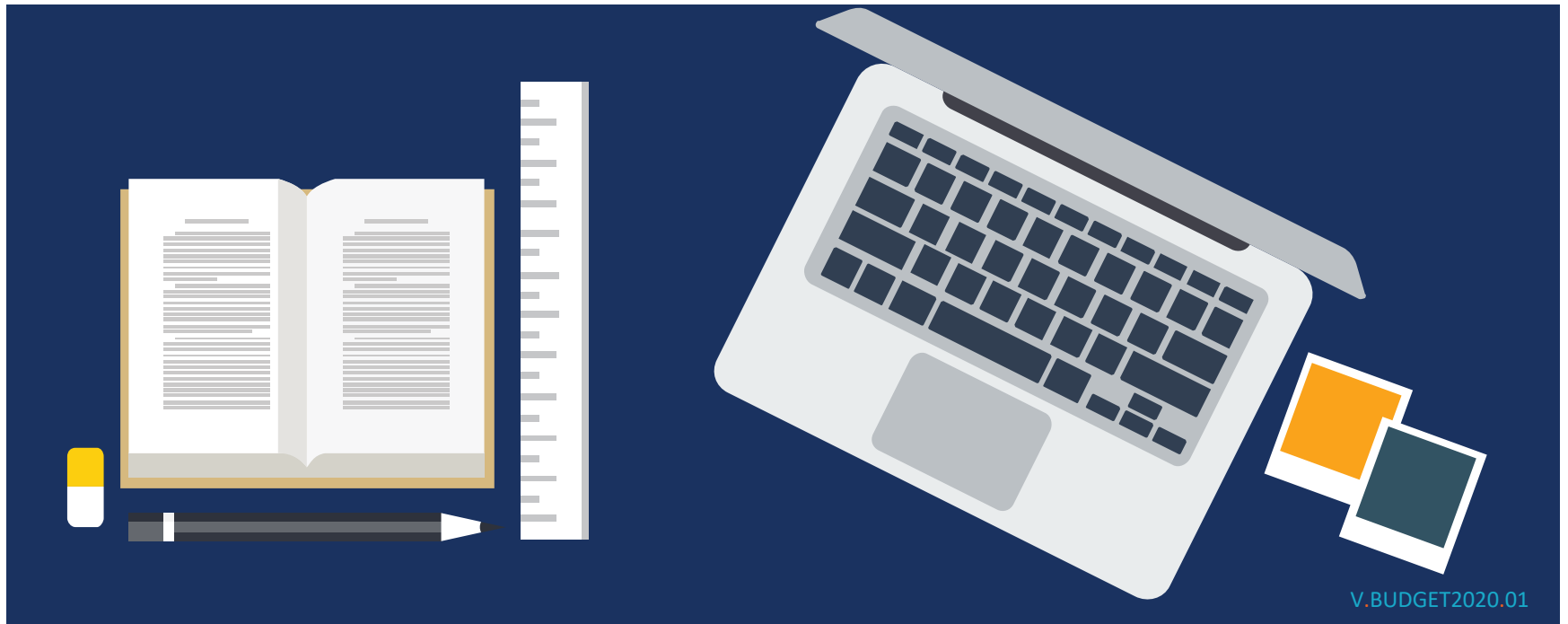




LABHYANSH
ACCOUNTING SIMPLIFIED

ACCOUNTING, BOOKKEEPING & COMPLIANCE
OUTSOURCING SERVICES

BUDGET'2020



V.BUDGET2020.01

BUDGET'2020 NEW TAX REGIME INDIVIDUAL/HUF



On certain conditions, an individual or HUF have the option to pay tax in respect of the total income at following rates:
(Effective from AY 2021-22)

Total Income (Rs.)	Tax Rate (Optional)*	Existing Tax Rate*
Upto 2,50,000	NIL	NIL
2,50,001 – 5,00,000	5% (NIL up to Rs. 3,00,000 for Senior Citizen and Rs. 5,00,000 for Super Senior Citizen)	5%
5,00,001 – 7,50,000	10%	20%
7,50,001 – 10,00,000	15%	20%
10,00,001 – 12,50,000	20%	30%
12,50,001 – 15,00,000	25%	30%
Above 15,00,000	30%	30%

*Excluding surcharge and cess.

- ✚ If new tax regime is opted by Individual or HUF, most of perquisites, deductions and exemptions are not being allowed to be setoff with income. (Refer subsequent slides)
- ✚ In case, individual or HUF not opted for above rates, taxes will be payable as per existing slab rates.

BUDGET'2020 NEW TAX REGIME INDIVIDUAL/HUF



Eligible to avail following Deductions/ Allowances:

- Deduction u/s 80CCD(2): Employer contribution on account of employee in notified pension scheme.
- Deduction u/s 80JJAA: For new employment
- Transport Allowance granted to a divyang employee to meet expenditure for the purpose of commuting between place of residence and place of duty
- Conveyance Allowance granted to meet the expenditure on conveyance in performance of duties of an office;

Not eligible to avail following Deductions / Allowances /perquisites:

- ✦ Leave Travel Concession u/s 10 (5)
- ✦ House Rent Allowance u/s 10 (13A)
- ✦ Some of the allowance u/s 10 (14)
- ✦ Allowances to MPs/MLAs u/s 10 (17)
- ✦ Allowance for income of minor u/s 10 (32)
- ✦ Standard deduction, deduction for entertainment allowance and employment/professional tax u/s 16
- ✦ Free food and beverage through vouchers provided to the employee
- ✦ Deduction from family pension u/s 57 (iia)
- ✦ Interest u/s 24 in respect of self-occupied or vacant property referred to in section 23(2)
- ✦ Any deduction under chapter VIA (like u/s 80C, 80CCC, 80CCD, 80D, 80DD, 80DDB, 80E, 80EE, 80EEA, 80EEB, 80G, 80GG, 80GGA, 80GGC, 80IA, 80-IAB, 80-IAC, 80-IB, 80-IBA, etc)

BUDGET'2020 NEW TAX REGIME INDIVIDUAL/HUF



Eligible to avail following Deductions/ Allowances: (Cont....)

- Any Allowance granted to meet the cost of travel on tour or on transfer;
- Daily Allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty.

Not eligible to avail following Deductions / Allowances /perquisites: (Cont....)

- ✦ Exemption for SEZ unit u/s 10AA
- ✦ Additional depreciation u/s 32 (1) (iia)
- ✦ Deductions u/s 32AD, 33AB, 33ABA
- ✦ Various deduction for donation for or expenditure on scientific research u/s 35
- ✦ Deduction u/s 35AD or u/s 35CCC
- ✦ Set off of loss or depreciation attributable to any of the deductions referred above
- ✦ provisions relating to AMT shall not apply to such individual or HUF having business income. Also not eligible to carry forward and set off of AMT credit

Other Key Points:

- ✦ Individual & HUF not having Business Income: Option shall be exercised for every previous year.
- ✦ Individual & HUF having Business Income: Option once exercised shall be valid for that previous year and subsequent years.
- ✦ Loss under the head income from house property for rented house shall not be allowed to be set off under any other head and would be allowed to be carried forward.

BUDGET'2020 IMPACT FOR NON-RESIDENTS



Modification of Residence Provisions *(Effective from AY 2021-22)*

The Finance Bill proposed to modify residency provisions as under :

- ✚ An individual or HUF shall be said to be “not ordinarily resident” in India in a previous year, if the individual or the manager of the HUF has been a non-resident in India in 7 out of 10 previous years preceding that year.
- ✚ An Indian citizen or person of Indian origin shall be said to be “Resident in India” in the previous year if visiting India for 120 or more days *(changed from existing 182 days)* and 365 or more days in prior 4 previous years.
- ✚ An Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India for purpose of taxation.

ITR Filing Exemptions to Non-Residents *(Effective from AY 2020-21)*

A Non-resident, shall not be required to file return of income under section 139 of the Act if his total income consists of only dividend or interest income and technical fees or royalty income provided TDS on such income has been deducted at the rates not lower than the rates given under section 115A.

Relaxation for Non-Resident Banks for disallowance of Interest *(Effective from AY 2021-22)*

Provisions of Interest limitation under section 94B would not apply to interest paid in respect of a debt issued by a lender which is a permanent establishment (PE) of a non-resident, being a person engaged in the business of banking, in India.

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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