, whose gross amount of sales or services through e-commerce operator does not exceed Rs. 5 lakh if payee furnishes his PAN or Aadhaar number to thee-commerce operator</p>



TAX COLLECTED AT SOURCE U/S 206C

To widen the scope of section 206C the following transactions have been covered :-

Particulars	TCS on foreign remittance through LRS	TCS on sale of overseas tour package	TCS on sale of goods
Tax to be collected by	Authorized dealer as prescribed under FEMA	Seller of an overseas tour program package	Seller of Goods
Threshold Limit	Rs. 7,00,000/-	Nil	Rs. 50,00,000/-
Rate	5%		0.1%
Rate if no PAN/Aadhaar	10%		1%
Non applicability	<ul style="list-style-type: none"> On transaction liable to TDS On Central/State Govt. and other specified authorities or persons notified by central government 		<ul style="list-style-type: none"> On sellers whose gross turnover less than or equal to Rs. 10Cr On transaction liable to TDS On transaction liable to TCS under other provision of section 206C On Central/State govt and other specified authorities or persons notified by central government



SECTION 17

SECTION	KEY AMENDMENT PROPOSED								
17	<p>Under the existing provisions of this section, following amounts are exempt in the hands of employee:</p> <table border="1"><thead><tr><th>Employer Contribution to</th><th>Exemption limit</th></tr></thead><tbody><tr><td>Recognised Provident Fund</td><td>Upto 12% of the salary</td></tr><tr><td>Approved Superannuation Fund</td><td>Upto Rs. 1,50,000</td></tr><tr><td>National Pension Scheme</td><td>Upto 14% of salary (Central Govt Employees) and 10% of salary (others)</td></tr></tbody></table> <p>Now, it has been proposed to provide a combined upper limit of exemption to employee upto Rs. 7,50,000/- in a year, in respect of contribution made to these accounts by the employer.</p>	Employer Contribution to	Exemption limit	Recognised Provident Fund	Upto 12% of the salary	Approved Superannuation Fund	Upto Rs. 1,50,000	National Pension Scheme	Upto 14% of salary (Central Govt Employees) and 10% of salary (others)
Employer Contribution to	Exemption limit								
Recognised Provident Fund	Upto 12% of the salary								
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National Pension Scheme	Upto 14% of salary (Central Govt Employees) and 10% of salary (others)								



CHARGE OF COMMODITIES TRANSACTION TAX

It is proposed that CTT shall be charged on the following additional transactions :-

Taxable commodities Transaction	Rate	Payable by
Sale of commodity derivatives based on prices or indices of prices of commodity derivatives	0.01 %	Seller
Sale of option in goods	0.05%	Seller
Sale of option in goods, where option is exercised resulting in actual delivery of goods	0.0001%	Purchaser
Sale of option in goods, where option is exercised resulting in a settlement otherwise than by the actual delivery of goods	0.125%	Purchaser



TAX TREATIES

SECTION	KEY AMENDMENT PROPOSED
90 & 90A (w.e.f. 1.04.2021 (AY 2021-22))	<p>Section 90 of the Act empowers the Central Government to enter into DTAA with foreign countries or specified territories for:</p> <ul style="list-style-type: none">• Granting relief from double taxation• Avoiding double taxation• Exchange of information• Recovery of taxation <p>It is proposed to amend section 90(1)(b) of the Act so as to provide that the CG may enter into DTAA's without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance.</p> <p>A similar amendment is proposed in section 90A(1)(b) of the Act.</p>

OUR COMMENTS

The proposed amendment comes in the light of India's signing of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting .



MISCELLANEOUS

Section/Rule	Key Amendment Proposed
2(13A)	<p>The definition of “business trust” has been modified to include private unlisted InvIT. Hence, the requirement of listing the units of the business trust on recognised stock exchange has been removed.</p> <p>Further, the benefit u/s 115UA will now be available to such InvIT and thus, the interest or rental income will neither be taxed in the hands of the trust nor in the hands of SPV.</p>
Rule 5 of First Schedule	<p>Rule 5 of First Schedule provides for the computation of income from the business of insurance other than life insurance.</p> <p>Now, a proviso is proposed to be inserted to provide that any sum payable by the assessee which was added back u/s 43B in earlier years shall be allowed as deduction in computing the income under the rule in the previous year in which such sum is actually paid.</p>



MISCELLANEOUS

SECTION	AMENDMENT PROPOSED
140	<ul style="list-style-type: none">ITR of a Company and a LLP, can now also be verified by 'any other person' to be prescribed by CBDT.
288	<ul style="list-style-type: none">Explicit reference has been made in Section 288 of the Act to authorize 'any other person' prescribed by CBDT to act as an authorised representative to appear before Income-tax Authority or the Appellate Tribunal on behalf of the Assessee
9 of PBPT Act,1988	<ul style="list-style-type: none">A person qualified for appointment as district judge shall also be eligible for appointment as a member of Adjudicating Authority under PBPT Act, 1988
203AA and 285BB	<ul style="list-style-type: none">Section 203AA of the Act requiring the income tax authority to furnish statement in the Form 26AS has been omitted with effect from 01st June 2020.New Section 285BB has been inserted to mandate Income-tax authority or other person prescribed by such authority to upload on Assessee's registered account (i.e. Income-tax e-filing account), an Annual Information Report (AIR) containing prescribed details in prescribed manner which are available with Income-tax Authority.



MISCELLANEOUS

SECTION	AMENDMENT PROPOSED
139	<p>Due date for filing ITR has been shifted to 31st October of the AY in case of following:</p> <ul style="list-style-type: none">• Company• A person whose accounts are required to be audited under any law• Partner (Irrespective of working or non-working) of the firm whose accounts are required to be audited
<p>Note: All amendment are applicable from AY 2021-11 unless specifically stated</p>	





MISCELLANEOUS

SECTION	KEY AMENDMENT PROPOSED
133A	<p>Provision to Section 133A(6) has been substituted to provide:</p> <ul style="list-style-type: none">- In case where information has been provided by prescribed income-tax authority, approval is required from Joint CIT/ Joint DIT for survey at business premises of the Assessee under his jurisdiction- In any other case, approval is required from DIT/ CIT for survey at business premises of the Assessee under his jurisdiction
119A	<p>A new section is proposed to be inserted to empower CBDT to adopt and declare Taxpayer's charter with an object of enhancing the efficiency of the delivery system of the Income Tax Department</p>



MISCELLANEOUS

SECTION	AMENDMENT PROPOSED
55	<p>Presently, the assessee has option to opt for fair market value of the capital assets as on 1st April 2001 or actual cost of acquisition of the said assets, whichever is higher.</p> <p>Now the amendment has been proposed that fair market value of the capital asset being land and building or both, as on 1st April, 2001 shall not exceed the stamp duty value of such asset, if available.</p>



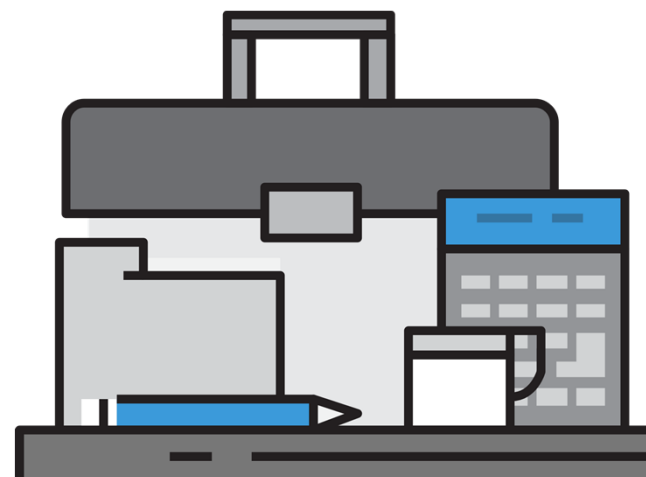
TRANSFER PRICING





ATTRIBUTION OF INCOME

SECTION	KEY AMENDMENT PROPOSED
92CB & 92CC (w.e.f. 1.04.2020 (AY 2020-21))	<p>Section 92CB & 92CC of the Act empower CBDT to make Safe Harbour Rules and enter into APA. These provisions provide tax certainty to the taxpayer.</p> <p>In order to provide certainty, the attribution of income in case of a non resident person to the PE it is proposed to amend section 92CB and section 92CC of the Act to cover determination of attribution to PE within the scope of SHR and APA.</p>





CHANGE IN DUE DATE OF FORM 3CEB

SECTION	KEY AMENDMENT PROPOSED
92F (w.e.f. 1.04.2020 (AY 2020-21))	<p>Presently, the due date of furnishing report u/s 92E i.e. form 3CEB is 30th November of the relevant assessment year.</p> <p>The aforementioned due date has been proposed to be preponed by a month i.e. Form 3CEB is proposed to be filed by 31st October.</p>





THIN CAPITALISATION

SECTION	KEY AMENDMENT PROPOSED
94B (w.e.f. 1.04.2021 (AY 2021-22))	<p>Section 94B of the Act provides that deductible interest or similar expenses exceeding one crore rupees of an Indian company, or a PE of a foreign company, paid to the AE will be restricted to 30 per cent. of its EBITDA or interest paid or payable to AE, whichever is less.</p> <p>Section 94B of the Act is proposed to be amended to provide that provisions of interest limitation would not apply to interest paid in respect of a debt issued by a lender which is a PE of a non-resident, being a person engaged in the business of banking, in India.</p>



CHANGES TO SAFE HARBOUR LIMIT

SECTION	KEY AMENDMENT PROPOSED
43CA, 50C & 56 (w.e.f. 1.04.2021 (AY 2021-22))	<p>Increase in safe harbour limit of 5 per cent. Under section 43CA, 50C & 56(2)(x) of the Act to 10 per cent.</p> <p>Section 43CA provides consideration declared to be received or accruing as a result of the transfer of land or building or both.</p> <p>Section 50C of the Act provides that where the consideration declared to be received or accruing as a result of the transfer of land or building or both for the purpose of section 48 of the Act.</p> <p>Section 56(2)(x) provides that where any person receives any immovable property, for a consideration which is less than the stamp duty value of the property by an amount exceeding fifty thousand rupees, the stamp duty value of such property as exceeds such consideration shall be charged to tax under the head “income from other sources”</p> <p>At present section 43CA, 50C and 56 of the Act provide for safe harbour of five per cent. The said limit is proposed to be increased to 10 per cent.</p>



GOODS & SERVICES TAX



SNAPSHOT OF KEY HIGHLIGHTS/INDIRECT TAX

LIST OF CONTENTS

- GST (CGST & IGST Act, 2017)
- Excise
- Custom Act, 1962
- Customs Tariff Act, 1975



GOODS & SERVICES TAX

SECTION	Definitions and Composition Scheme
2 (14)	The definition of Union Territory has been amended to include new union territory of Ladakh and merge the names of Dadra and Nagar Haveli and Daman and Diu.
10 (2)	Service providers supplying inter state services, services not taxable under CGST Act or supplying services through e-commerce operators have been excluded to be eligible for composition scheme.
<p>OUR REMARKS:</p> <p>This has restricted the scope of service providers to be eligible under the scheme. Along with supplier of goods now supplier of services as mentioned above has also been excluded for composition scheme.</p> <p>.</p>	



GOODS & SERVICES TAX

SECTION	INPUT TAX CREDIT, REGISTRATION & INVOICES
16 (4)	<p>This section provides that a registered person shall not be entitled to take input tax credit in respect of any debit note for supply of goods or services or both after the due date of furnishing of the return under section 39 for the month of September following the end of financial year to invoice relating to such debit note pertains or furnishing of the relevant annual return, whichever is earlier.”</p> <p>Now for claiming credit for any debit note the nexus has been delinked from original invoice. In other words the due date of September or annual return has to be counted from the date of debit note itself unlike earlier where such period was considered from date of original invoice.</p>
30 (1)	<p>Where registration has been cancelled by the proper officer, the taxable person can apply for revocation of registration within 30 days. A new proviso has been inserted whereby Additional or Joint commissioner can extend this period to further 30 days and commissioner can extend it further 30 days in cases of sufficient reasons.</p>
31	<p>A clause has been added to proviso to section 31 (2) “specify the categories of services or supplies in respect of which a tax invoice shall be issued, within such time and in such manner as may be prescribed;”</p>



GOODS & SERVICES TAX

OUR REMARKS:

- Amendment to section 16 will enhance the time period for claiming credit for debit notes as earlier the period was counted from date of original invoice but now from date of such debit note itself
- Amendment to section 31 has been included to give effect to the provisions of E-Invoicing.



GOODS & SERVICES TAX

SECTION	TDS
51	Requirement to issue TDS certificate by the deductor and also provisions regarding late fees for delay in issuance of TDS certificate have been removed.
SECTION	Appeals and offences
109	Provisions for establishing Appellate Tribunal for the Union territories of Jammu and Kashmir and Ladakh have been notified.
122(1A)	New sub section has been inserted whereby beneficiary or the person availing fraudulent ITC shall be liable to similar penalties as that to who commits such offences as specified in sub section 1.
132	Section 132 of the CGST Act is being amended to make the offence of fraudulent availment of input tax credit without an invoice or bill a cognizable and non-bailable offence; and to make any person who commits, or causes the commission, or retains the benefit of transactions arising out of specified offences liable for punishment.



GOODS & SERVICES TAX

SECTION	MISCELLANEOUS
168	Juridical commissioner has been empowered to exercise powers for the determination of fees for special audit by chartered accountants or cost accountants.
172	Section 172 of the CGST Act is being amended to make provision for enabling issuance of removal of difficulties order for another 2 years, i.e. till five years from the date of commencement of the said Act.
Retrospective Amendments of GST rate notifications	
<ul style="list-style-type: none">Exemption from Central Tax, Union Territory Tax and Integrated Tax for fishmeal [HS 2301], for the period 01.07.2017 to 30.09.2019, subject to the condition that if GST has been paid, the same would not be eligible for refund.Levy of 12% rate of Integrated Tax and 6% Central Tax and 6% Union Territory Tax during the period 01.07.2017 to 31.12.2018, 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.Refund of compensation cess under inverted duty structure has been retrospectively disallowed w.e.f 1st July, 2017.	



EXCISE

AMENDMENT IN THE SEVENTH SCHEDULE TO THE FINANCE ACT, 2001:

S. No	Commodity	Old Rate	New Rate
1	Other than filter cigarettes, of length not exceeding 65 millimetres	Rs. 90 per thousand	Rs. 200 per thousand
2	Other than filter cigarettes, of length not exceeding 65 millimetres	Rs. 145 per thousand	Rs. 250 per thousand
3	Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimetres or its actual length, whichever is more) not exceeding 65 millimetres	Rs. 90 per thousand	Rs. 440 per thousand
4	Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimetres or its actual length, whichever is more) exceeding 65 millimetres but not exceeding 70 millimetres	Rs. 90 per thousand	Rs. 440 per thousand
5	Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimetres or its actual length, whichever is more) exceeding 70 millimetres but not exceeding 75 millimetres	Rs. 145 per thousand	Rs. 545 per thousand
6	Other (Cigarettes containing tobacco)	Rs. 235 per thousand	Rs. 735 per thousand
7	Cigarettes of tobacco substitutes	Rs. 150 per thousand	Rs. 600 per thousand
8	Hookah or gudaku tobacco	10%	25%
9	Smoking mixtures for pipes and cigarettes	45%	60%



EXCISE

AMENDMENT IN THE SEVENTH SCHEDULE TO THE FINANCE ACT, 2001:

S. No	Commodity	Old Rate	New Rate
10	Other smoking tobacco	10%	25%
11	“Homogenised” or “reconstituted” tobacco	45%	60%
12	Chewing tobacco	10%	25%
13	Preparations containing chewing tobacco	10%	25%
14	Jarda scented tobacco	10%	25%
15	Snuff	10%	25%
16	Preparations containing snuff	10%	25%
17	Tobacco extracts and essence	10%	25%
18	Other (manufactured tobacco and substitutes)	10%	25%



CUSTOMS ACT, 1962

SECTION	PROPOSED AMENDMENT
11(2)	section 11(2) empowers the Central Government to prevent injury to the economy of the country by the uncontrolled import or export of gold or silver. This clause is being amended to include “any other goods (in addition to gold and silver) in its ambit.
28	An explanation is being inserted in section 28 to explicitly clarify that any notice issued under the said section, prior to the enactment of the Finance Act, 2018, shall continue to be governed by the section 28 as it existed before the said enactment, notwithstanding order of any Appellate Authority, Appellate Tribunal, Court or any other law to the contrary.
28DA	A new Chapter VAA (a new section 28DA) is being incorporated in the Customs Act to provide enabling provision for administering the preferential tax treatment regime under Trade Agreements. The proposed new section seeks to specifically provide for certain obligation on importer and prescribe for time bound verification from exporting country in case of doubt. Pending verification preferential benefit shall be suspended and goods shall be cleared only on furnishing security equal to differential duty. In certain cases, the preferential rate of tax may be denied without further verification
51B	A new section 51B is being inserted so as to provide for creation of an Electronic Duty Credit Ledger in the customs system. This will enable duty credit in lieu of duty remission to be given in respect of exports or other such benefit in electronic form for its usage, transfer etc. The provision for recovery of duties provided under Section 28AAA of Customs Act, 1962 are also being expanded to include such electronic credit of duties.



CUSTOMS ACT, 1962

111	Section 111 is being amended to insert a new clause (q), to prescribe that goods imported on claim of preferential rate, and in relation to which any provision of Chapter VAA or of any rule made under this Act have been contravened shall be liable to confiscation.
156	Section 156 is being amended to insert a new clause (i) in sub-section (2) to empower the Central Government to make rules for the purpose of prescribing the manner, procedures, conditions, restriction and other issue to carry out the purposes of newly inserted Chapter VAA.



CUSTOMS TARIFF ACT, 1975

8B	Section 8B is being substituted with a new section to empower the Central Government to apply safeguard measures, in case any article is imported into India in such increased quantities and under such conditions so as to cause or threatening to cause serious injury to domestic industry. Safeguard measure shall include imposition of a Safeguard Duty or application of a Tariff Rate Quota or any other measure that the Central Government may consider appropriate as safeguard measure.
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IMPOSITION OF HEALTH CESS ON IMPORT OF CERTAIN ITEMS

Health Cess has been imposed on import of medical devices falling under the headings 9018 to 9022 at the rate of 5% on the import value. Any Export Promotion scrips shall not be used for payment of said Cess.

Health Cess shall not be imposed on medical devices which are exempt from BCD. Further, inputs/parts used in the manufacture of medical devices will also be exempt from Health Cess.



THANK YOU

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