

DIRECT TAXES CHANGES

Rates of Tax A.Y. 2020-21 (F.Y. 2019-20)

1. Basic Exemption Limit, Income Slabs and Cess unaltered; Surcharge increased for Individuals, HUF, Association of Persons, Body of Individuals and Artificial juridical person having income above Two Crores:

Income thresholds, basic tax rates and Cess

The rates of Basic Tax and Cess as well as the Basic Exemption Limits and income slabs have been kept unaltered for all Assessee other than Company.

The applicable Basic Exemption and Income Slabs as well as basic tax rates, are given in the below Table for your ready reference:

Assessee	Basic exemption and Income Slabs for Financial Year 2019-20	
	Total Income	Tax Rate
<i>All Individuals, HUF, AOP and BOI (except those stated below)</i>	upto Rs.2,50,000/-	Nil
	Rs.2,50,001/- to Rs.5,00,000/-	5% of income above Rs.2,50,001/-
	Rs.5,00,001/- to Rs.10,00,000/-	Rs.12,500/- plus 20% of income above Rs.5,00,001/-
	Above Rs.10,00,000/-	Rs.1,12,500/- plus 30% of income above Rs.10,00,001/-
<i>Individuals, being resident, and above 60 years upto the age of 80 years</i>	upto Rs.3,00,000/-	Nil
	Rs.3,00,001/- to Rs.5,00,000/-	5% of income above Rs.3,00,001/-
	Rs.5,00,001/- to Rs.10,00,000/-	Rs.10,000/- plus 20% of income above Rs.5,00,001/-
	Above Rs.10,00,000/-	Rs.1,10,000/- plus 30% of income above Rs.10,00,001/-
<i>Individuals, being resident, and age 80 years and above</i>	upto Rs.5,00,000/-	Nil
	Rs.5,00,001/- to Rs.10,00,000/-	20% of income above Rs.5,00,001/-
	Above Rs.10,00,000/-	Rs.1,00,000/- plus 30% of income above Rs.10,00,001/-

Surcharge

Further, the rate of Surcharge for all other Assessee, is kept unaltered (with marginal relief).

The Finance Minister has proposed an increased Surcharge @ 25% in case of Individuals, HUF's, AOP's BOI's and Artificial juridical person having Total Income in excess of Rupees Two Crore but below Rupees Five Crore. However, marginal relief would be allowed to ensure that the additional tax and surcharge payable on excess of income over Rs. Two Crore is limited to the amount by which the income exceeds Rs.

Two Crore. Further, the Surcharge @ 37% is proposed for above Assesseees having Total Income in excess of Rupees Five Crore (with marginal relief).

Surcharge on super-rich

Surcharge @ 25% of tax payable is proposed to be levied on individuals/HUFs or AOPs or BOIs or artificial juridical person whose total income exceeds Rs. 2 crores but does not exceed Rs. 5 crore and @ 37% where total income exceeds Rs. 5 crores. Surcharge @15% would continue to be applicable in cases where total income exceeds Rs. 1 crore but does not exceed Rs. 2 crores.

Full Tax rebate u/s 87A up to Rs. 12,500 upto 5 lakh Annual Income, for individuals only (not HUF), after all deductions continues as announced in the interim union budget
Standard deduction for salary income continues to be Rs. 50000.

National Pension System (NPS) limit of exemption increased on closure

The limit of exemption in respect any payment from the NPS Trust to an assessee on closure of his account or on his opting out of the pension scheme, proposed to be increased from 40% to 60% of the total amount payable to him at the time of such closure or on his opting out of the scheme.

Deduction in respect of purchase of electric vehicle

New section 80EEB proposed to be inserted to provide deduction of upto Rs.1,50,000 to an individual for interest on loan payable to financial institution for purchase of electric vehicle where such loan is sanctioned during the period 1.4.2019 to 31.3.2023

Corporate Taxation

Corporate tax rate

The concessional rate of tax@25% (plus Surcharge and Cess, as applicable) for A.Y.2020-21 is proposed to be extended to domestic companies whose gross receipts or total turnover does not exceed Rs.400 crores in the P.Y.2017-18. In respect of other domestic companies, the income-tax rate would continue to be 30%.

Tax Deduction at source

Tax Deduction at Source (TDS) on payments by Individual/HUF to contractors and professionals

New section 194M proposed to be inserted w.e.f. 1.9.2019 to provide for tax deduction at source @5% by individual or HUF (other than those required to deduct tax under section 194C and 194J) at the time of payment or credit, whichever is earlier, of any sum to any resident for carrying out any work in pursuance of a contract or by way of fees for professional services during the financial year if such sum, or aggregate of such sums, exceed(s) Rs. 50 lakh in a year.

TDS on transfer of immovable property

Section 194-IA provides for levy of TDS @1% on the amount of consideration paid or credited to a resident for transfer of an immovable property other than agricultural land. However, no deduction shall be made under section 194-IA where the consideration for the transfer is less than 50 lakh. For this purpose, it is proposed to include all charges of the nature of club membership fee, car parking fee, electricity or water facility fee, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property; in the term "consideration for immovable property".

Increase in TDS rate on non-exempt portion of life insurance pay-out on net basis

Under section 194DA, tax is required to be deducted @1%, at the time of payment of any sum paid to a resident under a life insurance policy, which is not exempt under section 10(10D).

At present, tax is deducted at source on gross amount and not on net income (i.e after deducting the amount of insurance premium paid by him from the total sum received) on which assessee has to pay tax.

Section 194DA is now proposed to be amended to provide for tax deduction at source @ 5% on income component of the sum paid by the person.

TDS on cash withdrawal

New section 194N proposed to be inserted to provide for levy of TDS @2% on cash payments in excess of Rs. 1 crore in aggregate made during the year, by a banking company or cooperative bank or post office, to any person from an account maintained by the recipient.

Assessment Procedure

Mandatory furnishing of return of income by certain persons

Section 139 is proposed to be amended to require mandatory filing income-tax return on or before the due date by any person who, during the previous year,

- has deposited an amount or aggregate of the amounts exceeding Rs.1 crore in one or more current accounts maintained with a banking company or a co-operative bank;
- has incurred expenditure of an amount or aggregate of the amounts exceeding Rs. 2 lakh for himself or any other person for travel to a foreign country; or
- has incurred expenditure of an amount or aggregate of the amounts exceeding Rs. 1 lakh towards consumption of electricity;
- fulfils such other conditions as may be prescribed

Further, an Individual, HUF, AOPs, BOIs or artificial juridical person whose total income before giving effect to the provisions of Chapter VI-A as well as section 54 or section 54B or section 54D or section 54EC or section 54F or section 54G or section 54GA or section 54GB exceeds the basic exemption limit, is also required to file income tax return mandatorily.

Inter-changeability of PAN and Aadhaar for ITR and transactions requiring mandatory quoting of PAN

To ensure ease of compliance, it is also proposed to provide for inter-changeability of PAN with the Aadhaar number for return filing and transactions requiring mandatory quoting of PAN in prescribed documents.

Tracking of transactions through PAN/Aadhar Number:

In order to have certain high expenditure transactions be tracked an amendment has been proposed in section 139A of the Act wherein the person could have the Aadhar number be mentioned for such transactions in case the person does not have a PAN.

Further in case a person who has a PAN has not linked his Aadhar number before the notified date then the PAN allotted to the person would be made in operative.

(The above amendments would be effective from 1st September, 2019.)

Limit of tax payable increased for proceeding prosecution proceeding for failure to furnish return of income

Section 276CC, INTER ALIA, provide that prosecution proceedings for failure to furnish returns of income against a person shall not proceeded against, for failure to furnish the return of income in due time, if the tax payable by such person, not being a company, on the total income determined on regular assessment does not exceed Rs. 3,000. The threshold of tax payable is proposed to be increased from Rs. 3,000 to Rs. 10,000.

**Taxation Committee -
Eastern India Corrugated Box Manufacturers' Association**