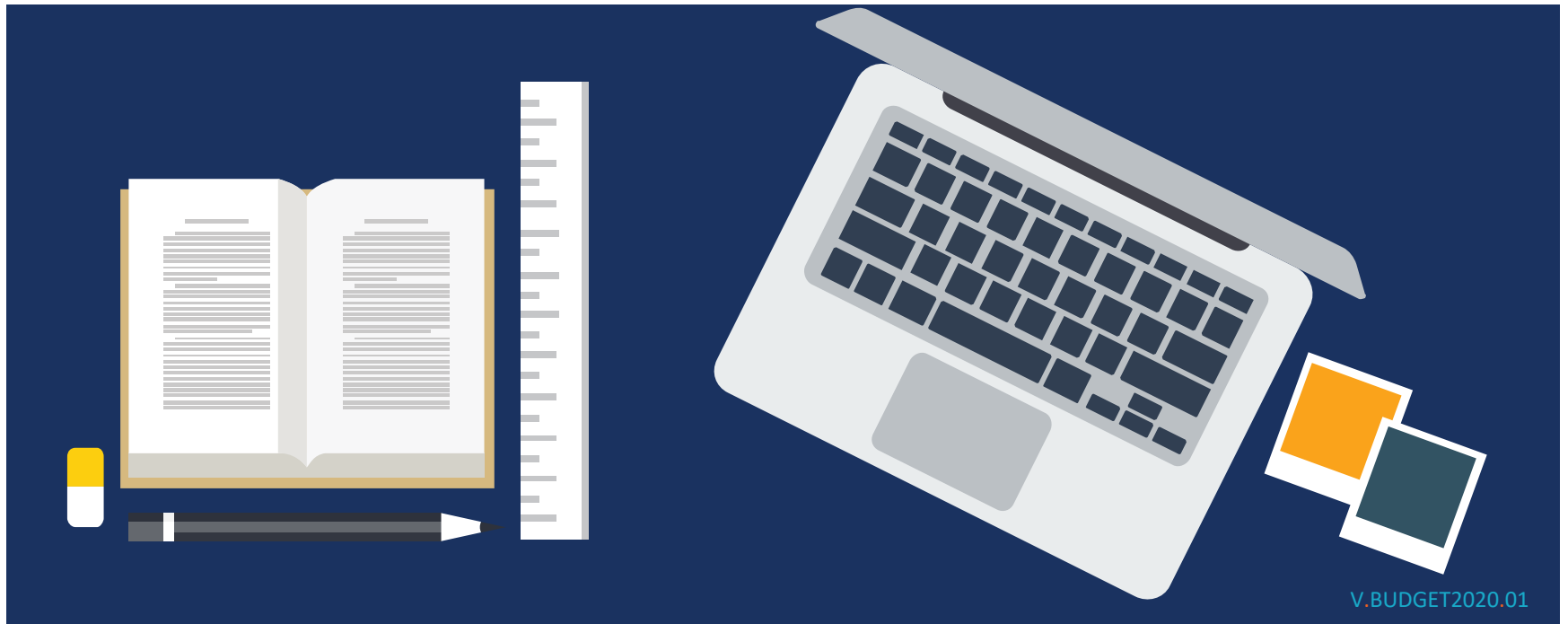




LABHYANSH
ACCOUNTING SIMPLIFIED

ACCOUNTING, BOOKKEEPING & COMPLIANCE
OUTSOURCING SERVICES

BUDGET'2020



V.BUDGET2020.01

BUDGET'2020 IMPACT FOR CORPORATE/SME



Modifications in Concessional Corporate Taxes *(Effective from AY 2020-21)*

It is proposed to amend the provisions of section 115BAA and section 115BAB to allow deduction under section 80JJAA (Deduction in respect of New Employment Generated) and section 80M (Dividend received), in case of domestic companies opting for concessional 15% or 22% tax rate under these section.

Tax Benefits to Start Ups *(Effective from AY 2021-22)*

The existing provisions of section 80-IAC of the Act provide for a deduction of an amount equal to 100% of the profits and gains derived from an eligible business by an eligible start-up for 3 consecutive A.Y. out of seven years, at the option of the assessee, subject to the condition that the eligible start-up is incorporated on or after 1st April 2016 but before 1st April 2021 and the total turnover of its business does not exceed Rs. 25 crores.

In order to further rationalise the provisions relating to start-ups, it is proposed to amend section 80-IAC of the Act so as to provide that-

- ✚ the deduction under the said section 80-IAC shall be available to an eligible start-up for a period of 3 consecutive A.Y. out of 10 years beginning from the year in which it is incorporated;
- ✚ the deduction under the said section shall be available to an eligible start-up, if the total turnover of its business does not exceed Rs. 100 crores in any of the previous years beginning from the year in which it is incorporated..

BUDGET'2020 IMPACT FOR CORPORATE/SME



Time Extension for Approval of Affordable Housing Project *(Effective from AY 2021-22)*

The existing provisions of section 80-IBA of the Act provides that where the gross total income of an assessee includes any profits and gains derived from the business of developing and building affordable housing projects, there shall, subject to certain conditions specified therein, be allowed a deduction of an amount equal to 100% of the profits and gains derived from such business. But, the conditions contained in the said section prescribes that the project is approved by the competent authority during the period from 1st June, 2016 to 31st March, 2020.

In order to incentivize building affordable housing to boost the supply of such houses, the period of approval by the competent authority is proposed to be extended to 31st March 2021 u/s 80-IBA.

Rationalizing the provisions of Section 35AD *(Effective from AY 2020-21)*

- ✦ Under the existing provisions of law, a domestic company which opted for concessional tax rate under section 115BAA or section 115BAB of the Act, which does not claim deduction under section 35AD, may also be denied normal depreciation under section 32 due to operation of sub-section (4) of section 35AD.
- ✦ It is proposed to amend section 35AD to make the deduction thereunder optional. It is further proposed to provide that no deduction will be allowed in respect of expenditure incurred under sub-section (1) in any other section in any previous year or under this section in any other previous year, if the deduction has been claimed by the assessee and allowed to him under this section.
- ✦ This implies that a company opting for concessional tax rate of 22% is eligible for normal depreciation u/s 32.

BUDGET'2020 IMPACT FOR CORPORATE/SME



Others

- ✚ **Widening Commodity Transaction Tax (CTT):** It is proposed to amend Chapter VII of the Finance Act, 2013, to align the provisions of CTT with the changes in commodity derivative market. Moreover, in order to encourage the commodity transactions, settled by physical or actual delivery of goods, it is proposed to amend CTT rates for new commodity derivative products. *(Effective from 1st April, 2020)*
- ✚ It is proposed to defer Significant Economic Presence (SEP) proposal, Extending source rule, Aligning exemption from taxability of Foreign Portfolio Investors (FPIs), on account of indirect transfer of assets, with amended scheme of SEBI, and also rationalising the definition of royalty.
- ✚ It is proposed to amend section 194LC & 194LD of the Act to extend the period of concessional rate of withholding tax and also to extend this concessional rate to listed bonds & municipal debt securities. *(Effect from 1st April, 2020)*
- ✚ Proposed to rationalisation of the provisions of section 49 and clause (42A) of section 2 of the Act in respect of segregated portfolios *(Effective from AY 2020-21)*
- ✚ In order to address the issue faced by the amalgamated public sector banks and public sector General Insurance Companies, it is proposed to extend the benefit of Section 72AA of the Act (Allowing carry forward of losses or depreciation in certain amalgamations). *(Effect from 1st April, 2020)*
- ✚ It is proposed to have Safe Harbour Rules and APA for the attribution of profits to the PE u/s 9(1)(i) in accordance with rule 10 of the Rules which may result in avoidable disputes in a number of cases.

BUDGET'2020 IMPACT FOR CORPORATE/SME



- ✚ **Electricity generation Eligible for Concessional Tax Rate:** New Section 115BAD is inserted to allow co-operative society to avail lower tax rate of 22% plus cess/surcharges (*Effective from AY 2021-22*)
- ✚ **Insurance Companies Allowability of deduction u/s 43B on Payment Basis:** It is proposed to insert a proviso to provide that any sum payable by the insurance companies which is added back u/s 43B shall be allowed as deduction in computing the income in the previous year in which such sum is actually paid. (*Effective from AY 2020-21*)

BUDGET'2020 OTHER DIRECT TAX CHANGES



Upper Limit for Employer Contribution (Effective from AY 2021-22)

It is proposed to provide a combined upper limit of Rs. 7,50,000/- in respect of employer's contribution in a year to NPS, superannuation fund and recognised provident fund and any excess contribution is proposed to be taxable. Consequently, it is also proposed that any annual accretion by way of interest, dividend or any other amount of similar nature during the previous year to the balance at the credit of the fund or scheme may be treated as perquisite to the extent it relates to the employer's contribution which is included in total income.

Tax Deferment for ESOP Income (Effective from 1st April 2020)

Eligible Startups under 80-IAC shall be required to deduct TDS under 192 on perquisite relating to exercise of ESOP within 14 days from earlier of :

- ✦ After expiry of 48 months from end of AY
- ✦ From date of sale of such specified security
- ✦ From date of assessee ceases as employee

Abolition of Dividend Distribution Tax (Effective from AY 2021-22)

It is proposed to abolish Dividend Distribution Tax (DDT) and moving to classical system of taxing dividend in the hands of shareholders/unit holders. Accordingly, dividend or income from units are taxable in the hands of shareholders or unit holders at the applicable rate and the domestic company or specified company or mutual funds are not required to pay any DDT.

It is also proposed to provide that the deduction for expense under section 57 of the Act shall be maximum 20 % of the dividend or income from units.

Time Extension for Sanctioning of Loan for Affordable Housing (Effective from AY 2021-22)

Incentive u/s 80EEA for first time buyers to invest in residential house property whose stamp duty value does not exceed Rs. 45 lakh. To promote purchase of affordable housing, the period of sanctioning of loan by the financial institution is proposed to be extended to 31st March 2021.

BUDGET'2020 OTHER DIRECT TAX CHANGES



Increase in Safe Harbour Limit on Sale of Immovable Property *(Effective from AY 2021-22)*

It is proposed to enhance the variation limit given under sections 43CA, 50C and 56 of the Act to 10% of the consideration (existing 5%).

Where the consideration declared to be received or accruing as a result of the transfer of land or building or both, is less than the Stamp Duty value, the stamp duty value shall be deemed to be the full value of consideration for the purpose of computing profits and gains from transfer of such assets, subject to difference of 5% in the value. Now proposed to increase the above mentioned 5% limit to 10%.

Penalty Provisions for False Invoices/Entries *(Effective from 1st April, 2020)*

It is proposed to introduce a new provision in the Act to provide for a levy of penalty on a person, if it is found during any proceeding under the Act that in the books of accounts maintained by him there is a false entry or any entry relevant for computation of total income of such person has been omitted to evade tax liability. The penalty payable by such person shall be equal to the aggregate amount of false entries or omitted entry.

It is also propose to provide that any other person, who causes in any manner a person to make or cause to make a false entry or omits or causes to omit any entry, shall also pay by way of penalty a sum which is equal to the aggregate amounts of such false entries or omitted entry.

FMV for Immovable Property acquired before 1st April 2001 *(Effective from AY 2021-22)*

For computing capital gains in respect of an asset acquired before 1st April, 2001, the assessee has been allowed an option of either to take the fair market value of the asset as on 1st April, 2001 or the actual cost of the asset as cost of acquisition. It is proposed to amend section 55 of the Act to provide that in case of a capital asset, being land or building or both, the fair market value of such an asset on 1st April, 2001 shall not exceed the stamp duty value of such asset as on 1st April, 2001, where such stamp duty value is available.

BUDGET'2020 PROCEDURAL CHANGES



Annual Financial Statement *(Effective from 1st June, 2020)*

It is proposed to introduce a new section 285BB in the Act to provide “Annual Financial Statement” to the assessee by uploading the same in the registered account of the assessee. Such statement will contain multiple information in respect of a person which are in possession of the authorities such as sale/purchase of immovable property, share transactions etc.

Provisions of E-Best Judgement Assessment *(Effective from 1st April, 2020)*

Section 143 of the Act providing the manner for processing and assessment of return of income (ITR) and E-assessment Scheme, 2019 was notified under sub-section (3A) of said Section. It is now proposed to amend sub-section (3A) of section 143 of the Act to expand the scope so as to include the reference of section 144 of the Act relating to best judgement assessment.

Provisions of E-Appeal & E-Penalty *(Effective from 1st April, 2020)*

In order to ensure that the reforms initiated by the Tax Department to eliminate human interface from the system reach the next level, it is imperative that e-appeal and e-penalty schemes be launched on the lines of existing E-assessment scheme.

Taxpayer’s Charter *(Effective from 1st April, 2020)*

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.

Clarity on Stay by ITAT *(Effective from 1st April, 2020)*

It is proposed to provide that ITAT may grant stay subject to the condition that the assessee deposits not less than 20% of the amount demanded.

THANK YOU



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