



BUDGET 2020

BUDGET HIGHLIGHTS

Chokshi Group

Keeping you ahead...

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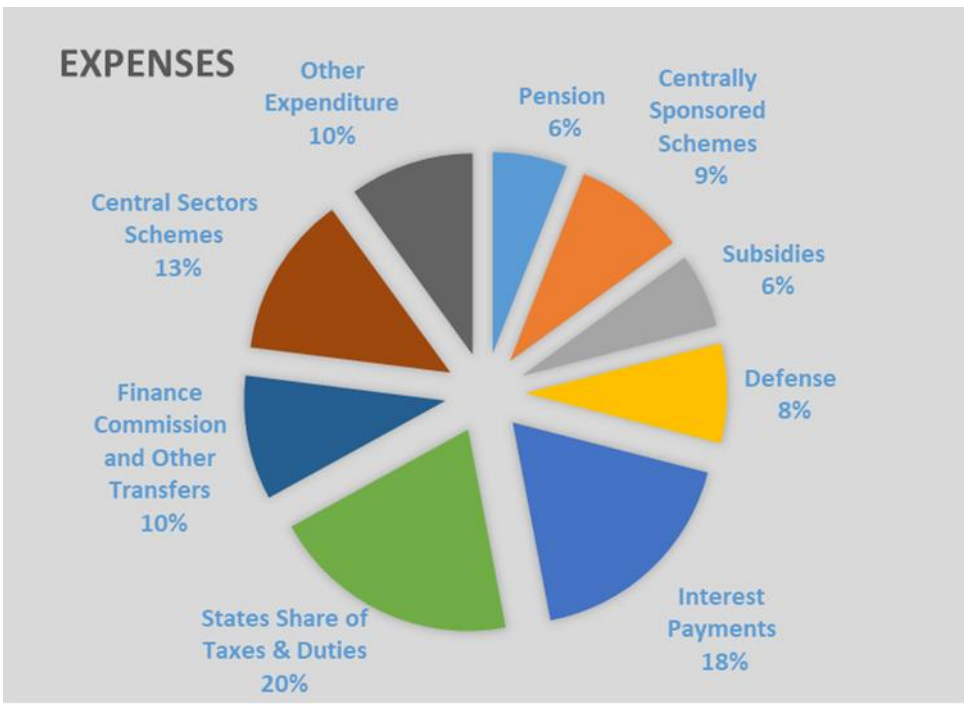
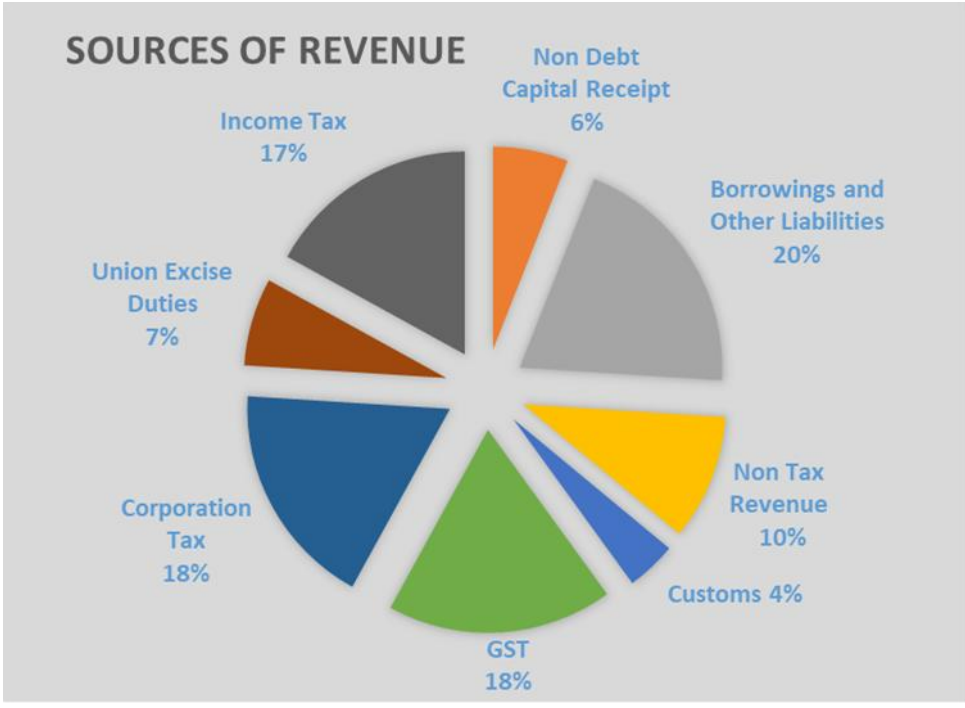
I. FOREWORD

Reiterating the pledge given to the people of India, to give this nation an honest, clean and transparent Government and to build a strong, confident New India, Honorable, Smt. Nirmala Sitharaman our Finance Minister said, the Government led by Honorable Prime Minister, Shri Narendra Modi plans to not only continue its current programmes but also implement a number of new ones to propel India to be a 5 trillion dollar economy.

“
People of India have unequivocally given their jan-aadesh for not just political stability and also reposed faith in our economic policies. This is the Budget to boost their incomes and enhance their purchasing power. Only through higher growth we can achieve that and have our youth gainfully and meaningfully employed. Let our businesses be innovative, healthy and solvent with use
”
of technology.

- Smt. Nirmala Sitharaman
Hon. Finance Minister

II. BUDGET AT A GLANCE

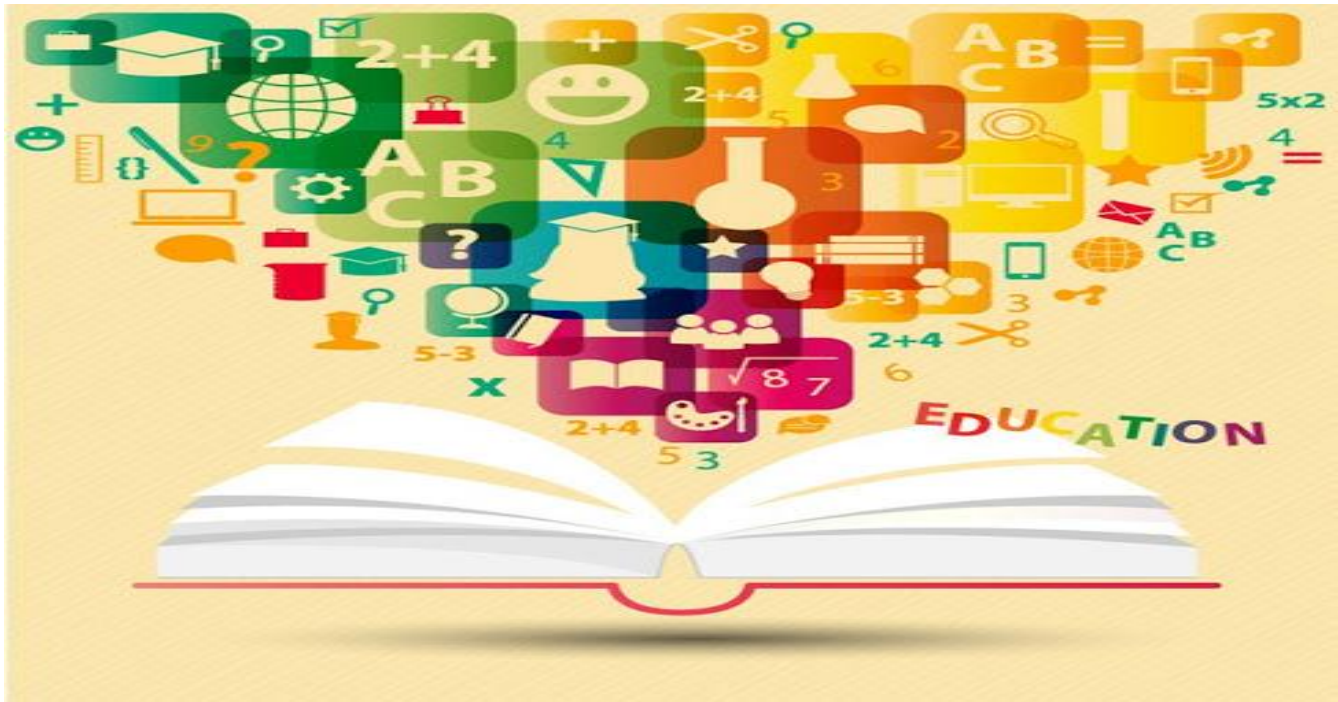


III. SECTORAL HIGHLIGHTS



III.i INFRASTRUCTURE AND HOUSING

- ✚ National logistics policy to be released soon that will focus on single window e-logistics market and focus on generation of employment, skills and making MSMEs competitive.
- ✚ Accelerated development of Highways.
- ✚ Setting up large solar capacity alongside rail tracks.
- ✚ Four station re-development projects and operation of 150 passenger trains would be done through PPP mode.
- ✚ More Tejas type trains to connect Tourist destinations
- ✚ It is proposed to corporatize at least one major port.
- ✚ 100 more airports would be developed by 2024 to support Udaan scheme.
- ✚ Efforts shall be made to replace conventional energy meters by prepaid smart meters.
- ✚ It is proposed to expand National Gas Grid to 27,000 Km.
- ✚ Rs 103 lakh crore National infrastructure Pipeline projects announced.
- ✚ An international bullion exchange to be set up at GIFT City.



III. ii EDUCATION & SKILL

- # New Education policy is to be announced soon.
- # To increase Finance in India's Education system, steps would be taken to allow ECB and FDI for enabling delivery of higher quality education.
- # Internship opportunities to fresh engineers by urban local bodies.
- # About 150 higher educational institutions will start apprenticeship embedded courses.
- # Degree level full-fledged online education programme is proposed to be started in order to provide quality education.
- # It is proposed to attach Medical College to existing district hospital in Public private partnership mode.
- # It is proposed to introduce Special bridge courses to improve skill sets of those seeking employment abroad.



III. iii Agriculture, Irrigation and Rural Development

- ✚ Government is commitment to the goal of Doubling Farmers' income by 2022.
- ✚ Focus on cultivation of pulses, expansion of micro-irrigation through Krishi Sinchai Yojana has led to increase in self-reliance of Country.
- ✚ Farm Markets is to be liberalized and distortions in Farm and livestock's markets needs to be removed.

✚ Government has introduced 16 action points:

1. Encourage those state governments that undertake implementation of Model Agricultural Land Leasing Act, 2016, Model Agricultural Produce and Livestock Marketing (Promotion and Facilitation) Act, 2017 and Model Agricultural Produce and Livestock Contract Farming and Services (Promotion and Facilitation) Act, 2018.
2. Proposal of comprehensive measures for one hundred water stressed districts.
3. PM KUSUM to cover 20 lakh farmers for standalone solar pumps and further 15 lakh for grid connected pumps.
4. Encouraging balanced use of all kinds of fertilizers.
5. Viability GAP funding for creation of efficient warehouses on PPP mode.
6. SHG run village storage scheme to be launched.
7. Building of seamless national cold supply chain for perishable commodities. Kisan Rail to be launched by Indian Railways for seamless supply chain of perishables.
8. Krishi Udaan will be launched by the ministry of Civil Aviation on National and International routes.
9. Adoption of cluster basis and focusing on "one product one District"
10. Integrated farming to be expanded.
11. Integration of Negotiable warehousing receipts(e-NWR) with National Agricultural market (e-NAM)
12. NBFC and Cooperatives to be active in Agriculture credit. Agriculture credit target
13. Elimination of Foot and Mouth Disease and brucellosis in cattle peste des petits ruminants (PPR) in sheep and Goat. Increasing coverage of artificial insemination to 70 per cent. Doubling of milk processing capacity by 2025.
14. Development, management and conservation of marine fishery resources.
15. Fish Production target of 200 lakh tonnes by 2022-23. Aqua Culture to be promoted.
16. Fishery extension through extension of 3477 sagar mitras and 500 Fish Farmer Producer Organisations and Raise fishery exports to Rs. 1 lakh crore by 2024-25.

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III.iv Wellness, Water and Sanitation

- ✚ Mission Indradhanush has been expanded to cover 12 diseases and 5 new vaccines.
- ✚ FIT India movement introduced to fight against Non-communicable disease.
- ✚ Presently, more than 20,000 hospitals has been empanelled to PM Jan Arogya Yojana.
- ✚ Viability gap funding window for setting up hospital in Public Private Partnership mode.
- ✚ Encouraging usage of machine learning and AI to target disease with an appropriately designed preventive regime.
- ✚ Improved focus on liquid and grey water management along with solid waste collection, source segregation and processing.
- ✚ Piped water to all households and placing emphasis on augmenting local water sources, recharging existing sources and promoting water harvesting and de-salination.



III.v NEW ECONOMY & FINANCE SECTOR

- ✚ National Mission on Quantum Technologies and applications with an outlay of Rs.8000 crore proposed.
- ✚ The Deposit Insurance and Credit Guarantee Corporation (DICGC) has been permitted to increase Deposit Insurance Coverage for a depositor, which is now Rs 1 lakh to Rs 5 lakh per depositor.
- ✚ The limit for NBFCs to be eligible for debt recovery under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act 2002 is proposed to be reduced from Rs 500 crore to asset size of Rs 100 crore or loan size from existing Rs 1 crore to Rs 50 lakh.
- ✚ Knowledge Translation Clusters would be set up for emerging technology sectors
- ✚ Scaling up of Technology Clusters harbouring test beds and small scale manufacturing facilities would be established.
- ✚ This august House, robust mechanism is in place to monitor the health of all Scheduled Commercial Banks and that depositors' money is safe.
- ✚ Amendments to the Banking Regulation Act are proposed for increasing professionalism, enabling access to capital and improving governance and oversight for sound banking through the RBI.



सत्यमेव जयते

Ministry of Micro, Small and Medium Enterprises, Government of India

III.vi MICRO SMALL MEDIUM ENTERPRISE

- Working capital credit remains a major issue for the MSMEs. It is proposed to introduce a scheme to provide subordinate debt for entrepreneurs of MSMEs.
- The restructuring window was to end on March 31, 2020. Government has asked RBI to consider extending this window till March 31, 2021.
- An app-based invoice financing loans product will be launched.
- A scheme of Rs 1000 crore will be anchored by EXIM Bank together with SIDBI. Both these institutions would contribute Rs 50 crore each. This Rs 100 crore would be achieved towards equity and technical assistance. Debt funding of Rs 900 crore from banks would be made available.
- Extension of invoice financing to MSMEs through TReDs.
- A scheme to provide subordinate debt for entrepreneurs of MSMEs.
- Scheme anchored by EXIM Bank and SIDBI to handhold MSMEs in exports markets.



III.vii DISINVESTMENT

- ✚ The government now proposes to sell a part of its holding in LIC by way of Initial Public Offer (IPO).
- ✚ It is proposed to sell the balance holding of Government of India IDBI Bank to private, retail and institutional investors through the stock exchange.

III.viii FISCAL MANAGEMENT

- ✚ XV Finance Commission has given its first report pertaining to Financial Year 2020-21.
- ✚ It is decided to transfer to the GST Compensation Fund balances due out of collection of the years 2016-17 and 2017-18, in two instalments.
- ✚ Estimated nominal growth of GDP for year 2020-21, on the basis of trends available, at 10%. Accordingly, receipts for the year 2020-21 are estimated at Rs 22.46 lakh cr and, keeping in mind commitment of the Government towards various schemes and need for improvement in quality of life, level of expenditure has been kept at Rs 30.42 lakh crore.
- ✚ Fiscal deficit is to be estimated at 3.5% for BE 2020-21.

III.ix FINANCIAL MARKET

- ✚ Certain specified categories of Government securities would be opened fully for non-resident investors, apart from being available to domestic investors as well.
- ✚ The limit for FPI in corporate bonds, currently at 9% of outstanding stock, will be increased to 15% of the outstanding stock of corporate bonds.

- ✚ It is proposed to expand Debt-based Exchange Traded Fund (ETF) by floating a new Debt-ETF consisting primarily of government securities.



III.x CARING SOCIETY

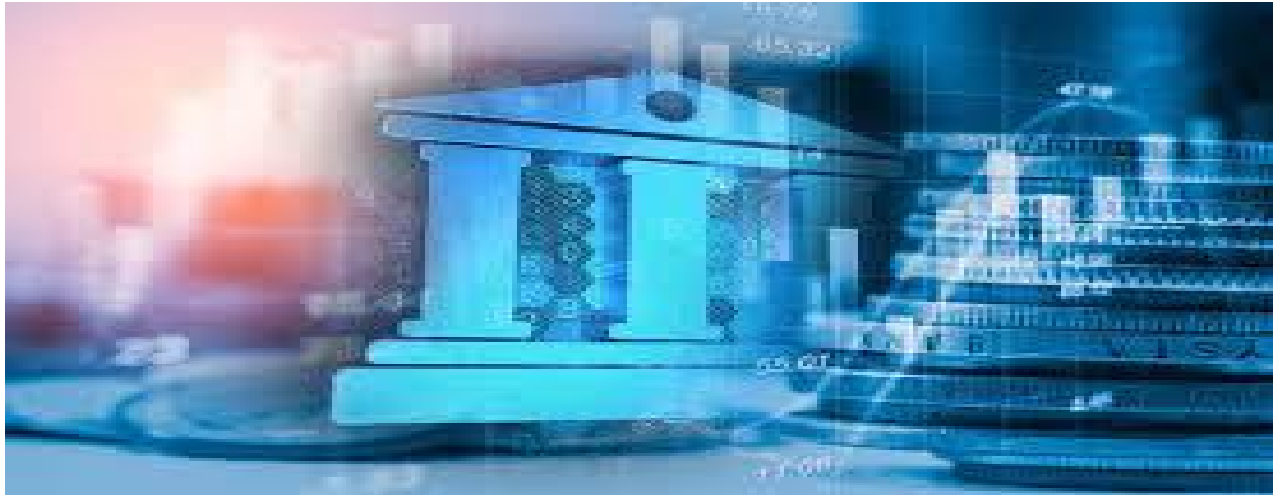
WOMEN & CHILD SOCIAL WELFARE

- ✚ More than 6 lakh Anganwadi workers are equipped with smart phones to upload the nutritional status of more than 10 crore households.
- ✚ It is proposed to appoint a task force recommend regarding lowering MMR and Improving nutrition levels.



III.xi ENVIRONMENT AND CLIMATE CHANGE

- ✚ It is proposed to encourage states for formulating and implementing plans for ensuring cleaner air in cities having population above one million.



III.xii INDUSTRY COMMERCE AND INVESTMENT

- ✚ It is proposed to set up an investment clearance cell that will “end to end” facilitation a support at centre and state level.
- ✚ Scheme to encourage manufacturing of mobile phones, electronic equipment and semi-conductor packaging.
- ✚ National technical textiles mission is proposed to be with 4 year implementation period.
- ✚ A new Scheme, NIRVIK is being launched for NIRVIK Scheme for higher export credit disbursement.
- ✚ Refund/Reversal of all the duties is proposed to be done digitally.

IV DIRECT TAXATION

IV.i TAX RATES:










Individual Tax Rates

Existing

Income (Rs)	Tax Rate
0 – 2.5 Lakhs	Nil
2.5 – 5 Lakhs	5%
5 – 10 Lakhs	20%
Above 10 Lakhs	30%

Proposed (New Regime)-Optional

Income (Rs)	Tax Rate
0 – 2.5 Lakhs	Nil
2.5 – 5 Lakhs	5%
5 – 7.50 Lakhs	10%
7.50 – 10 Lakhs	15%
10 – 12.50 Lakhs	20%
12.50 – 15 Lakhs	25%
Above 15 Lakhs	30%

-  No deductions / exemptions to be claimed if opted for New Regime except deduction in respect of contribution to pension scheme of Central Government made by the Employer or deduction in respect of employment of new employees u/s 80JJAA.
-  There are conditions on exercising the option and withdrawal thereof.
-  Rebate u/s 87A for Income upto Rs. 5 Lakhs continues
-  Corporate Tax Rates continue as per the September 2019 budget.
-  Beneficial Corporate Rate of 15% applicable extended to new Manufacturing Concerns engaged in the business of Power Generation
-  Co-operative Societies to be taxed at 22% + 10% Surcharge + 4% Education Cess. No deductions / exemptions available. No Alternate Minimum Tax applicable to Co-operatives
-  No change in Surcharge & Education Cess
-  Dividend Distribution Tax payable by Corporates & Mutual Funds on dividends declared is now deleted.
-  Dividend Income is now taxable in the hands of the shareholders / unit holders at applicable rates.

IV.ii DEDUCTIONS / EXEMPTIONS:

- ✚ No deduction shall be allowed under section 80GGA w.e.f 01.06.2020 if sum exceeding two thousand rupees is paid in cash
- ✚ Deduction under sec 80GGA is now subject to information being submitted by payee to income tax authority.
- ✚ For claiming deduction u/s 80-IBA, housing project can now be approved on or before the 31st day of March, 2021.
- ✚ Section 80M inserted in respect of total income of a domestic company which includes dividend received from another domestic company, deduction in Gross Total Income to the extent of dividend distributed by the first domestic company shall be granted. However, dividend should be distributed by first company at least one month prior to due date u/s 139(1).
- ✚ Turnover limit for new start-ups u/s 80-IAC increased from Rs. 25 crore to 100 crores
- ✚ 100% Tax Holiday for new start-ups u/s 80-IAC to be claimed for any 3 years out of 10 years.
- ✚ Perquisite Tax in relation to Employee Stock Ownership Plan (ESOP) issued by new start-ups u/s 80-IAC which was earlier chargeable to tax on vesting will now be payable within 14 days after the expiry of 48 months from the end of the relevant assessment year or from the date of sale of such ESOP by the employee or from the date the employee ceases to be in employment, whichever is earlier on the basis of rates in force for the financial year in which the ESOP is allotted or transferred
- ✚ Interest Benefit on affordable housing Scheme extended for further 1 year.

IV.iii OTHER UPDATES:

- ✚ Due date to file Income Tax Returns by Corporates, Persons liable to Tax Audits and their partners, is extended from 30th September to 31st October
- ✚ Tax Payer's Charter to be introduced shortly
- ✚ Faceless appeals to be introduced to impart greater efficiency, transparency and accountability.
- ✚ Implementation of a new scheme name "Vivad Se Vishwas" proposes waiver of interest & penalty provided the disputed tax amount is paid by 31.03.2020. Scheme to remain open upto 30.06.2020 with an additional tax liability over and above the disputed tax amount.
- ✚ Reduction of 70 deductions / exemptions proposed.
- ✚ Instant allotment of PAN based on Aadhar without any documents.
- ✚ Amount of contribution to the following by the employer to the account of the employee under recognised provident fund, NPS, Approved super annuation fund exceeding Rs. 7.5 Lakhs will be considered as perquisite u/s 17.
- ✚ TDS on Dividend to be deducted @ 10% on exceeding Rs. 5000/-
- ✚ TDS u/s 194A, 194C, 194H, 194I & 194J to be deducted by Individuals or HUF whose turnover exceeds Rs. 1 crore in case of business income or Rs. 50 Lakhs of gross receipts in case of Profession
- ✚ TDS on Interest u/s 194A applicable to Co-operative societies whose total sales, gross receipts or turnover exceeds Rs. 50 crores in the immediately preceding year and the amount of Interest credited or paid to a senior citizen exceeds Rs. 50,000/- or Rs. 40,000/- in any other case.
- ✚ TDS on Professional Fees u/s 194J to be deducted @ 2% for Fees for Technical Services (other than Professional Fees) and 10% in other cases.
- ✚ TDS on Mutual Fund Income exceeding Rs. 5000/- to be deducted @ 10%
- ✚ TDS on Income distributed by a Business Trust to its Non-Resident unit holders / Foreign Company shall be deducted @ 5% on interest & @ 10% on Dividends
- ✚ TDS on Interest u/s 194LC by an Indian Company to a Non-Resident or a Foreign Company shall be deducted @ 4% on Interest on Long Term Infrastructure Bonds issued on or after 1st April 2020 but before 1st July 2023 which is listed on recognised Stock Exchange in any International Financial Service Sector.
- ✚ TDS on Interest u/s 194LD payable to a Foreign Institutional Investor or a Qualified Foreign Investor shall be deducted @ 5% for investments made in a rupee denominated bond or a government security or municipal debt securities where investment is made on or after 1st April 2020 but before 1st July 2023.
- ✚ TDS on payment by an e-commerce operator to an e-commerce participant u/s 194O shall be deducted at the time of credit or payment whichever is earlier @1% of the gross amount of such sales or services where such credit or payment exceeds Rs. 5 Lakhs.
- ✚ If PAN of the e-commerce participant is unavailable then the applicable higher TDS rate is 5% instead of 20%
- ✚ TCS u/s 206C to be collected @ 5% by an authorised dealer who receives Rs. 7 Lakhs or more for remittance outside India under the Liberalised Remittance Scheme of RBI provided the buyer has not deducted TDS on the said amount.
- ✚ TCS u/s 206C to be collected @ 5% by a seller of overseas tour package for expenses

including travel or hotel stay or boarding or lodging provided the buyer has not deducted TDS on the said amount.

- ✚ TCS u/s 206C to be collected @ 0.1% by the seller for sale of goods exceeding Rs. 50 lakhs in a year other than goods specified. The seller is defined as a person whose turnover exceeds Rs. 10 crores in the preceding financial year.
- ✚ Now, Audit report to be furnished upto date specified under section 44AB, for claiming deduction u/s 10AA, 44DA, 80-IA, 80-IB, 80JJA, 115JB, 115VW
- ✚ Late fees u/s 234G of Rs. 200 per day is payable for failure to furnish statement u/s 35 or section 80G restricted to the amount in respect of which failure has occurred and should be paid along with the respective statement.
- ✚ Penalty u/s 271K for Rs. 10000 to Rs. 1 Lakh would be levied for failure to furnish statement u/s 35 or section 80G
- ✚ Stay of Demand before the Hon. ITAT would be granted provided 20% of the tax, interest, fee, penalty & any other sum is paid or the assessee furnishes a security of any equal amount.
- ✚ Penalty u/s 271AAD is leviable if a person makes any false entry or omission of any entry is found in the books to evade taxes for a sum equal to the false or omitted entry. The said penalty is also levied to any other person who has make a false entry or omit any entry.
- ✚ Section 50C & Section 56(2)(x) not applicable if the variation between stamp duty & Sale consideration does not exceed 10%. This limit is increased from 5% to 10%
- ✚ Provisions of carry forward and set off of accumulated loss and unabsorbed depreciation allowance u/s 72AA in scheme of amalgamation extended to certain Banking and Government companies
- ✚ Interest expense to the extent of 20% of the dividend income is eligible for deduction u/s 57
- ✚ Exemption u/s. 12A, 80G and 10(23C)(iv), (v), (vi) & (via) for entities, will be available only after making an application to the Pr. Commissioner or Commissioner in the prescribed form and manner, for grant of approval within the stipulated time period as prescribed w.e.f 01st June, 2020
- ✚ Section 12AB inserted to lay down the procedure for application u/s 12A
- ✚ Turnover limit for audit u/s 44AB of the Income Tax Act, 1961 increased to Rs. 5 crore provided following conditions are fulfilled.
 - a) Aggregate of all amounts received including amount received for sales, turnover or gross receipts during the previous year, in cash does not exceed 5% of the said amount and
 - b) Aggregate of all payments made including amount incurred for expenditure, in cash during the previous year does not exceed 5% of the said payments.

Section 9(1)(i)

- ✚ Provisions of Section 9(1)(i) to be amended w.e.f. 01.04.2022 in relation to significant economic presence in India
- ✚ This is a new provision that has been introduced w.e.f. 1.04.2021 that further provides that income attributable to transactions of advertisement, sale of goods, sale of data with resident Indians or through an internet protocol address located in India, shall be deemed to accrue/arise in India. The same shall also apply to income covered in Explanation 2A w.e.f. 01.04.2022.
- ✚ A proviso has been inserted to provide that no income arising from an asset held by a non-resident by way of direct or indirect investment, in Category-I foreign portfolio investor

under SEBI Regulations, 2019; shall be taxed in India even if the asset derives its value substantially from assets located in India.

- ✚ This section provides for instances when income from royalty paid shall be deemed to accrue or arise in India. The definition of royalty has been amended w.e.f 01.04.2021 to also include consideration for the sale, distribution or exhibition of cinematographic films, which was specifically excluded prior to the amendment.

Section 6

- ✚ A Citizen of India, or a person of Indian Origin who comes on a visit to India in any previous year the criteria for determining the residential status in India, the no of days stay has been reduced from 182 days to 120 days for a person to be considered as a resident.

This means that a person needs to be out of India for more than 245 days to be a non-resident.

- ✚ A Citizen of India, shall be deemed to be resident in India if he is not liable to tax in any other country or territory by reason of his domicile or residence or any other ground of similar nature.

- This amendment is based on taxing the assessee on Citizenship basis and not based on the number of days of stay in India.

- ✚ A person will be “ Not Ordinary Resident” in India if such person is –

- An Individual who has been Non Resident in India in 7 out of 10 previous years preceding that year.
OR
- A HUF whose manager has been Non-Resident in India in 7 out of 10 previous years.

- ✚ This amendment has removed the criteria for residence based on the number of days stay in India of 729 days in the previous 7 years.

Transfer Pricing:

- ✚ Income referred to in clause (i) of sec 9(1) i.e. income deemed to accrue or arise in India will now be subject to safe harbor rules.

- ✚ Advance Pricing agreement can now be entered into for income referred to in clause (i) of sec 9(1), or specifying the manner in which said income is to be determined, as is reasonably attributable to the operations carried out in India by or on behalf of that person, being a non-resident.

- ✚ Amended definition of specified date under section 92F is ‘the date one month prior to due date u/s 139(1)’

- ✚ Provisions for Limitation on interest deduction u/s 94B shall not apply to interest paid for debt issued by a lender which is PE of person engaged in banking business

INDIRECT TAXATION

- ✚ Customs duty rate on footwear increased from 25% to 35% and on furniture increased from 20% to 25%.
- ✚ Basic customs duty on imports of news print and light-weight coated paper reduced from 10% to 5%
- ✚ Customs duty rates reduced on certain inputs and raw materials like fuse, chemicals, and plastics.
- ✚ Customs duty rates increased on certain goods like auto-parts, chemicals, etc.
- ✚ 5% health cess imposed on the Import of medical devices, except those exempt from Basic Custom Duty.
- ✚ New Simplified GST returns will be applicable from 01st April 2020.

Chokshi Group is located at:

- **Mumbai**
- **Delhi**
- **Pune**
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- **Kolkata**

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