

TCS on SALE of Goods

- Proposed to amend Section 206C
- **Scope and Coverage** – A seller of goods is liable to collect TCS whose total turnover from the business carried on by it exceed Rs 10 crore during the immediately preceding financial year
- **Ceiling Limit** – Consideration received from a buyer in a previous year in excess of Rs 50 lakh.
- **Rate** – 0.1% on consideration received from a buyer. However, higher rate of 1% in non-PAN/ Aadhaar cases
- No TCS to be collected under this section, if TCS is already collected under other provisions or TDS has been deducted under any other provision

E-Commerce Transactions – TDS Deduction

- Proposed to insert new Section 194O
- **Scope and Coverage** – Applicable to E-Commerce operators on payments made by them to E-Commerce Participants for sale of goods or provision of service facilitated by it through its digital or electronic facility or platform
- **Ceiling Limit** – gross amount of sales or services or both during the previous year does not exceed Rs 5, 00,000. **However, no ceiling limit if PAN / Aadhar not provided.**
- **Rate** – 1% on gross amount of such sales or service or both. **However,** higher Rate of TDS of 5% in non-PAN/ Aadhaar cases
- If TDS under this section applicable, then no further TDS under any other provisions for same transactions.

Please note that TDS will be reflected in 26AS, hence before making cash payment, think twice.

TCS on Foreign Tour Packages

- Proposed to amend Section 206C
- **Scope and Coverage** – A seller of an overseas tour program package shall be liable to collect TCS from buyer
- **Ceiling Limit** – Applicable on all amount – without any ceiling limit
- **Rate** – 5%. However, in non- PAN/Aadhaar cases, rate shall be 10%.
- Not applicable if buyer has deducted TDS under any provision of the Act

Penalty for Fake Invoice

- Proposed to insert section 271AAD
- Many persons are found to be indulged in providing / receiving fake invoices to take benefits of the input tax credit under GST etc
- Now, if it is found that that in the books of account maintained by any person there is (i) a false entry; or (ii) an omission of any entry which is relevant for computation of total income of such person, to evade tax liability, the AO may direct that such person shall pay by way of penalty a **sum equal to the aggregate amount of such false or omitted entry**.
- Further, any other person who cause / assist others in above default, then such other persons shall pay by way of penalty a sum equal to the aggregate amount of such false or omitted entry
- “false entry” includes use or intention to use – (a) forged or falsified documents such as a false invoice or, in general, a false piece of documentary evidence; or (b) invoice in respect of supply or receipt of goods or services or **both issued by the person or any other person without actual supply or receipt of such goods or services or both**; or (c) invoice in respect of supply or receipt of goods or services or both to or from a person who does not exist.’.

Provisions relating to tax audit u/s 44AB

- In order to reduce compliance burden on small and medium enterprises, it is proposed to increase the threshold limit for a person carrying on business from one crore rupees to **five crore rupees** in cases where,-
 - (i) Aggregate of all receipts in cash during the previous year does not exceed five per cent of such receipt; and
 - (ii) Aggregate of all payments in cash during the previous year does not exceed five per cent of such payment.

– **Changes in the Due date for furnishing Audit Reports** – Further, to enable pre-filing of returns in case of persons having income from business or profession, it is required that the tax audit report may be furnished by the said assessee at least one month prior to the due date of filing of return of income. Thus, provisions of section 10, section 10A, section 12A, section 32AB, section 33AB, section 33ABA, section 35D, section 35E, section 44AB, section 44DA, section 50B, section 80-IA, section 80-IB, section 80JJAA, section 92F, section 115JB, section 115JC and section 115VW of the Act are proposed to be amended accordingly. Therefore, these audit reports to be furnished **by 30th September**.

– **Proposed Due Date for filing return u/s 139(1) – 31st October**, Further, now no distinction between working partner and non-working partner due date.

– **Ceiling Limit of turnover for TDS / TCS compliance** – The amendment relating to extending threshold for getting books of accounts audited will have consequential effect on TDS/TCS provisions contained in **sections 194A, 194C, 194H, 194I, 194J and 206C** as these provisions fasten liability of TDS/TCS on certain categories of person, it is proposed to

amend these sections so that reference to the monetary limit specified in clause (a) or clause(b) of section 44AB of the Act is substituted with **rupees one crore in case of the business or rupees fifty lakh in case of the profession**, as the case may be.

These amendments will take effect from 1st April, 2020.

Capping of deduction for Employers Contribution to various funds / schemes

– Proposed to amend Section 17(2)(vii)

– Under the existing provisions of the Act, there was no upper cap for deduction of contribution by the employer to

- recognized provident fund
 - to approved superannuation fund
 - deduction under National Pension Scheme (NPS)
 - and above funds were exempt on EEE model. Therefore, high salary earner used to take undue benefits by diverting large part of their income in above three funds directly by employers.
- To curb this practice, now a consolidated upper cap of **Rs 7, 50,000** has been proposed and any contribution in excess of this cap shall be taxable in the hands of the employee

Definition of ‘Work’ u/s 194C for Contract Manufacturing

Definition includes manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer within the definition. However, it excludes manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from a person, other than such customer.

Accordingly, it is proposed to provide that in a contract manufacturing, the raw material provided by the assessee or **its associate** (parties as covered u/s 40A (2) (b)) shall fall within the purview of the ‘work’ under section 194C resulting in deduction of TDS.

Removing dividend distribution tax (DDT)

Dividend income will be included now in your total income which was earlier exempt in the hands of investor till Rs.10 lakhs per year. Further, TDS will be deducted by company @10% in excess of Rs.5, 000. Moreover Maximum 20% interest expense can be claimed against this dividend income. (Applicable from FY 2020- 21 except TDS Clause which is applicable from 02nd Feb, 2020).

Section 55 of the Act to compute cost of acquisition.

If any person sold any property which he/she has acquired before 01st April, 2001 were given option to choose “Fair Market Value” as on 01st April, 2001 or “Actual Cost” as Deduction from sales value. However now Fair Market Value has been removed and “Stamp duty value” to be consider as on 01st April, 2001. Hence, now no people will take Valuation report for fair market value consideration. Further, Capital Gain will also be substantially

increased for such sales as fair market value and stamp duty value would have big difference. (Applicable from FY 2020-21).

Further, If any person sale property lesser than stamp duty value and difference between transaction value and stamp duty value is greater than 5% were liable to income. This 5% difference has been increased to 10%, hence now transaction value can maximum differ up to 10% of stamp duty value and difference will not be liable for tax. (Applicable from FY 2020-21)

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

– With a purpose of prefilling the ITR forms and also to have a check on the donation claimed by the donors, it is proposed that deduction under section 80G/ 80GGA to a donor shall be allowed only if a statement is furnished by the donee who shall be required to furnish a statement in respect of donations received and in the event of failure to do so, fee and penalty shall be levied.

– Deduction will be available only if one to one matching is done

Rationalization of provision relating to Form 26AS

The Form 26AS as prescribed in the Rules, contains the information about tax collected or deducted at source. However, with the advancement in technology and enhancement in the capacity of system, multiple information in respect of a person such as **sale/purchase of immovable property, share transactions etc.** are being captured or proposed to be captured. In future, it is envisaged that in order to facilitate compliance, this information will be provided to the assessee by uploading the same in the registered account of the assessee on the designated portal of the Income-tax Department, so that the same can be used by the assessee for filing of the return of income and calculating his correct tax liability, it is proposed to introduce a **new section 285BB** in the Act regarding annual financial statement

Reducing the rate of TDS on fees for technical services (other than professional services).

It is proposed to reduce rate for TDS in **section 194J** in case of fees for **technical services** (other than professional services) to **two per cent from existing ten per cent**. The TDS rate in other cases under section 194J would remain same at ten per cent.

Provision for e-appeal.

It is proposed to insert sub-section **(6A) in section 250** of the Act to provide for the following:—

- Empowering Central Government to notify an e-appeal scheme for disposal of appeal so as to impart greater efficiency, transparency and accountability.
- Eliminating the interface between the Commissioner (Appeals) and the appellant in the course of appellate proceedings to the extent
- Optimizing utilization of the resources through economies of scale and functional specialization.

- Introducing an appellate system with dynamic jurisdiction in which appeal shall be disposed of by one or more Commissioner (Appeals).

It is also proposed to empower the Central Government, for the purpose of giving effect to the scheme directions are to be issued **on or before 31st March 2022**. It is proposed that every notification issued shall be required to be laid before each House of Parliament.

Provision for e-penalty.

It is proposed to insert a new sub-section (2A) of Section 274 so as to provide that the Central Government may notify an e-scheme for the purposes of imposing penalty so as to impart greater efficiency, transparency and accountability by,—

- (a) Eliminating the interface between the Assessing Officer and the assessee in the course of proceedings to the extent technologically feasible;
- (b) Optimizing utilization of the resources through economies of scale and functional specialization;
- (c) Introducing a mechanism for imposing of penalty with dynamic jurisdiction in which penalty shall be imposed by one or more income-tax authorities.

It is also proposed to empower the Central Government, for the purpose of giving effect to the scheme directions are to be issued **on or before 31st March 2022**. It is proposed that every notification issued shall be required to be laid before each House of Parliament.

Insertion of Taxpayer's Charter in the Act.

It is proposed to insert a new section 119A in the Act to empower the Board to adopt and declare a Taxpayer's Charter and issue such orders, instructions, directions or guidelines to other income-tax authorities as it may deem fit for the administration of Charter.

Amnesty Scheme

- To reduce tax litigations, 'Vivad Se Vishwas' scheme (No Dispute but Trust Scheme) was proposed.
- Under this scheme, a taxpayer would be required to pay only the amount of the disputed taxes and will get complete waiver of interest and penalty provided he pays by 31st March, 2020.
- Those who avail this scheme after 31st March, 2020 will have to pay some additional amount. The scheme will remain open till 30th June, 2020

Instant PAN through Aadhaar

In order to further ease the process of allotment of PAN, PAN shall be instantly allotted online on the basis of Aadhaar without any requirement for filling up of detailed application form.

Sec-80EEA- Tax benefit on the new housing loans, additional deduction of Rs.150,000/- extended for the loans taken till March 31, 2021.

MSME BENEFITS

- 1. SUBORDINATE DEBT:** Working capital credit remains a major issue for the MSMEs. Hence this scheme to provide subordinate debt for MSMEs, to be provided by banks to be treated as quasi-equity and would be fully guaranteed through CGTMSE.
- 2. RESTRUCTURING:** More than five lakh MSMEs have benefitted from restructuring of debt permitted by RBI in the last year. The restructuring window was to end on March 31, 2020, now proposed to be extended till March 31, 2021.
- 3. INVOICE FINANCING:** An app-based invoice financing loans product will be launched. This will remove the problem of delayed payments and consequential cash flows mismatches for the MSMEs.
- 4. GeM:** Government e-Marketplace (GeM) is moving ahead for creating a Unified Procurement System in the country for providing a single platform for procurement of goods, services and works. 3.24 lakh vendors are already on this platform. It's proposed to take its turnover to 3lakh crores. Rs. 27,300 Cr allocated for development and promotion of Industry and Commerce for the year 2020-21.
- 5. FACTORING:** Necessary amendments planned in Factor Regulation Act 2011. This will enable NBFCs to extend invoice financing to the MSMEs through TReDS, thereby enhancing their economic and financial sustainability.