



## HIGHLIGHTS OF UNION BUDGET 2020-2021

### Direct Tax Proposals

- The income tax slab rates for F.Y.2020-21 as per the new tax regime for Individuals and HUF's are as follows.

Total Income	Rate
Upto INR 2,50,000	Nil
From INR 2,50,001 to INR 5,00,000	5 %
From INR 5,00,001 to INR 7,50,000	10 %
From INR 7,50,001 to INR 10,00,000	15 %
From INR 10,00,001 to INR 12,50,000	20 %
From INR 12,50,001 to INR 15,00,000	25 %
Above INR 15,00,000	30 %

Above tax rates can be claimed by Individual or HUF should be computed without any exemption or deduction other than those which may be prescribed for this purpose.

However if any person wants to compute their income as per the **old tax regime** and avail all the exemptions and deductions they're free to do so. The new tax rates won't be applicable to them.

- Reduction of tax on cooperative societies to **22 %** plus surcharge and cess, from 30%. Co-operative societies **exempted from Alternative Minimum Tax** just like companies under the new tax regime are exempted from the Minimum Alternate Tax.
- The Income Tax payable by a **new domestic manufacturing company** shall be at the rate of 15% if the total income of the company is computed without deduction under any provisions of Chapter VI-A.(section 115 BAB)

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- **Dividend distribution Tax** has been **abolished** and the dividends now will be taxed in the hands of the recipients.
  - **Tax dispute resolution panel** introduced in regard to assessment orders where an eligible assessee can file his objection, if the Assessing Officer proposes to make any variation which is prejudicial to the interest of the assessee.
  - The **Vivad se Vishwas** Scheme allows those facing tax disputes at either the Income Tax Commissioner level, Income Tax Appellate Tribunal, High Court or the Supreme Court, would be offered a waiver of the interest and penalty involved and would be required to pay only the **disputed tax amount before 31<sup>st</sup> Mar 2020**. Those who avail this scheme after 31<sup>st</sup> March 2020 will have to pay some additional amount. The scheme will remain open till 30<sup>th</sup> June 2020.
  - The Income Tax Act will be amended to allow **faceless appeals** against tax orders on lines of faceless assessment.
  - System for instant allotment of PAN on basis of Aadhaar
  - Tax on ESOP given by Start-ups to the employees is deferred for 5 years or when they leave the Company or sell these ESOP's whichever is earlier.
  - Limit for Applicability of Tax Audit increased to INR. 5 crores from existing limit of INR. 1crore apply only to those businesses which carry out less than 5% of their business transactions in cash.
  - for the purpose of computing profits and gains from the transfer of an asset (other than capital asset being Land or building or both) additional Income shall not be considered while calculating Capital Gain where difference between consideration & stamp duty value assessed at the time of assessment is up to 10%
  - no deductions shall be allowed from the dividend income or income in respect of units of a mutual fund specified Section 10(23D) or income in respect of units from a specified company defined in Section 10(35), other than deduction on account of interest expense, and in any previous year such deduction shall not

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exceed 20% of the dividend income, or income in respect of such units, included in the total income for that year, without deduction under this section.

- Provisions for introduction of Tax payers Charter
- Non residents permitted to invest in Certain specified Government Securities
- 100 % tax concession to sovereign wealth funds on Income such as Interest, Dividend, and Capital Gain on investment in infra projects before 31/03/24 with lock in period of 3years.
- **Residential Status**
  - A person is said to be resident of India for tax purpose if his/her number of days stay in India in a financial year is 120 days or more (earlier 182days)
  - A person being a citizen of India, will be deemed to be resident , if he is not liable to tax from any other country or territory by reason of his domicile or any other criteria of similar nature
- **Charitable Trusts**
  - Additional Eligibility conditions inserted for claiming exemption u/s10(23C) by trusts, universities , or other educational institutions ,or hospitals or other medical organizations
  - Donee information for the purpose of claiming deduction u/s 80G shall be captured in the Income tax return of the Tax payer under prefill mode based on the Information furnished by the Donee i.e. the Charitable institution
  - Procedure for Registration of Charitable trust to be done under Electronic mode under Unique registration number (URN)
  - URN shall be issued both to the new and existing trusts

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- Definition of Salary to include perks shall include contribution made by Employer to Recognized Provident fund (u/s 80CCD(1)) and approved superannuation funds if it exceeds prescribed Threshold limit.
  - The provisions of Carry forward and Set off of Accumulated Losses and unabsorbed depreciation allowance under section 72 ,will also be applicable to the banking company or corresponding new banks or Govt companies amalgamated under the scheme of Amalgamation
  - **Deductions under Section 80**
    - Additional deduction of INR. 150000 shall be allowed on interest on housing loans sanctioned on or before 31<sup>st</sup> March, 2021 (earlier it was 31<sup>st</sup> March, 2020), subject to specified conditions
    - In case of donation through cash deduction in respect of certain donations for scientific research or rural development. (W.e.f 1<sup>st</sup> June, 2020) would be allowed as deduction subject to the maximum amount of INR. 2,000 (which earlier was INR. 10,000).
    - Deduction in respect of eligible start-ups. (w.e.f 1<sup>st</sup> April, 2021) An eligible Start-up having turnover up to INR 100 crores is allowed deduction of 100% of its profits for three consecutive assessment years out of ten years. (earlier the turnover limit was INR. 25 crore & period of eligibility of deduction was seven years)
    - Deduction in respect of profits and gains from housing projects
      - To avail the deduction u/s 80IBA it should be a Affordable Housing Project, which is approved by the competent authority after the 1st day of June, 2016, but on or before the 31st day of March, 2021.(earlier it was 31/03/2020)
    - Deduction in respect of employment of new workmen
      - Along with the return of income, the assessee shall furnish the report of an accountant, as per section 288(2) before the specified date referred to in section 44AB.
    - Deduction in respect of certain inter-corporate dividends.

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- **Tax deducted at Source (TDS) Provisions**

- TDS on dividends above INR 5000 proposed to be deducted @ 10%
- TDS to be deducted by individuals or HUFs who has total sales, gross receipts or turnover from business or profession carried on by him exceeding one crore rupees in case of business or fifty lakh rupees in case of profession.
- TDS on fees for technical services(not being professional service) shall be deducted at 2% and 10% in other cases
- Any person paying a resident any sum in respect of
  - Units of mutual fund specified
  - Units of administrator of specified undertaking, or
  - Units of specified company

shall at the time of credit or payment (whichever is earlier) of above INR 5000 deduct TDS at 10% under sec 194K.

- Interest payments to non residents in respect of money borrowed or bond issued or on borrowing from foreign institutional or qualified investors and municipal bonds upto June, 2023 shall be deducted at TDS rate of 5% u/s 194LC and 194LD resp.
- TDS @1% shall be deducted on payment of certain sums by e-commerce operator to e-commerce participant.
- Proposed disinvestment in LIC

### **Indirect Tax Proposals**

- Simplified GST return shall be implemented from 1st April 2020
- Refund process to be fully automated.
- Custom duty increased on import of footwear and furniture
- 5% Health cess to be levied in addition to custom duty on import of medical equipment that are produced in India
- Electronic invoice is another innovation wherein critical information shall be captured electronically in a centralized system. It will be implemented in a phased manner starting from this month itself on optional basis.
- Aadhaar based verification of taxpayers is being introduced.
- An offence of fraudulent availment of input tax credit without invoice or bill has been made cognizable and non-bailable

- Excise duty proposed to be raised on Cigarettes and other tobacco products, no change made in the duty rates of bidis.
- Basic customs duty on imports of news print and light-weight coated paper reduced from 10% to 5%.
- Customs duty rates revised on electric vehicles and parts of mobiles.

### **Other amendments**

#### **The Indian Stamp Duty Act, 1899**

- No Stamp duty to be charged in respect of the instruments of transaction in stock exchanges and depositories established in any International Financial Services Centre set up under section 18 of the Special Economic Zones Act, 2005

#### **The Prohibition of Benami Property Transactions Act, 1988**

- In Sec 9, Qualifications for appointment of Chairperson and Members provided. A District judge can be qualified for appointment as the Chairperson or a Member of the Adjudicating Authority.

#### **The Finance Act, 2013**

- The rate at which a commodities transaction tax in respect of every commodities transaction, being sale of commodity derivative shall be chargeable is amended and applicable from 1<sup>st</sup> april 2020, as shown below

Sr no	Taxable commodities transaction	Rate	Payable by-
1	Sale of commodity derivative	0.01 per cent	Seller
2	Sale of commodity derivatives based on prices or indices of prices of commodity derivatives	0.01 per cent.	seller
3	Sale of option on commodity derivative	0.05 per cent.	seller
4	Sale of option in goods	0.05 per	seller

		cent.	
5	Sale of option on commodity derivative, where option is exercised	0.0001 per cent.	purchaser
6	Sale of option in goods, where option is exercised resulting in actual delivery of goods	0.0001 per cent.	purchaser
7	Sale of option in goods, where option is exercised resulting in a settlement otherwise than by the actual delivery of goods	0.125 per cent.	purchaser

## BUDGET ALLOCATION

The apportionments in Union Budget for financial year 2020-21 are woven around three prominent themes:

1. Aspirational India
2. Economic Development
3. Caring Society

***Aspirational India***, briefly constitute plans related to

- Agriculture, Irrigation and Rural development
- Wellness, Water and sanitation
- Education and skills

### **I. Agriculture, Irrigation And Rural Development (Allocation: 2.83 Lakh Crores)**

- Goal of doubling the farmers income by 2022
- Provided resilience for 6.11 crores farmers insured under PM FasalBima Yojana
- Focus on cultivation of pulses, expansion of micro-irrigation through KrishiSinchai Yojana
- Connectivity through Pradhan Mantri Gram Sadak Yojana (PMGSY)

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- Adopting sustainable cropping patterns and bringing in more technology is integral plan

16 action points:

1. Encourage State Government to implement the following model laws:
  - a. Model Agricultural Land Leasing Act, 2016
  - b. Model Agricultural Produce and Livestock Marketing (Promotion and Facilitation) Act, 2017 and
  - c. Model Agricultural Produce and Livestock Contract Farming and Services (Promotion and Facilitation) Act, 2018
2. Comprehensive measures for one hundred water stressed districts
3. The scheme for farmers for setting up stand-alone solar pumps, solarise their grid-connected pump sets, set up solar power generation capacity on their fallow/barren land.
4. Encourage balanced use of all kinds of fertilizers including the traditional organic and other innovative fertilizers.
5. Proposal for creation of warehouses, in line with Warehouse Development and Regulatory Authority (WDRA) norms.
6. A Village Storage scheme is proposed to be run by the Self- Help Group (SHGs).
7. There shall be refrigerated coaches in Express and Freight trains for perishables (inclusive of milk, meat and fish).
8. KrishiUdaan will be launched by the Ministry of Civil Aviation on international and national routes.
9. For better marketing and export in horticulture sector there should be focus on “One Product, One District”.
10. Integrated Farming System shall be expanded in rain fed areas. Zero Budget Natural Farming shall be included.
11. Financing on Negotiable Warehousing Receipts (e-NWR) will be integrated with National Agricultural Market (e-NAM).
12. Agriculture credit target for the year 2020-21 has been set at ` 15 lakh ‘crore.
13. Elimination of farm animal’s disease by 2025. Facilitate doubling of milk processing capacity.



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14. Development, Management and Conservation of Marine Fishery Resources.
  15. Raising fish production to 200 lakh tonnes through 3477 sagarmitras and 500 fish farmer producer organisations. Fishery export be increased to 1 lakh crore by 2024-25.
  16. For alleviation of property, SHGs shall be expanded under DeenDayalAntoyadhyaYojana.

**II. Wellness, Water and Sanitation (Total Allocation 92,800 crores)**

- To maintain holistic healthcare approach, mission Indradhanush has been expanded to cover 12 diseases, including five new vaccines.
- To support fight against Non communicable diseases coming out of life style issues Jal Jeevan Mission and Swach Bharat mission is launched
- Proposal for setting up hospitals in P.P.P mode, in Tier 2 & Tier 3 cities where presently there are no Ayushman empanelled hospitals under PMJAY
- TB HaregaDeshJeetega” campaign has been launched, to strengthen the efforts to end Tuberculosis by 2025.
- It is proposed to expand Jan Aushadhi Kendra Scheme to all districts offering 2000 medicines and 300 surgical by 2024.
- Aim to provide piped water supply to all households with a total allocation of

**III. Education and skills (Total Allocation : 1.023 lakh crores)**

- Introduction of the **new education policy** to enhance the literacy rate and have highest working age population by 2030
- External commercial borrowings and Foreign Direct Investment to be leveraged to improve the education system
- A medical college to be attached to a district hospital in PPP(Public Private Partnership) mode.
- **US-Like SAT exam** to be held in African and Asian Countries for benchmarking foreign candidates who wish to study in India.
- Degree-level full -fledged online education programme to be offered by top 100 institutes ranked as per the National Institutional Ranking Framework. This shall provide quality education to deprived section.
- Urban Local bodies to provide internships for young engineers for a period up to 1 year
- To enhance the employability among the students under General stream, over 150 higher educational institutes will start internships embedded degree /diploma courses by March 2021
- Proposal for set up of a National Police University and a National Forensic Science University are being proposed in the domain of policing science and forensic science, cyber- forensics etc
- Special training packages to be introduced to bring in improvements in skill sets of teachers, nurses, para-medical staff and care-givers as they have huge demand abroad.

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## **Economic Development (Total Allocation INR 1.703 Lakhs crores)**

### **Industry, Commerce and Investment**

- To set up Investment Clearance Cell that will provide “end to end” facilitation and support, at Centre and State level.
- Development of five new smart cities in collaboration with States in Public Private Partnership (PPP) mode.
- Schemes to encourage manufacturing of mobile phones, electronic equipments and semi-conductor packing.
- National Technical Textile Mission has been proposed, to position India as a global leader in Technical Textile.
- To achieve higher export credit disbursement, a new scheme, NIRVIK to be launched.
- Duties and taxes levied at the Central, State and local levels, such as electricity duties and VAT on fuel used for transportation, will be digitally refunded to incentivise exports.
- A Unified Procurement System for provision of a single platform for procurement of goods, services and works in the form of Government e-Marketplace (GeM) to be set up.

### **Infrastructure**

- National Skill Development Agency will give special thrust to infrastructure-focused skill development opportunities.
- To set up Project preparation facility which will actively involve young engineers, management graduates and economist.
- National Logistics Policy, which will create a single window e-logistics market and focus on generation of employment, skills and making MSMEs competitive.
- Accelerated development of highways will be undertaken, including access control highways, economic corridors, coastal and land port roads and of strategic highways.
- Development of Indian Railways,
  - including setting up of solar power capacity alongside of the rail tracks,
  - Station redevelopment projects and operation of 150 passenger trains under PPP mode
- Arth Ganga Plans are afoot to energise economic activity along river banks.
- Under Udaan Scheme, air fleet number shall increase and one hundred more airports will be developed.
- Efforts to replace conventional energy meters by prepaid smart metres allowing consumers to choose the suppliers & rates levied on consumption
- Measures to reform DISCOMs
- 22,000 crore has been proposed towards power and renewable energy sector in 2020-21.

### **New Economy**

- Focus on development of New Technologies using Artificial intelligence, Internet-of-Things (IoT), 3D printing, drones, DNA data storage, quantum computing, etc.

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- Fibre to The Home (FTTH) connections through Bharatnet will link 100,000 gram panchayats.
  - A digital platform would be promoted that would facilitate seamless application and capture of IPRs.
  - Knowledge Translation Clusters would be set up across different technological sectors.
  - Two new national level Science Schemes for development of medicine, agriculture and bio diversity management, will be introduced.
  - Proposal to provide seed fund to provide ideation and development of early stage Start-ups.
  - 8000 crore over a period of five years for National Mission on Quantum Technologies and Applications has been proposed.

### Caring Society

- Focus on
  - Women & Child, Social Welfare :
    - “Beti Bachao Beti Padhao” has yielded tremendous results. Gross enrolment ratio of girls across all levels of education is now higher than boys
    - More than six lakh anganwadi workers are equipped with smart phones to upload the nutritional status of more than 10 crore households under Poshan Abhiyan.
  - Culture & Tourism
    - Five archaeological sites would be developed as iconic sites with onsite Museums. They are: Rakhigarhi (Haryana), Hastinapur (Uttar Pradesh) Shirsagar (Assam), Dholavira (Gujarat) and Adichanallur (Tamil Nadu) and announced re-curation of the Indian Museum in Kolkata, which is the oldest in the country. For this purpose 3,150 crore has been provided to Ministry of Culture for 2020-21.
  - Environment & Climate Change
    - For the purpose of cleaner air Allocation of ₹4400 crore for 2020-21 has been budgeted. Parameters for the incentives would be notified by the Ministry of Environment, Forests and Climate change

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