

UNION BUDGET



2020

Key Tax Proposals - Feb 2020





February 1, 2020 brought in a fresh sense of excitement across the country as Finance Minister – Smt. Nirmala Sitharaman – presented the first Union Budget of the new decade, marking the second full Budget under the Modi 2.0 government. Akin to landmark reforms set about in the early 1990s and 2000s, this new blueprint will not only establish fiscal allocations for the upcoming 12 months but rather envision the course of economic development for the next 10 years.

This year's budget is centered upon increasing national well-being – on both a macro and micro level – along with improving the ease of living for every individual. In order to achieve this, the government envisions to capitalize upon the ongoing technological spree, along with India's favorable demographic dividend and models of good governance, envisioning development around three prominent themes:

- **Aspirational India**, in which all sections of the society seek better standards of living, with access to health, education and better jobs. Areas such as agriculture, irrigation, rural development, wellness, water, sanitation, education and skill-setting are given due importance.

- **Economic Development** for all, which entails taking reforms across swathes of the economy and yielding more space for the private sector. Accordingly, a host of industries, investment opportunities and infrastructural development receive great attention.
- **Caring Society**, which focuses on being humane and compassionate. Focus here is on promoting India as a women-friendly and socially-responsible nation, which strives upon protecting its environment, history and heritage, alongside promoting tourism.

The output for farmers is high, with the Finance Minister drawing upon a 16-point action plan to boost their earnings. This plan not only covers avenues in agricultural land leasing and livestock marketing, but also touches upon new-age measures such as removing farmers' dependence on diesel and kerosene and encouraging them to turn their barren lands into solar generating pump sets. Similarly, the impetus on building efficient cold supply chains and warehousing, coupled with integrated farming systems, availability of agro-credit and maritime marketing, should sway in unprecedented momentum into one of the nation's most pertinent sector.

Educational reforms are also in the picture, given India will have the world's largest working population in 2030. The upcoming New Education Policy will revamp the nature of knowledge delivery, which needs to be set amidst a backdrop of talented teachers and enthusiastic students. The government has thereby allocated INR 99,300 crore for the education sector and INR 3,000 crore for skill development in 2020-21.

Electronics Manufacturing has been identified as a key sector for shaping India's further economic trajectory, with the government set to encourage the manufacture of mobile phones, electronic equipment and semi-conductor packaging "in-house." The country is also envisioned to become a global export epicenter, with schemes such as NIRVIK aiming to achieve higher export credit disbursement. This will be done through higher insurance coverage, reduction in premium for small exporters and simplified procedure for claim settlements.

Infrastructure continues to stay at the forefront, with transport infrastructure alone receiving an outlay of INR 1.7 lakh crore. At least 12 lots of highway bundles, running over

6,000 km, are proposed to be monetized before 2024. Alongside this, measures to upgrade national railways through the setting up of large solar power capacities, station re-development, high-speed trains, Tejas connectivity etc., coupled with the construction of new airports, will not only boost national logistics but also build upon Indian tourism on a global scale.

Whilst these are just few of the various changes enshrined throughout the national economic facet, they are all bound with the overall objective to lead India in its next phase of digital revolution. Both disruptive technologies and innovative ideas around such technologies – ranging from Artificial Intelligence, Data Analytics, Quantum Computing and much more – are envisioned to be strategically disseminated throughout the country. The story is not just about digitizing payments or transactions, but also running into e-education, e-tax assessments & faceless appeals, e-registrations etc. Startup and MSME-friendly practices continue to be given due limelight in this regard, given their critical roles in garnering India towards new channels of development.

On an individual scale, the revision of personal tax slabs has gathered much frenzy, with many taxpayers – or the “common middle-class man” – benefiting under reduced rates in the INR 5 lakh to INR 15 lakh bracket. However, the question remains whether those utilizing the current slew of deductions in the old regime, will be able to forgo and opt for a face-value, simplified structure in the new one. This will be more of a personal choice rather than a regulatory mandate.

Having said this, this is not to say the budget did not meet its share of debate. The market portrayed mixed sentiment, with the Sensex and Nifty having their own highs and lows, both during and after budget delivery. Whilst projections on a 10% GDP growth ahead and plans on LIC divestment kicked in unparalleled optimism, the absence of long term capital gain coverage and dividends being taxable in the hands of investors, led to negative emotions. Nevertheless, the fiscal deficit pegged at 3.5% for 2020-21, remained in-tact with market expectations.

On the same lines, some believe the budget has been more about setting in visionary elements across the economic spectrum, as opposed to covering the operational management of reforms. Nevertheless, this was expected, given that this budget is not just about penning down a 12-month fiscal timeline but spearheading long-term reforms that will span throughout the decade. It is to be seen exactly how this three-pronged thematic budget steadily comes to fruition, with the operational mind-map for each goal coming out steadily in the picture.

We are happy to discuss tax proposal placed in the Indian Union Budget 2020 in this presentation.

February 2020



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01 Direct Tax Proposals



1.1 TAX RATES

TAX RATES, SURCHARGE AND CESS

- There is no change in the existing rates of income tax and surcharge for Individual, HUF, Associations of Person, Body of Individuals, Artificial Judicial Person, Domestic Company and Foreign Company.
- Health and Education Cess" shall continue to be levied at the rate of 4% of income tax including surcharge wherever applicable.
- However, in order to provide significant relief to the Individual / HUF taxpayers and to simplify the Income-tax laws, proposal to introduce new and optional personal income tax regime under Section 115BAC with reduced tax rates for those who forgo certain deductions and exemptions.
- Option under this regime can be exercised by every individual or HUF. However, an individual and HUF having business income, the option once exercised for a previous year shall be valid for that previous year and for all subsequent years.
- The income under this scheme shall be computed without claiming any deduction under Chapter VI-A (except 80CCD(2) and 80JJAA), Section 24 and exemptions.
- The deductions and exemptions of leave travel concession, house rent allowance, MPs/ MLA allowance, deduction in respect of minor income, standard deduction, professional tax, interest paid on housing loan, food & beverage vouchers, certain investment related deductions etc. would not be available.
- The proposed slab rates in contrast with existing slab rates is tabulated as under:

| Taxable Income | Existing Rates | New Rates |
|--------------------------------|----------------|-----------|
| Upto INR 2,50,000 | NIL | NIL |
| INR 2,50,001 to INR 5,00,000 | 5% | 5% |
| INR 5,00,001 to INR 7,50,000 | 20% | 10% |
| INR 7,50,001 to INR 10,00,000 | 20% | 15% |
| INR 10,00,001 to INR 12,50,000 | 30% | 20% |
| INR 12,50,001 to INR 15,00,000 | 30% | 25% |
| Above INR 15,00,000 | 30% | 30% |

1.2 PERSONAL TAX

RESIDENCY PROVISIONS RATIONALISED TO PREVENT TAX ABUSE

- The existing provisions provides that an Individual (being an Indian citizen and a person of India Origin individual), shall be resident in India in a previous year, if he,
 - has been in India for an overall period of 365 days or more within 4 years preceding that year; and
 - Is in India for an overall period of 182 days or more in that year.
 - Instances of misuse have been noted, wherein Individuals actually carrying out substantial economic activities from India by managing longer stay in India so as to remain non-resident in perpetuity and not required to declare their global income in India.
 - To curb this misuse, the existing period of 182 days is proposed to be decreased to 120 days
- The existing conditions for 'not ordinarily resident' have been relaxed. It is proposed that an individual or an 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. The existing conditions stipulates non-residency in 9 out of 10 preceding years or aggregate stay of 729 days or less in 7 previous years preceding that year.
 - To handle issue of stateless person, wherein high net worth individuals and other individuals, who may be Indian citizens, arrange their affairs in such a fashion that they are not liable to tax in any jurisdiction, it is proposed that an Indian citizen, who is not liable to tax in any other country or territory shall be deemed to be 'resident' in India.
 - This amendment will take effect from 1st April 2021 and will apply in relation to AY 2021-22 and subsequent AYs.



EXTENDING TIME LIMIT FOR SANCTIONING OF LOAN FOR AFFORDABLE HOUSING FOR AVAILING DEDUCTION – SECTION 80-EEA

- The existing provisions of Section 80-EEA provides for a deduction (Maximum- INR 150,000) for first time buyer in respect of interest on loan taken from any financial institution for acquisition of an affordable residential house property whose stamp duty value does not exceed forty-five lakh rupees.
- It is now proposed to
 - Extend the period of sanctioning of loan by the financial institution from 31st March, 2020 to 31st March, 2021.
- These amendments will take effect from 1st April 2021 and will apply in relation to AY 2021-22 and subsequent AYs.

RATIONALIZATION OF TAX TREATMENT OF EMPLOYER'S CONTRIBUTION TO NPS, RPFS & SUPERANNUATION FUNDS

- Proposal to provide a combined upper limit of INR 750,000 for employer's contribution in a year to National Pension Scheme, Recognised Provident Fund & Superannuation Fund.
- The excess contribution by employer is proposed to be taxable. Consequently, it is also proposed to tax the annual accretion by way of interest, dividend etc. to the balance at the credit of the fund or scheme as perquisite, to the extent it relates to the employer's contribution.

1.3 CORPORATE TAX

RATIONALIZATION OF PROVISIONS OF START-UPS – SECTION 80-IAC

- As per the existing provisions of Section 80-IAC, an eligible start up can claim deduction of an amount equal to one hundred per cent of the profits and gains derived from an eligible business for three consecutive years 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 twenty-five crore rupees.
- It is proposed to be amended as follows:-
 - the deduction shall now be available for a period of three consecutive assessment years out of ten years beginning from the year in which it is incorporated.
 - the total turnover for any of the previous years has not exceeded one hundred crore rupees.
- These amendments will take effect from 1st April 2021 and will apply in relation to AY 2021-22 and subsequent AYs.

INCLUDING GENERATION OF ELECTRICITY AS MANUFACTURING – SECTION 115BAB

- The current provisions of Section 115BAB, provides that new manufacturing domestic companies set up on or after 1st October, 2019, which commences manufacturing or production by 31st March, 2023 and do not avail of any specified incentives or deductions, may opt to pay tax at a concessional rate of 15 per cent.
- It is now proposed that, for the purpose of this section,
 - manufacturing or production of an article or thing shall include generation of electricity.
- These amendments will take effect from 1st April 2020 and will apply in relation to AY 2020-21 and subsequent AYs.



PROVIDING AN OPTION TO THE ASSESSEE FOR NOT AVAILING DEDUCTION UNDER SECTION 35AD

- Proposal to amend Section 35AD to provide for an option to avail depreciation on capital expenditure when not availing deduction under section 35AD in order to opt for concessional tax rate under section 115BAA or section 115BAB of the Act.

EXTENDING TIME LIMIT FOR APPROVAL OF AFFORDABLE HOUSING PROJECT FOR AVAILING DEDUCTION – SECTION 80-IBA

- As per the existing provisions of Section 80-IBA, where the gross total income includes income derived from the business of developing and building affordable housing projects, a deduction of an amount equal to one hundred per cent of such profits and gains is allowed, subject to certain conditions.
- It is now proposed to -
 - Extend the period of approval of the project by the competent authority from 31st March, 2020 to 31st March, 2021.
- These amendments will take effect from 1st April 2021 and will apply in relation to AY 2021-22 and subsequent AYs.

1.4 TAX AT SOURCE

ENLARGING THE SCOPE FOR TDS ON INTEREST INCOME – SECTION 194A

- Section 194A of the Act governs interest other than interest on securities and deduct income-tax thereon at the rates in force.
- Section 194A(3) provide the exceptions, which states that section 194A is not applicable to such income credited or paid by a co-operative society (other than a co-operative bank) to a member thereof or to any other co-operative society” or by a primary agricultural credit society or a primary credit society or a co-operative land mortgage bank or a co-operative land development bank.
- Now, it is proposed that when interest is paid by these above mentioned cooperative societies, TDS has to be deducted if exempted threshold is crossed.
- This amendment will take effect from 1st April, 2020

AMENDING DEFINITION OF “WORK” – SECTION 194C

- Section 194C of the Act provides for the deduction of tax on payments made to contractors.
- Definition of “work” under the said section 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.
- It is proposed to amend the definition of “work” under section 194C to provide that in a contract manufacturing, the raw material provided by the assessee or its associate shall fall within the purview of the “work”.
- This amendment will take effect from 1st April 2020.



REDUCING THE TDS RATE ON FEES FOR TECHNICAL SERVICES

- Section 194J of the Act, provides that any person, not being an individual or a HUF, who is responsible for paying to a resident any sum by way of fees for professional services, or fees for technical services, or any remuneration or fees or commission, or royalty or any sum referred to in clause (va) of section 28, shall, at the time of payment or credit of such sum to the account of the payee, deduct an amount equal to ten per cent as income-tax.
- Section 194C of the Act, provides that any person responsible for paying any sum to a resident for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract shall at the time of payment or credit of such sum deduct an amount equal to one per cent in case payment is made to an individual or a HUF and two per cent in other cases.
- It is noticed that assessee deducts tax under section 194C of the Act, while the tax officers claim that tax should have been deducted under section 194J of the Act and considers assessee in default.
- Therefore to reduce litigation, it is proposed to reduce rate for TDS in section 194J of the Act 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 of the Act would remain same at ten per cent.
- This amendment will take effect from 1st April 2020.

DEFERRING TDS ON INCOME PERTAINING TO EMPLOYEE STOCK OPTION PLAN (ESOPs) OF START-UPS

- The taxation of ESOPs is split into two components:
 - Tax on perquisite as income from salary at the time of exercising the ESOPs.
 - Tax on income from capital gain at the time of sale of ESOPs.
- The tax on perquisite is required to be paid at the time of exercising of option, which lead to cash flow problem as the benefit of ESOPs is in kind.
- Now, it is proposed that the employer shall deduct/pay the tax on such income within fourteen days –
 - after the expiry of 48 months from the end of the relevant assessment year; or
 - from the date of the sale by the assessee; or
 - from the date of which the assessee ceases to be the employee;
- whichever is the earliest, on the basis of rates in force of

the financial year in which the said specified security or sweat equity share is allotted or transferred.

- This amendment will take effect from 1st April, 2020.

TDS ON E-COMMERCE TRANSACTIONS – SECTION 194-O

- The tax at the rate of 1% would be deducted on the gross amount of sales or service or both in case of E-commerce operator.
- E-commerce operator would be required to deduct tax at the time of credit or at the time of payment to the account of E-commerce participant, whichever is earlier.
- The sum credited or paid to an e-commerce participant (being an individual or HUF) by the e-commerce operator shall not be subjected to provision of this section, if the gross amount of sales or services or both of such individual or HUF, through e-commerce operator, during the previous year does not exceed five lakh rupees and such e-commerce participant has furnished his PAN or Aadhaar number to the e-commerce operator.
- This amendment will take effect from 1st April 2020.



EXTENDING THE PERIOD OF CONCESSIONAL RATE AND PROVIDING IT TO BONDS LISTED IN STOCK EXCHANGES IN IFSC – SECTION 194LC

- This section provides for a concessional rate of TDS at five per cent on interest paid to non-residents, in respect of monies borrowed by a company or a business trust from a source outside India under a loan agreement, long term infrastructural bonds as approved by Central Government and by way of issue of rupee denominated bond before the 1st day of July, 2020. It is now proposed to:
 - Extend the period of the period of said concessional rate to 1st July, 2023 from 1st July, 2020;
 - Provide that the rate shall be four per cent in respect of monies borrowed in foreign currency from a source outside India, by way of issue of any long term bond or Rupee Denominated Bond (RDB) on or after 1st April, 2020 but before 1st July, 2023 and which is listed only on a recognised stock exchange located in any International Financial Services Centre (IFSC).
- This amendment will take effect from 1st April 2020.

EXTENDING THE PERIOD OF CONCESSIONAL RATE AND THE CONCESSIONAL RATE TO MUNICIPAL DEBT SECURITIES- SECTION 194LD

- This section provides for lower TDS of five per cent in case of interest payments to Foreign Institutional Investors (FII) and Qualified Foreign Investors (QFIs) on their investment in Government securities and Rupee Denominated Bond (RDB) of an Indian company before 1st July, 2020.
- It is now proposed to -
 - Extend the period of said concessional rate to 1st July, 2023 from 1st July, 2020;
 - Provide that the concessional rate shall also apply on the interest payable, on or after 1st April, 2020 but before 1st July, 2023, to a FII or QFI in respect of the investment made in municipal debt security.
- This amendment will take effect from 1st April 2020.

WIDENING THE SCOPE OF SECTION 206C

- Section 206C of the Act provides for the collection of tax collected at source (TCS) on business of trading in alcohol, liquor, forest produce, scrap etc. In order to widen and deepen the tax net, it is proposed to amend section 206C to levy TCS on overseas remittance and for sale of overseas tour package, as under -
 - An authorised dealer receiving an amount or an aggregate of amounts of seven lakh rupees or more in a financial year for remittance out of India under the LRS of RBI, shall be liable to collect TCS @ 5 per cent. In non-PAN/ Aadhaar cases the rate shall be 10 per cent.
 - A seller of an overseas tour program package, who receives any amount from any buyer shall be liable to collect TCS at the rate of 5 per cent. In non-PAN/ Aadhaar cases the rate shall be 10 per cent.
- The above TCS provision shall not apply if the buyer is liable to deduct tax at source under any other provision of the Act.
- In addition to above, a seller of goods is liable to collect TCS at the rate of 0.1 per cent on consideration in excess of fifty lakh rupees. In non-PAN/ Aadhaar cases the rate shall be one per cent.
- Only those seller whose total sales, gross receipts or turnover from the business carried on by it exceed ten crore rupees during the financial year immediately preceding the financial year, shall be liable to collect such TCS.
- This amendment will take effect from 1st April 2020.



1.5 INTERNATIONAL TAX

ALIGNING DOUBLE TAXATION AVOIDANCE AGREEMENT (DTAA) WITH MULTILATERAL INSTRUMENT (MLI)

- In order to grant relief, avoidance of double taxation, exchange of information & recovery of income tax, section 90 of the Act empowers Central Government to enter into an agreement with the foreign countries or specified territories. Similarly, section 90A empowers Central Government to adopt & implement an agreement between specified association in India & any specified association in specified territory outside India.
- India has signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (commonly referred to as MLI). MLI is an outcome of the G20-OECD project to tackle Base Erosion and Profit Shifting (the BEPS Project), i.e. tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations, where there is little or no economic activity, resulting in little or no overall corporate tax being paid.
- The MLI will modify India's DTAA's to curb revenue loss through treaty abuse and base erosion and profit shifting strategies by ensuring that profits are taxed, where substantive economic activities generating the profits are carried out. The MLI will be applied alongside existing DTAA's, modifying their application in order to implement the BEPS measures.
- In order to achieve this, it is proposed to amend section 90(1)(b) and 90A(1)(b) so as to provide that DTAA may be entered between the Government of India and Government of any country or specified territory outside India without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance.
- These amendments will take effect from 1st April, 2021 and shall apply in relation to the AY 2021-22 and subsequent assessment years.

RATIONALISATION OF ROYALTY DEFINITION

- As per the existing provisions of Section 9(1)(vi), of the Act, 'Royalty' definition excludes consideration for the sale, distribution or exhibition of cinematographic films. Due to exclusion of "consideration for the sale, distribution or exhibition of cinematographic films" from the definition of royalty, such royalty is not taxable in India even if the relevant DTAA gives India the right to tax such royalty. Such a situation is discriminatory against Indian residents, since India is foregoing its right to tax royalty in case of a non-resident from another country without that other country offering similar concession to Indian resident. Hence, it is now proposed to include "consideration for the sale, distribution or exhibition of cinematographic films" by amending the definition of royalty.
- These amendments will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

DEFERMENT OF SIGNIFICANT ECONOMIC PRESENCE (SEP) OF NON-RESIDENT IN INDIA

- It is proposed to defer the applicability of provisions relating to significant economic presence of Non-Resident in India to AY 2022-23, as the discussion on this issue is still going on in G20-OECD BEPS project and the "numbers of users" and "aggregate amount of payments" threshold relating to determination of significant economic presence have not been notified yet.



1.6 OTHER PROPOSALS

COST OF ACQUISITION – SECTION 55

- As per the existing provisions, for computation of capital gains, the cost of acquisition of the asset and cost of improvement, if any is allowed as deduction. For assets acquired before 1st April, 2001, cost of acquisition is either fair market value as on 1st April, 2001 or actual cost of asset.
- It is proposed to insert a proviso, which provides 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.
- It is also proposed to insert an explanation that, “stamp duty value” shall mean the value adopted or assessed or assessable by any authority of the Central Government or a State Government for the purpose of payment of stamp duty in respect of an immovable property.
- These amendments will take effect from 1st April, 2021 and shall apply in relation to the AY 2021-22 and subsequent assessment years.

APPLICABILITY OF TAX AUDIT – SECTION 44AB

- As per existing provisions under section 44AB, every person carrying on business is required to get the accounts audited, if the total sales, turnover or gross receipts, in business exceeds one crore rupees in any previous year. In case of profession, a person is required to get the accounts audited, if the gross receipts exceeds fifty lakh rupees in any previous year.
- To reduce the compliance burden on small & 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,-
 - The cash receipts during the year does not exceed five per cent of the total receipts.
 - The cash payments during the year does not exceed five per cent of the total payments.
- Further, the due date for filing of Return of Income, whose accounts needs to be audited would be 31st October and due date for furnishing Tax Audit Report would be 30th September in such cases.

- The amendment related to threshold limit for getting books of accounts audited will have consequential effect on TDS/ TCS provisions. Therefore it is proposed to amend certain TDS/ TCS sections, so that the withholding provisions are applied on the persons to rupees one crore in case of business and rupees fifty lakh in case of profession.

ABOLITION OF DIVIDEND DISTRIBUTION TAX

- Dividend from the domestic company or income from units of a mutual fund shall be taxable in the hands of shareholders or unit holders at the applicable rate and the domestic company or mutual funds shall not be required to pay any distribution tax. However, taxes shall be withheld from the payment of dividend or income of units.
- Proposal to amend Section 194 to include dividend for tax deduction at the rate of ten per cent and threshold to be increased from INR 2,500/- to INR 5,000/-. Also, proposed to amend section 194K to include mutual fund units to resident unit holders for tax deduction at the rate of ten per cent and threshold to be INR 5,000/-



- Proposal to increase the safe harbour limit of five percent to ten percent for the difference between value adopted or assessed or assessable by the authority for payment of stamp duty and consideration received or accruing as a result of transfer under section 43CA, 50C and 56(2)(x) of the Act.
- It is proposed to cover the determination of attribution of income in case of a non-resident person to the PE under the provisions of the Safe Harbour Rules (section 92CB) and in the Advance Pricing Agreement (section 92CC).
- Proposal to amend section 94B to provide that provisions of interest limitation would not apply to interest paid in respect of a debt issued by a lender which is a PE of a non-resident, being a person engaged in the business of banking, in India.
- Proposal to extend the exemption to non-resident from filing of Income-tax return in case their total income consists of Royalty or Fees for Technical Services, provided TDS on such income has been deducted at the prescribed rates.
- In order to impart greater efficiency, transparency and accountability, it is proposed to launch an e-appeal scheme, to eliminate the human interface in appellate proceedings and to have appellate system with dynamic jurisdiction. Further, an e-scheme for the purposes of imposing penalty is also proposed to be inserted in line with e-appeal scheme.

02 Indirect Tax Proposals



2.1 GOODS AND SERVICES TAX

AMENDMENTS IN THE GOODS AND SERVICES TAX ACT, 2017

FOR FACILITATING TRADE & COMMERCE

- Definition of "Union Territory" as mentioned in Central Goods and Services Tax Act, 2017 proposed to be amended to include:-
 - Dadar & Nagar Haveli and Daman & Diu to be considered as single Union Territory;
 - Ladakh to be considered as Union Territory.
- In case of cancellation of registration by the proper officer on his own motion, application for revocation of cancellation has to be filed within 30 days from the date of cancellation order. It has been proposed that Additional Commissioner, Joint Commissioner and Commissioner may grant extension of time period in case sufficient cause is given by registered persons for not filing application within the prescribed time frame.
- Previously, various particulars were required to be mentioned in certificate of Tax Deducted at Source (TDS).
 - In the current budget proposal, TDS certificates can be issued by taxpayers as per formats yet to be prescribed by the Government. Moreover, provisions prescribing late fees for not issuing TDS certificates within specified time limit has been withdrawn.
 - Time limit for issuing "removal of difficulty order" under section 172, section 25, section 26 and section 14 of the CGST ACT, IGST Act, UTGST Act and the Goods & Services Tax (Compensation to States) Act respectively, if any difficulty arises in giving effect to any provisions of the respective Acts, has been increased from 3 years to 5 years.
 - It is proposed to disallow refund of compensation cess in case of inverted duty structure for tobacco and manufactured tobacco substitutes with retrospective effect from 01.07.2017.

CHANGES IN GST RATES:

| Sr. No. | Retrospective changes in GST Commodity | Rate of Duty | |
|---------|---|--------------|--------|
| | | From | To |
| 1. | Fishmeal falling under tariff heading 2301 (for the period 01.07.2018-30.09.2019) | 5% | Exempt |
| 2. | Pulley, wheels and other parts falling under heading 8483 used as a part of agricultural machinery (for the period 01.07.2017-31.12.2018) | 18% | 12% |

FOR FACILITATING TRADE & COMMERCE

- Proposal to insert sub-section(1A) in section 122 to invoke penalty equivalent to tax evaded or input tax credit availed for person who derives benefit from the transactions specified as under-
 - Where a taxable person who supplies goods or services or both without issuance of any invoice or issues false or incorrect invoice with regard to any such supplies;
 - Where a taxable person issues any invoice or bill without supply of goods or services or both;
- Where a taxable person utilises input tax credit without actual receipt of goods or services or both;
- Where a taxable person distributes input tax credit in contravention of section 20 or rules made thereunder.
- It is proposed to introduce penalty provision in the act on person availing Input tax credit on the basis of fake invoices.
- E-Invoicing and Quick Response (QR) Code mechanism has also been introduced for reduction of fake invoicing so that taxpayers can claim input tax credit on the basis of actual invoices only.



2.2 CUSTOMS

AMENDMENTS IN THE CUSTOMS ACT, 1962

FOR IMPROVING COMPLIANCE

- It is proposed to amend clause (f) of the section 11(2), to expand the scope of power of Central Government to prevent injury to economy of the country by the uncontrolled import or export of "any other goods" in addition to gold & silver.
- Explanation 4 to section 28 which clarifies that notices issued for recovery of duties not levied, short levied, not paid, short paid or erroneously refunded, is proposed to be substituted by new explanation which specifies the date of enactment of Finance Act 2018 i.e. 29.03.2018 and also clarifies that such notices will prevail notwithstanding contrary to any judgement, decree or order of the Appellate Tribunal or any court or any other provision of this act or any other law.
- It is proposed to include "duty credit issued under section 51B" in the meaning of Instrument under Explanation 1 of Section 28AAA (1).
- Proposal has been made to amend Chapter VIIA and insert section 51B: -
 - To issue duty credit in Electronic Duty Credit Ledger in lieu of remission of any duty/ tax/ levy, chargeable on any material used in manufacture or processing of goods or for carrying out any operation on such goods in India that are exported or in lieu of such other financial benefit as may be specified therein;
 - Such duty credit may be used towards payment of duties payable under this Act or under the Customs Tariff Act, 1975 subject to the conditions prescribed.

FOR SURVEILLANCE BY GOVERNMENT

- Section 28DA is proposed to be inserted under proposed Chapter VAA "Administration of Rules of Origin under Trade Agreement" for defining the procedure to claim the preferential rate of duty and to administer such claims in terms of any trade agreement, which states as under: -
 - Importer is required to furnish a declaration that goods qualifying as originating goods for preferential rate of duty, along with information such as country of origin, value, product specification, among others, in a prescribed manner;
 - Failure in aforesaid submissions may lead to: -
 1. Further verification consistent with trade agreement;
 2. On request by importer, authority may release goods after rendering of security amount equal to the difference between duty assessed u/s 18 and preferential duty claimed;
 3. Complete disallowance of preferential rate of duty for reasons recorded in writing;

- Request for verification shall be sent within 5 years from the date of claim of preferential rate of duty by an importer, unless otherwise specified in trade agreement;
- Rejection of preferential rate of duty without verification may also be done when:-
 1. Tariff item is not eligible for preferential tariff treatment;
 2. Complete description of goods is not contained in the certificate of origin;
 3. Alteration in the certificate of origin not authenticated by the Issuing Authority;
 4. Certificate of origin is produced after the period of its expiry.

FOR PROTECTING THE INTEREST OF DOMESTIC MANUFACTURERS OF MEDICAL DEVICES

- It is proposed to impose "Health Cess" on import of medical devices falling under headings 9018 to 9022 at the rate of 5% ad valorem on the import value of such goods as determined under section 14 of the Customs Act in addition to any other duties of customs chargeable on such goods under Customs Act. Health Cess shall not be imposed on inputs used in manufacturing medical devices and medical devices which are exempted from Basic Custom Duty.



CHANGES IN CUSTOMS TARIFF ACT, 1975

| Amendments in Basic Customs Duty Rates in Respective Notifications | | Rate of Duty | | Amendments in Basic Customs Duty Rates in Respective Notifications | | Rate of Duty | |
|--|---|--------------|-------|--|--|--------------|-------|
| Sr. No. | Commodity | From | To | Sr. No. | Commodity | From | To |
| 1. | Butter, ghee and butter oil | 30% | 40% | 11. | Cinematographic films, exposed but not developed | NIL | 10% |
| 2. | Sugar beet seeds | 5% | 30% | 12. | Calendared plastic sheets | 10% | 5% |
| 3. | Glycerol, crude; glycerol waters and glycerol lyes | 20% | 30% | 13. | Newsprint falling under heading 4801 | 10% | 5% |
| 4. | Molasses resulting from the extraction or refining of sugar | 10% | 30% | 14. | Lightweight coated paper under heading 4810 weighing up to 70g/m ² imported for printing of magazines | 10% | 5% |
| 5. | Wine, for use as sacramental wine | 30% | 150% | 15. | Footwear parts and other consumables | 10% | 20% |
| 6. | Dietary soya fibre | 15% | 30% | 16. | Tableware, kitchen ware and other household articles, except toilet articles | 10% | 20% |
| 7. | Calcined petroleum coke | 10% | 7.50% | 17. | Glass beads | 10% | 20% |
| 8. | Nobel metal compounds and nobel metal solutions | 7.50% | 10% | 18. | Rubies, emeralds, sapphires, unset and imported uncut falling under heading 7103 | NIL | 0.50% |
| 9. | Isolated soya protein | 10% | 30% | | | | |
| 10. | Instant print film | 5% | 10% | | | | |

CHANGES IN CUSTOMS TARIFF ACT, 1975

| Sr. No. | Amendments in Basic Customs Duty Rates in Respective Notifications | Rate of Duty | |
|---------|---|--------------|------------------|
| | | From | To |
| 19. | Rough cubic zirconia | 5% | 7.50% |
| 20. | Seats whether or not convertible into beds, and parts thereof | 20% | 25% |
| 21. | Lead bars, rods, profiles and wire | 5% | 10% |
| 22. | Zinc tubes, pipes and tube or pipe fittings | 7.50 | 10% |
| 23. | Compressors of refrigerator and air conditioners | 10% | 12.50% |
| 24. | MP3, MP4, MPEG4 with or without radios or video reception | 5% | 10% |
| 25. | Finger print readers/ scanners for use in manufacture of cellular mobile phones | Exempted | Applicable rates |
| 26. | Printed circuit board assembly of cellular mobile phones | 10% | 20% |
| 27. | Vibrator motor / ringer/ display assembly/ touch panel / cover glass assembly | NIL | 10% |
| 28. | Completely built units of commercial electric vehicles | 25% | 40% |

| Sr. No. | Amendments in Basic Customs Duty Rates in Respective Notifications | Rate of Duty | |
|---------|--|--|---|
| | | From | To |
| 29. | Semi-knocked down forms of electric passenger vehicle, three wheeler | 15% | 30% |
| 30. | Charger or power adaptor (except those covered in Information technology agreement -I) falling under subheading 8504 40 | Nil/10%/15% | 20% |
| 31. | Tariff heading- 540752(dyed woven fabrics of yarn containing more than or equal to 85% by weight of textured polyester filaments) | 20% or INR 38 per sq meter whichever is higher | 12.5% or INR 23/38 per sq meter whichever is higher |
| 32. | Chapter -74 (Copper and articles used in manufacture of specified electronic goods) | Exempted | Applicable rates |



EXEMPTIONS FROM BASIC CUSTOM DUTY

- It is proposed to grant an exemption from Basic Custom Duty and IGST on specified military equipments, if imported by DPSUs and PSUs for the defence forces;

EXEMPTIONS WITHDRAWN FROM BASIC CUSTOM DUTY

- It has been proposed to withdraw the end-use based exemption available on following goods:-
 - Gold in the form of wire, ribbon, preform of purity 99.99% and above used in the manufacture of specified goods;
 - Gold wire with phosphorous or antimony doping used in the manufacture of specified goods;
- It is proposed to rescind the following exemption notifications as these are no longer serving any purpose or have become redundant such as:-
 - Exemption provided for goods imported for the purpose of Common wealth games 2010;
 - Exemption from Special Additional Duty to specified goods produced in Nepal;
 - Exemption under SAARC PTA;

- New notifications covering the exemption for wool or woollen fabrics or woollen apparels received as gifts by red cross and paper money;
- Exemption to import by Power Grid Corporation of India for setting up the Rihand- Sasaram-Bihar shariff HV DC Link Back to Back station Project;

CHANGES IN SOCIAL WELFARE SURCHARGE

| Sr. No. | Exemptions Granted | Exemptions Withdrawn |
|---------|---|-------------------------------------|
| 1. | Orange juice frozen | Facsimile machines and teleprinters |
| 2. | Marble and travertine slabs | Automatic teller machines |
| 3. | Marble monumental stone | Information technology software |
| 4. | All commercial vehicles (including electric vehicles), if imported or completely built unit | Digital still image video cameras |

2.3 EXCISE DUTY

CHANGE IN RATE OF NATURAL CALAMITY CONTINGENT DUTY (NCCD)

| Sr. No. | COMMODITY | RATE OF DUTY | |
|---------|--|----------------------|----------------------|
| | | FROM | TO |
| 1. | Snuff | 10% | 25% |
| 2. | Cigarettes of tobacco substitutes | INR 150 per thousand | INR 600 per thousand |
| 3. | Hookah or gudaku tobacco | 10% | 25% |
| 4. | Other than filter cigarettes, of length not exceeding 65 millimeters | INR 90 per thousand | INR 200 per thousand |
| 5. | Smoking mixtures for pipes and cigarettes | 45% | 60% |
| 6. | Chewing tobacco | 10% | 25% |
| 7. | Jarda scented tobacco | 10% | 25% |





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Find out more on www.mazars.co.in

CONTACT

Bengaluru

#102, Second Floor
Gangadhara Chetty Road
(Near Ulsoor Lake)
Bangalore - 560 042
Tel: +91 (80) 2554 9666;
+91 (80) 4113 3305

Pune

III Floor, Pro 1
Business Centre
Plot no 34+35,
Senapati Bapat Road
Pune - 411 016
Tel: +91 (20) 2565 3365;
+ 91 (20) 2567 1114
Fax: +91 (20) 2567 6427

Delhi

3rd Floor,
Shriram Bharatiya
Kala Kendra
1, Copernicus Marg,
New Delhi - 110001
Tel: +91 (11) 4368 4444
Fax: +91 (11) 4368 4445

Gurgaon

421, Udyog Vihar,
Phase IV
Gurgaon - 122016
Tel: +91 (124) 481 4444
Fax: +91 (124) 481 4445

Mumbai

2nd floor,
Esplanade House
29, Hazarimal
Somani Marg
Mumbai - 400 001
Tel: +91 (22) 6158 6200
Fax: +91 (22) 6158 6275

Kolkata

2 Lake Place,
Ground Floor
Near Lake Market
Kolkata - 700 029

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