

Chapter  
**44**

**INCOME TAX AMENDMENTS/NEW PROVISIONS OF FINANCE ACT 2020**

**(1) All Individuals & HUF can choose to pay tax as per new slab rates without availing exemptions & deductions:**

Option has been given to all individuals/HUF to pay tax as per new slab rates (Optional tax regime) on total income computed without claiming any deductions/exemptions – As per Sec 115BAC inserted by Finance Act, 2020 -Applicable from FY 2020-21 (AY 2021-22).

Below table summarizes tax rates as per optional tax regime Vs. old rates:

Total Income (Rs.)	Existing Tax Rates (%)	New Tax Rates (Optional) (%)
0-2,50,000	0%	0%
2,50,001 – 5,00,000	5%	5%
5,00,001 – 7,50,000	20%	10%
7,50,001 – 10,00,000		15%
10,00,001 – 12,50,000	30%	20%
12,50,001 – 15,00,000		25%
> 15,00,000		30%

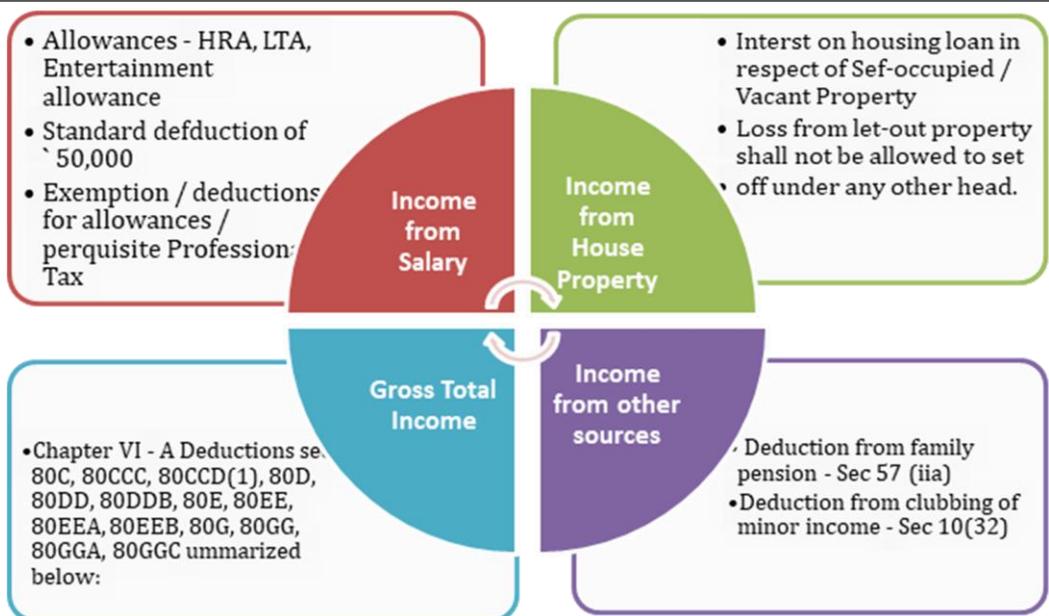
► Basic exemption limit for senior citizen and super citizen individuals remains unchanged at Rs.3,00,000 and Rs.5,00,000 [under old scheme]

- ▶ Rebate of income tax (i.e. up to Rs.12,500 if total income does not exceed Rs.5,00,000) remains unchanged and equally applicable for resident individual even if choose to opt for new tax
- ▶ No change in surcharge rates. However, surcharge on capital gains [on which STT has been paid] shall not exceed 15%.

**1.1 Individuals/HUF who does not have business income & choose to pay tax as per new regime, option shall be exercised for each year at the time of filing of ITR**

(a) Allowances/investments not eligible for claiming deductions/exemptions if opt for new tax regime

An Individual/HUF who does not have business income and opt for new tax regime shall not be eligible to claim various allowances / investments as deductions / exemptions under different heads of income and the same are summarized below:

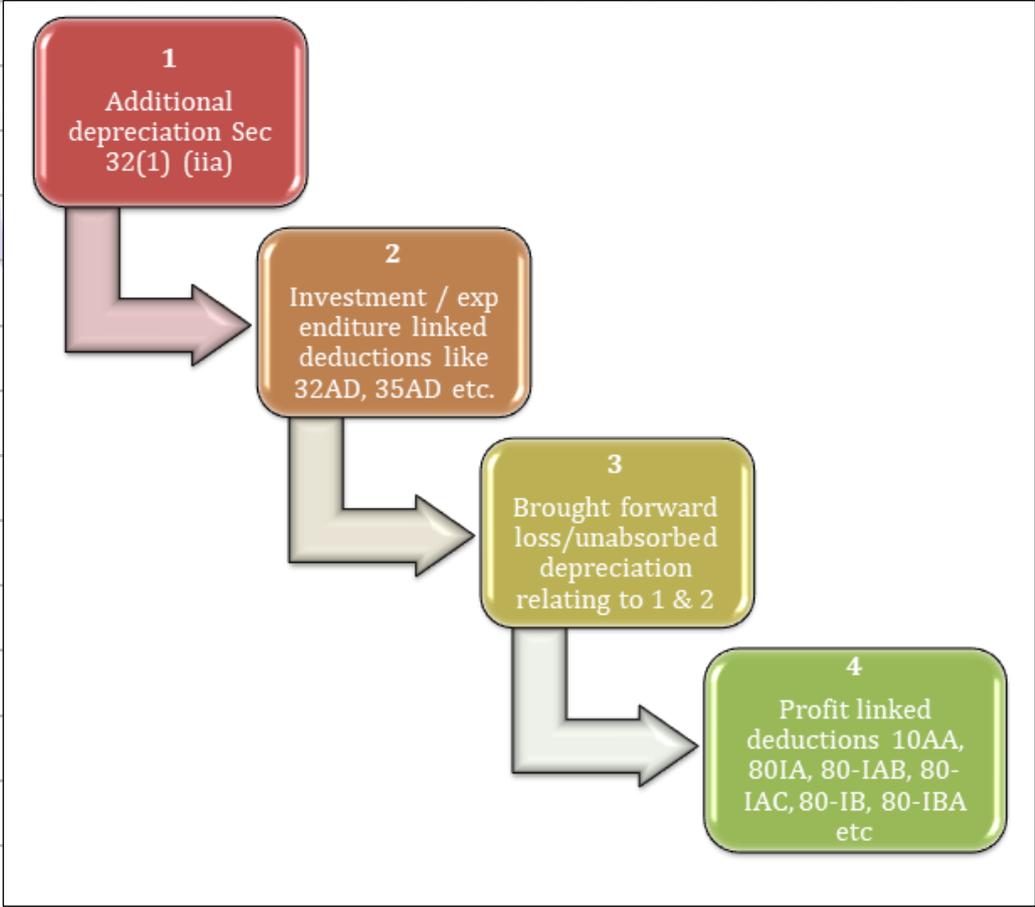


	<p><b>(b) Allowances/investments eligible for claiming as deductions/exemptions if opt for new tax regime:</b> An Individual/HUF who does not have business income and opt for new tax regime shall eligible to claim the below mentioned allowances/investments as deductions / exemptions only, under different heads of income:</p>
	<div style="border: 1px solid black; padding: 10px;"> <div style="background-color: #c8e6c9; padding: 5px; margin-bottom: 10px;"> <p><b>Under the head Income from Salary - Sec 10(14)</b></p> <ul style="list-style-type: none"> <li>Conveyance Allowance (For office purpose)</li> <li>Transport allowance received by divyang employee's (for travel b/w office and home)</li> <li>Any allowance for cost of travel on tour/transfer</li> <li>Daily allowance to meet ordinary daily charges</li> </ul> </div> <div style="background-color: #c8e6c9; padding: 5px; margin-bottom: 10px;"> <p><b>Under the head Income from Let-out Property</b></p> <ul style="list-style-type: none"> <li>Interest on housing loan - Sec 24 (b)</li> </ul> </div> <div style="background-color: #bbdefb; padding: 5px; margin-bottom: 10px;"> <p><b>From Gross Total Income</b></p> <ul style="list-style-type: none"> <li>Employer's contribution to National Pension Scheme - Sec 80CCD(2)</li> </ul> </div> <div style="background-color: #e1bee7; padding: 5px;"> <p><b>Set off house property loss</b></p> <ul style="list-style-type: none"> <li>Loss from let out property can set-off against income from let out property only (i.e wihtout set off with any other head of income)</li> </ul> </div> </div>
	<p><b>(C) Other conditions</b></p>
	<p>(i) Option shall be exercised for every year along with filing of income tax return</p>
	<p>(ii) No exemption in respect of free coupon/meal vouchers (i.e. taxable in the hands of employee as perquisite) – Proposed to amend Rule 3 of Income Tax Rules,</p>

**1.2 Individuals/HUF having business income & choose to pay tax as per new rates, option can be exercised at any time on or before the due date of filing ITR for any AY on or after 2021-22 and applicable for subsequent AY's also**

**(a) Amounts not eligible for claiming as deductions under the head income from business or profession**

An Individual/HUF having business income and choose to pay tax as per new rates shall not be eligible to claim various deductions under the head PGBP and the same are summarized below:



	(b) Eligible to claim deduction u/s 80JJAA in respect of additional employee cost
	(c) <b>Not required to pay Alternate Minimum Tax (AMT) and not eligible to carry forward and set off of AMT credit, if any</b>
	▶ Provisions of AMT shall not apply to Individual/HUF having business income and choose to pay tax as per new regime – Sec 115JC amended by Finance Act,
	▶ Individual/HUF having business income and opt for new tax regime, shall not be eligible to set off of brought forward AMT credit, if any and carry forward and set off of AMT credit, if any – 115JD amended by Finance Act, 2020
	<b>Comments:</b>
	▶ Section 115JD deals with utilization of brought forward AMT credit against normal tax liability. Vide Finance Act, 2020, new sub-section was inserted – <b>“the provisions of this section shall not apply to a person who has exercised the option referred to in section 115BAC/115BAD”.</b>
	▶ Since, there is no time limit to opt for new tax regime, individual/HUF having brought forward AMT credit can opt for the same post utilization of unutilized
(2)	<b>Time limit for loan sanction under affordable housing scheme extended till 31- Mar- 2021 for availing deduction of interest on loan taken by an individual.</b>

	<p>An individual is eligible to claim deduction of interest payable up to Rs.1,50,000 on loan taken for purchase of residential house property for AY 2020-21 and subsequently if the following conditions are satisfied:</p> <ul style="list-style-type: none"> <li>&gt; Loan taken from financial institution during 01-Apr-2019 to 31-Mar-2020 (extended till 31-Mar-2021 – Amended by Finance Act, 2020);</li> <li>&gt; Stamp duty value of the property does not exceed Rs. 45,00,000</li> <li>&gt; Individual does not own any residential house property on the date of sanction of loan</li> </ul> <p>Deduction claimed under this section shall not be eligible to claim as deduction once again under any other section under the Income-tax Act, 1961;</p>
<b>(3)</b>	<p><b>Cumulative employer’s contribution to recognized PF, approved superannuation fund and NPS in excess of Rs.7.50 lakhs is taxable in the hands of employee as perquisite</b></p> <ul style="list-style-type: none"> <li>▶ To bring a uniformity in taxation between high earning and low earning salaried employees in respect of employer’s contribution to recognized PF, approved superannuation fund and National Pension Scheme, Sec 17(2)(vii) of the Act was amended vide Finance Act, 2020 by introducing a combined upper cap limit of Rs.7,50,000 and any excess contribution made by an employer shall be taxable in the hands of employee as</li> </ul>

▶ Further, clause (viia) of sub-section (2) of section 17 introduced to tax annual accretion by way of interest, dividend or any other amount of similar nature during the previous year to the accumulated balance to the extent of contribution included in total income of the individual as per section 17(2)(vii).

**Below table summarises tax implications post amendment Vs before amendment:**

S. No	Contribution/Income	Till FY 2019-20		W.e.f. FY 2020-21	
		Section	Taxation	Section	Taxation
1	Employer's contribution to recognized PF	17(1)(vi)	Amount in excess of 12% of salary is taxable Under salary	17(2)(vii) – Substituted by Finance Act, 2020	Cumulative contribution to recognized PF, approved superannuation fund and National Pension Scheme (or any other scheme notified u/s 80CCD) in excess of Rs.7,50,000 is taxable as perquisite
2	Employer's contribution to approved superannuation fund	17(2)(vii)	Amount in excess of Rs.1,50,000 taxable as perquisite		
3	Employer's contribution to National Pension Scheme (NPS	17(1)(viii)	Entire contribution is taxable under salary.		

			However, employee is eligible to claim deduction u/s 80CCD(2) up to 14% (Govt. employee) or 10% (other employees) of salary		
4	Interest on PF (on employer's contribution)	17(1)(vi)	Interest in excess of 9.5% is taxable under "other sources"	17(2)(viiia) - Substituted by Finance Act, 2020	Interest/dividend/any other amount to the extent contribution included in total income as per Sec 17(2)(vii) taxable as Perquisite
5	Interest on superannuation fund (on employer's contribution)	Rule 6 of Part B of Fourth Schedule	Interest paid during his lifetime (other than covered u/s 10(13)) taxable at applicable rates		

<p>(4)</p>	<p><b>Number of days of stay in India reduced to 120 days to determine the residential status of Indian citizens/POI who resides outside India and comes on a visit to India and having total income other than foreign source income exceeding Rs.15 lakhs</b></p> <ul style="list-style-type: none"> <li>▶ Applicable w.e.f. AY 2021-22 (FY 2020-21)</li> <li>▶ At present, an individual being a citizen of India or a person of Indian origin (PIO) who resides outside India and comes on a visit to India in any year shall become resident in India for the purpose of taxation if he stays in India; <ul style="list-style-type: none"> <li>✓ For 182 days or more during the year (60 days or more – general provision for other individuals) AND</li> <li>✓ for 365 days or more during the period of 4years preceding that year</li> </ul> </li> <li>▶ It is being noticed that above relaxation benefit is being misused by individuals who are actually carrying out substantial economic activities from India by managing their stay in India so as to remain as non-resident and not required to declare their global income in</li> <li>▶ In order to curb this type of practice carrying by high income earning individuals, clause (b) of Explanation 1 to clause (1) of section 6 amended by reducing the no. of days of stay in India to 120 days from 182 days to determine the residential status of Indian citizens/Person of Indian origin having total income (other than the income from foreign sources) exceeding Rs.15 lakhs during the previous year</li> <li>▶ Below table summarizes the determination of residential status of Indian citizens/PIO before amendment vs. post amendment</li> </ul>
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S. No	No. of days of stay in India during the year	Indian Citizen/POI Having Indian source income <= Rs.15 lakhs		Indian Citizen/POI Having Indian source income > Rs.15 lakhs	
		Till FY 2019-20	W.e.f. 01-Apr-2020	Till FY 2019-20	W.e.f. 01-Apr-2020
1.	< 120 days	Non-resident	Non-resident	Non-resident	Non-resident
2.	120 days or more but <182 days	Non-resident	Non-resident	Non-resident	resident
3.	182 days or more	Resident	Resident	Resident	Resident

\*Assumed that other condition of 365 days or more during the period of 4 years preceding that year is satisfied in all the cases.

**Income from foreign sources:** Means income which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India).

**(5) An Individual citizen of India shall be deemed to be resident in India if his total income other than foreign source income more than Rs.15 lakhs during the year and not liable to tax in any other country**

- ▶ Applicable w.e.f. AY 2021-22 (FY 2020-21)
- ▶ India broadly follows residence-based taxation. Accordingly, based on residential status of the individual, an assessee is liable to pay taxes in India on his global income if he is a resident;

	<p>▶ It is quite possible for an individual to arrange his affairs in such a way that helps him end up in paying no taxes in any country during the year. Typically, high net worth individuals (HNWI) will do this kind of arrangement to avoid paying taxes to any country;</p>
	<p>▶ In order to curb this practice by individuals, new sub-section (1A) has been inserted to section 6 to bring citizens of India under Indian taxation purview if they are not liable to tax in any other country;</p>
	<p>▶ As per section 6(1A), an individual being a citizen of India shall be deemed to be resident in India if his total income other than income from foreign sources more than Rs.15 lakhs during the year and not liable to tax in any other country because of his domicile or residence or any other criteria of similar nature.</p>
	<p>▶ CBDT vide press release dated 02-Feb-2020 clarified that if a citizen of India becomes resident under this clause, income earned outside India by him shall not be taxable in India unless it is derived from an Indian business or profession set up in India;</p>
	<p>▶ <b>Comments</b></p> <p><b>Based on the provision and clarification from CBDT, it is very clear that the intention of the government is not to tax all the citizens of India who are earning income and not taxed in other countries. Intention is to tax citizens of India who derives income from source in India if they are not liable to tax in other countries.</b></p>

(6)	<b>Definition of not ordinarily resident extended to persons covered in Point # 4 &amp; 5</b>
	▶ Applicable w.e.f. AY 2021-22 (FY 2020-21)
	▶ Definition of “not ordinarily resident” was extended to persons mentioned below by inserting clauses (c) & (d) to sub-section 6 of section 6 i.e.
	✓ A citizen of India or POI who resides outside India and stays in India for a period of 120 days or more but less than 182 days when comes on a visit to India and having total income other than income from foreign sources more than Rs.15 lakhs during the year
	✓ Deemed resident as per newly inserted sub-section (1A)
	▶ <b>Comments</b>
	As per clause (a) & (b) of sub-section 6 of section 6, An individual or HUF shall become “not ordinarily resident” in India during the year if the individual or manager of HUF has been; a non-resident in India in 9 out of 10 years preceding that year OR stays in India for a period of 729 days or less during the 7 years preceding that year
	▶ Finance Bill and Memo, 2020 proposed to give relaxation from the above conditions as there was a proposal for reduction in no. of days to determine the residential status. Proposal of the Finance bill 2020 - An individual/manager of HUF shall become not ordinarily resident in India if they have been a non-resident in India in 7 out of 10 years preceding that year.
	<b>However, no amendment in clause &amp; (b) of sub-section 6 of section 6 in the Finance Act,</b>



S. No	Turnover or Gross Receipts	Profits and Gains	Till FY 2019-20 Tax Audit applicability?		W.e.f. FY 2020-21 Tax Audit Applicability?	
					Cash Receipts/ Payments*	
			44AD Business	Other than 44AD	Up to 5% of total	>5% of Total
1.	Up to 1 crore	< 8% (or 6%)	Yes	No	Yes (44AD); No (Other Than 44AD)	Yes (44AD); No (Other Than 44AD)
2.		% (or 6%) or more	No	No	No	No
3.	1-2 crores	< 8% (or 6%)	Yes	Yes (44AB(a))	Yes (44AD); No (Other than 44AD)	Yes
4.		8% (or 6%) or more	No	Yes (44AB(a))	No	No (44AD) Yes (Other Than 44AD)
5.	2-5 crores	Any	Yes	Yes	No	Yes
*Payments include expenditure incurred also						

(8)	<p><b>Dividend Distribution Tax (DDT) is abolished and companies/mutual funds are not required to pay any DDT. However, dividend/distributed amount is taxable in the hands of recipient at applicable rates.</b></p> <ul style="list-style-type: none"> <li>▶ At present, companies or mutual funds are required to pay DDT on the amount of dividend declared, distributed or paid to shareholders or unit holders at specified rates. This resulted in levying tax at a flat rate on the distributed profits in the hands of companies/mutual funds irrespective of the marginal rate at which the recipient is otherwise taxed. Hence, the provisions are considered as iniquitous and</li> <li>▶ In view of the above, vide Finance Act, 2020, various provisions of the Act was amended to tax dividend or income from units in the hands of shareholders or unit holders at the applicable rate and domestic company or specified company or mutual funds are not required to pay any DDT.</li> <li>▶ Further, section 57 of the Act was amended to restrict deduction for interest expense only subject to 20% of income and no other deduction allowed against such dividend income or income in respect of units of Mutual Fund/Specified Below table summarizes various amendments under the Act with respect to DDT abolishment and taxing in the hands of recipient:</li> </ul>
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S. No	Amendment regard to	Section	Existing (Till 31-Mar-2020)	Amended (W.e.f. 01-Apr2020)
1.	DDT by domestic company	115-0(1) <b>Amended</b>	Payable @15% in respect of dividends declared, distributed or paid on or after 01-Apr-2003	Payable @15% in respect of Dividends declared, distributed or paid on or after 01-Apr-2003 <b>but on or before 31-Mar-2020</b>
2.	Exemption in the hands of shareholder	10(34) <b>Proviso inserted</b>	Exempt from tax (However, dividend in excess of Rs.10 lakhs taxable in the hands of resident specified assessee)	No exemption for dividend received on or after 01-Apr2020 (However, exemption continues for dividend on which tax u/s 115-0 and 115BBDA has been paid)
3.	Tax on dividend in excess of Rs.10 lakhs in the hands of shareholders	115BBDA (1) - Amended	Dividend in excess of Rs.10 lakhs taxable @10% in the hands of resident specified assessee on or after 01-Apr- 2017	Dividend in excess of Rs.10 lakhs taxable @10% in the hands of resident specified assessee on or after 01- Apr2017 but on or before 31-Mar2020

4.	Tax on distributed income to unit holders by specified company/mutual fund	<b>115R(2) - Amended</b>	Payable at specified rate on distributed income	Payable at specified rate on distributed income on or before 31-Mar2020
5.	Tax on income received from mutual funds/ specified company in the hands of recipient	10(35) - Proviso Inserted	Exempt from tax	No exemption for income received on or after 01- Apr2020 (i.e. Taxable)
6.	Dividend received by a business trust	10(23FC)(b) - Amended	Dividend received from specified domestic company referred to in 115-0(7) exempt from tax	Clause (b) replaced with dividend received or receivable from special purpose vehicle - exempt from tax
7.	Tax on distributed income - Sec 115UA received by a unit holder from the business trust	10(23FD) <b>Amended</b>	Exempt from tax except interest income referred u/s 10(23FC)(a) or income from renting/leasing/letting out any real estate asset referred u/s 10(23FCA)	Exempt from tax except (added to existing provision)

				<b>Dividend income referred u/s 10(23FC)(b) (in case where the special purpose vehicle chosen to pay tax u/s 115BAA - 22%)</b>
8.	Deduction in respect of inter-corporate dividends	80M – <b>Reintroduced</b>	-	Deduction for dividends distributed by it on or before due date against dividend received from Any other domestic company a foreign company a business trust
9.	Deduction against dividend income	57(i) – <b>Amended and proviso inserted</b>	Dividends, other than dividends referred to In section 115-0	Substituted with Dividends
				*No deduction except interest expense subject 20% of income against incomes mentioned below; Dividend income. Income from units of mutual fund – sec 10(23D) Income from units of specified company – explanation to sec 10(35)

	11.	Removal reference of section 115-0	<b>115A, 115AC, 115ACA, 115AD, 115C, 195</b>	Other than dividends referred to in section 115-0	Removed to tax in the hands of recipient
	<b>*Comments</b>				
	▶	As per clause (i) of section 57, tax payer is eligible to claim deduction of commission or remuneration paid to release dividend. However, proviso inserted vide Finance Act, 2020 restricts tax payer to claim interest expense only as deduction against			
	▶	In many judicial pronouncements, courts held that a proviso is subsidiary to the main section and it cannot override the main section itself. In the present case, main section allows tax payer claim deduction of commission/remuneration paid to release dividend but proviso restricts to interest expense			
	▶	In our opinion, tax payer is eligible to claim both commission/remuneration or interest expense against income;			
<b>(9)</b>	<b>Section 194 amended to include payment of dividends by an Indian Company for tax deduction and also threshold increased from Rs.2,500 to Rs.5,000 and rate of TDS prescribed @10%</b>				
	▶	Applicable w.e.f. 01-Apr-2020.			
	▶	An Indian Company shall deduct tax @10% (earlier rates in force) on payment of dividends by <b>any mode</b> (earlier making any payment in cash or before issuing any cheque or warrant) to a shareholder resident in India			

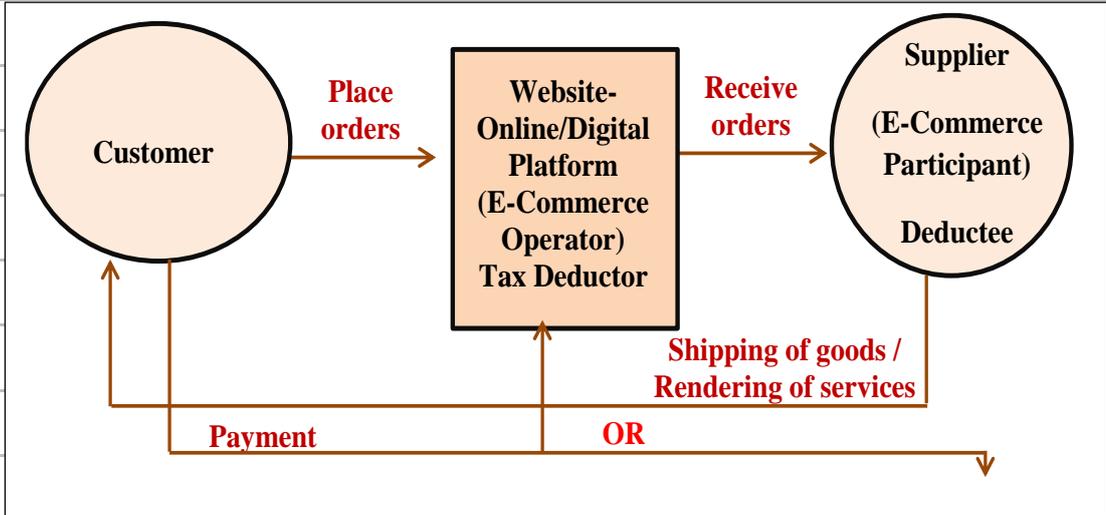
	<ul style="list-style-type: none"> <li>▶ However, no tax to be deductible while making payment to an Individual shareholder, if; <ul style="list-style-type: none"> <li>✓ The dividend is paid by any mode other than cash (earlier by an a/c payee cheque) AND</li> <li>✓ The individual or total amount of dividend does not exceed 5,000 (earlier Rs.2,500)</li> </ul> </li> <li>▶ Dividend is defined in section 2(22)(a) to (e).</li> </ul>
<b>(10)</b>	<p><b>Tax@10% to be deductible on distribution of any income to a resident in respect of units of mutual fund if such amount exceeds Rs.5,000 – Section 194K inserted</b></p> <ul style="list-style-type: none"> <li>▶ Section 194K newly inserted w.e.f. 01-Apr-2020.</li> <li>▶ Payer shall deduct tax@10% while distributing any income to a resident payee (i.e. unit holder) in respect of; <ul style="list-style-type: none"> <li>✓ Units of a mutual fund specified under 10(23D); or</li> <li>✓ Units from the administrator of the specified undertaking; or</li> <li>✓ Units from the specified company</li> </ul> </li> <li>▶ However, no tax to be deductible if the amount does not exceed Rs.5,000 or if the nature of income is of capital gains;</li> </ul>
<b>(11)</b>	<p><b>Optional corporate tax regime of 15% extended to power generation companies also</b></p> <ul style="list-style-type: none"> <li>✓ Applicable w.e.f. AY 2020-21</li> <li>✓ Explanation to clause (b) of sub-section (2) of section 115BAB amended to include business of generation of electricity under the business of manufacture or production of any article or thing</li> </ul>

	<b>Comments:</b>
	Companies engaged ONLY in the distribution of electricity shall not be eligible to opt for 15% tax rate.
<b>(12)</b>	<b>Domestic companies opt for 15%/22% tax rate are eligible to claim deduction u/s 80M in addition to 80JJAA</b>
	▶ Applicable w.e.f. AY 2020-21.
	▶ At present, companies opt for 15%/22% tax rate are not eligible to claim any deduction under Chapter VI-A under the heading “C.- Deductions in respect of certain incomes other than u/s 80JJAA.
	▶ Vide Finance Act, 2020, Section 80M is re-introduced w.e.f. 01-Apr-2020 to provide for for deduction in respect of dividends distributed by the company against divided income received (i.e. inter-corporate dividend).
	▶ To give the above benefit to all companies, sub-section (2) of section 115BAA and 115BAB amended to provide such benefit to companies opt for new tax
<b>(13)</b>	<b>Turnover limit for start-up exemption increased from Rs.25 crores and Rs.100 crores and exemption for 3 years out of 7 years extended to 10 years from the year of incorporation</b>
	▶ Applicable w.e.f AY 2021-22.
	▶ Eligible start-up having income from eligible business is eligible to claim deduction of 100% of profits derived from that business for 3 consecutive years out of 10 years (earlier 7 years) from the year in which it is incorporated



S. No	Nature of income	Section	Year of taxation Till FY 2019-20	Year of taxation W.e.f. 01-Apr2020
1.	Perquisite	17(2) r.w Rule 3(8)(iii) New subsection(1C) inserted u/s 192 for deferment of tax	Year of exercise of option	Within 14 days of earliest of; After expiry of 48 months from the end of assessment year relevant to previous year in which ESOP allotted or transferred or Date of sale or Date on which ceases to be an employee At rates applicable for the year in which such shares are allotted or transferred
2.	Capital gain	45	Year of sale	Year of sale (no change)
<b>(15)</b>	<b>TDS on fees for technical services u/s 194J reduced from 10% to 2%</b>			
	<ul style="list-style-type: none"> <li>▶ Applicable w.e.f. 01-Apr-2020</li> <li>▶ To reduce the no. of litigations on the issue of short deduction of tax between section 194C and 194J, rate of TDS on fees for technical services reduced from 10% to 2%. However, rate of TDS on professional services, royalty etc., shall continue to apply 10%</li> </ul>			

	<b>Comments</b>
	Great initiative from the Govt. of India to reduce the litigation. However, litigation still continues to apply for those transactions if the payee is an Individual/HUF because as per section 194C, rate of TDS is 1% but u/s 194J it is 2%.
<b>(16)</b>	<p><b>Definition of work u/s 194C amended to include raw material procured from related parties in the case of contract manufacturing</b></p> <ul style="list-style-type: none"> <li>▶ Applicable w.e.f. 01-Apr-2020.</li> <li>▶ Sub-clause (e ) to clause (iv) of explanation to section 194C was amended to include manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer or its associate – 40A(2)(b) under the definition of work <b>(earlier provision does not include purchases from other than such customer)</b></li> </ul>
<b>(17)</b>	<p><b>E-commerce operator has to deduct tax @1% on e-commerce transactions at the time of credit or payment to E-commerce participant – Section 194-O</b></p> <p>Applicable w.e.f. 01-Oct-2020.</p>



**TDS Provisions**

- ▶ E-commerce operator shall deduct tax @1% on gross amount of sale of goods or provision of services or both at the time of credit or payment to e-commerce participant whichever is earlier.
- ▶ Payment includes payment made by the customer to supplier;
- ▶ Services include fees for technical services and fees for professional services
- ▶ TDS is not applicable if the e-commerce participant is an individual/HUF and gross amount of such sale or services or both during the year does not exceed Rs.5 lakhs and furnishes PAN/Aadhaar number to the e-commerce supplier;
- ▶ Transactions covered in this section are not subject to tax deduction under any other provisions. However, in respect of services of hosting advertisement or provision of any other services which are not in connection with the sale or services covered in this section, shall be covered under other provisions

	<ul style="list-style-type: none"> <li>▶ In the absence of non-furnishing of PAN/Aadhaar number, tax @5% would be applicable – Proviso to Sec 206AA(1).</li> </ul>
	<ul style="list-style-type: none"> <li>▶ Consequential amendments are also made in section 197 for lower TDS</li> </ul>
<b>(18)</b>	<b>TCS@5% to be collected by an authorised dealer on foreign remittance through Liberalised Remittance Scheme (LRS) and seller of an overseas tour programme package</b>
	New sub-section (1G) inserted to section 206C w.e.f. 01-Oct-2020
	TCS by an authorised dealer
	<ul style="list-style-type: none"> <li>▶ An authorised dealer shall collect tax (i.e. TCS) @5% from a person who remit an amount out of India (i.e. buyer of foreign currency) under the Liberalised Remittance Scheme (LRS) of the RBI on an amount or aggregate of the amounts being remitted in excess of Rs.7</li> </ul>
	<ul style="list-style-type: none"> <li>▶ An authorised dealer shall not be required to collect tax if the amount or aggregate of amount being remitted does not exceed Rs.7 lakhs</li> </ul>
	<ul style="list-style-type: none"> <li>▶ If the amount being remitted is out of loan obtained from any financial institution for education purpose u/s 80E, TCS@0.5% to be collected instead of 5%.</li> </ul>
	<b>TCS by a seller of an overseas tour programme package</b>
	A seller of an overseas tour programme package shall collect tax (i.e. TCS) @5% from a buyer on the entire package cost;

	<b>Other Points</b>
	▶ Authorised dealer shall not be required collect any tax on an amount on which seller has collected tax under this sub-section.
	▶ Tax shall not be required to collect under this provision, if the buyer is liable to deduct tax (i.e. TDS) under any other provisions of this Act and has deducted such TDS
	<b>Liberalised Remittance Scheme (LRS)</b>
	In general, foreign currency remittance out of India requires approval of RBI. However, in order provide a relief to individuals, RBI introduced this scheme to remit for specified purposes like family maintenance, studies abroad, going abroad for employment etc., without approval up to a limit.
	Under this scheme, all resident individuals are allowed to freely remit out of India up to permissible limit for any permissible current or capital account transaction or a combination or both.
	<b>Our Comments</b>
	Finance Memo contains “if the buyer does not provide either PAN or Aadhaar, Tax @10% to be collected”. However, neither new sub-section contains any reference nor amendment to section 206CC made in this regard.

(19)	<p><b>Seller of goods whose business turnover during preceding year exceeds Rs.10 crores shall collect tax (i.e. TCS)@0.1% during current year on an amount in excess of Rs.50 lakhs</b></p>
	<p>▶ New sub-section (1H) inserted to section 206C w.e.f. 01-Oct-2020.</p>
	<p>▶ Every seller of any goods shall collect tax @0.1% from a buyer on sale consideration in excess of Rs.50 lakhs</p>
	<p>▶ However, no TCS under this sub-section on;</p>
	<p>▶ Export of goods,</p>
	<p>✓ Goods covered under sub-section (1) (i.e. scrap, liquor, coal, )</p>
	<p>✓ Goods covered under sub-section (1F) (i.e. Motor Vehicle)</p>
	<p>✓ Goods covered under sub-section (1G)</p>
	<p>▶ <b>TCS@1%</b> to be collected if the buyer <b>does not provide PAN/Aadhaar number</b> to the seller</p>
	<p>▶ Seller is not required to collect tax if the buyer is liable to deduct tax (i.e. TDS) under any other provisions of this Act on the goods purchased by him from the seller and has deducted such TDS</p>
	<p>▶ Seller means a person whose total sales, gross receipts or turnover from his business exceeds Rs.10 crores during the preceding financial year</p>
(20)	<p><b>Concessional rate of TDS@5% u/s 194LC (i.e. interest payment to non-residents) extended upto 30.06.2023 and also to bonds listed in stock exchanges in IFSC @4%</b></p>

	▶ 194LC -TDS by an Indian company/business trust on interest payable to non-resident in respect of monies borrowed in foreign currency from a source outside India
	▶ Time period in respect of borrowings in foreign currency either under a loan agreement or by issue of any long-term bond or by issue of rupee denominated bond extended up to 30-Jun- 2023 from 30-Jun-2020.
	▶ Further, concessional rate also extended to borrowings in foreign currency by issue of any long-term bond or rupee denominated bond (RDB) on or after 01-Apr-2020 but before 01-Jul- 2023 but at a rate of TDS@4%. However, bonds should be listed only on a recognised stock exchange located in any International Financial Services Centre (IFSC).
<b>(21)</b>	<b>Concessional rate of TDS@5% u/s 194LD (i.e. interest on certain bonds) extended up to 30.06.2023 and also extended to municipal debt securities</b>
	▶ 194LD – TDS on interest payable to Foreign Institutional Investor (FII) or Qualified Foreign Investor (QFI) on investment made in certain bonds and government
	▶ Time period in respect of interest payable on investment made in rupee denominated bond of an Indian company extended up to 30-Jun-2023 from 30-Jun2020.
	▶ Further, concessional rate also extended to interest payable on or after 01-Apr 2020 but before 01-Jul-2023 on investment made in municipal debt

<p><b>(22)</b></p>	<p><b>Threshold limit for TDS on interest (other than on securities) u/s 194A increased from Rs.5,000 to Rs.50,000 for senior citizens and Rs.40,000 for other payees</b></p> <p>Applicable w.e.f. 01-Apr-2020.</p>
<p><b>(23)</b></p>	<p><b>FMV of the capital asset being land or building or both as on 01-Apr-2001 shall not exceed stamp duty value, if available, on that date for the purpose of cost of acquisition – Section 55(2) amended</b></p> <ul style="list-style-type: none"> <li>▶ Proviso to sub-clause (ii) to clause (b) of sub-section (2) of section 55 inserted and applicable from AY 2021-22 (FY 2020-21).</li> <li>▶ At present, in respect of any capital asset acquired/received by any modes specified in sec 49(1) (i.e. by way of gift or will etc.,) before 01-Apr-2001, cost of acquisition of such asset for the purpose of capital gain computation can be taken either actual cost or Fair Market Value (FMV) as on 01-Apr-2001.</li> <li>▶ From AY 2021-22 (FY 2020-21) onwards, if the capital asset transferred is land or building or both and if assessee choose to opt for FMV as on 01-Apr-2001, such value shouldn't exceed stamp duty value, if available, on that date</li> </ul>
<p><b>(24)</b></p>	<p><b>Due date of filing of income tax return falls on 30th September changed to 31st October and also extended to all partners (earlier working partner only) of firm whose accounts are required to be audited</b></p> <p>Applicable w.e.f. AY 2020-21.</p>

<b>(25)</b>	<p><b>Due date for furnishing of tax audit report changed from before the due date of filing of income tax return to at least one month prior to the due date and also changed for various reports under the Act.</b></p> <p>▶ Applicable w.e.f. AY 2020-21.</p> <p>▶ Due date changed to at least one month prior to the due date for furnishing tax audit report (For e.g. if the due date for filing of income tax return is 30th September then tax audit report to be furnished on or before 30th August) and reports mentioned below under the Act:-</p>			
	<b>Sr. No</b>	<b>Purpose/Report</b>	<b>Form No.</b>	<b>Section</b>
	1.	Transfer Pricing Report	3CEB	92F
	2.	Report for claiming deduction in respect of additional employee cost	10DA	80JJAA
	3.	Computation of book profit and MAT liability	29B	115JB
	4.	Computation of adjusted total income and AMT liability	29C	115JC
	5.	Audit Report of PE of non-resident in India earning Royalty or Fees for technical services	3CE	44DA
	6.	Computation of capital gains in the case of slump sale	3CEA	50B
	7.	Audit Report for claiming deduction in respect of profits and gains from business	10CCB	80-IA & 80-IB
	8.	Audit Report – for claiming deduction by Charitable/Religious Trusts or Institutions	10B	12A(b)
	9.	Deduction in respect of export by undertakings established in free trade zone	56F	10A

(26)	<p><b>Currently under different sections (i.e. 43CA, 50C, 56) for real estate transactions, stamp duty value/differential amount will be considered for tax purpose if the difference between actual consideration and the stamp duty value more than 5%. The same has been increased to 10%.</b></p> <p>Applicable w.e.f. AY 2021-22 (FY 2020-21)</p>
	<p><b>Section 43CA - Business Income (Taxable in the hands of transferor)</b></p> <ul style="list-style-type: none"> <li>▶ If the consideration received from transfer of an asset (not a capital asset) being land or building or both is less than stamp duty value then, stamp duty value shall be considered as consideration received/accrued for the purpose of computation of profits and gains from business or</li> <li>▶ However, if the stamp duty value does not exceed 110% (earlier 105%) of consideration received/accrued then, actual consideration received or accrued shall be</li> </ul>
	<p><b>Section 50C - Capital Gains (Taxable in the hands of transferor)</b></p> <ul style="list-style-type: none"> <li>▶ If the consideration received from transfer of a capital asset being land or building or both is less than stamp duty value then, stamp duty value shall be considered as consideration received/accrued for the purpose of computation of profits and gains from business or</li> <li>▶ However, if the stamp duty value does not exceed 110% (earlier 105%) of consideration received/accrued then, actual consideration received or accrued shall be taken</li> </ul>

	<b>Section 56 - Income from other sources (Taxable in the hands of transferee)</b>
	▶ Where any person receives any immovable property
	▶ <b>Without consideration</b> , the stamp duty value shall be included in total income if that value is more than 50,000.
	▶ For a consideration and stamp duty value is more than actual sale consideration then the differential amount shall be included in total income if the differential amount is more than higher of the following;
	✓ 50,000 and
	✓ 10% of actual sale consideration (earlier it was 5%)
<b>(27)</b>	<b>Benefit of exempting non-residents from filing of income tax return extended to income consists of royalty or fees for technical services provided tax has been deducted as per the rates prescribed in section 115A</b>
	▶ Applicable w.e.f. AY 2021-22 (FY 2020-21).
	▶ Currently, non-residents are not required to file income tax return in India if total income consists of only certain dividend or interest income and tax has been deducted under the provisions of Chapter XVII-B of the
	▶ Vide Finance Act, 2020, sub-section (5) of section 115A amended to provide benefit of such exemption from filing of income tax return if-
	✓ Total income consists only of income referred to in section 115(1)(a) (certain dividend or interest income) or referred to in section 115(1)(b)

	(royalty or fees for technical services) AND
	✓ Tax has been deducted as per the rates prescribed in section 115(1)(a) & 115(1)(b)
<b>(28)</b>	<b>Option to has been given to resident co-operative societies to pay tax @22% without claiming specified exemption / deduction/incentive and not required to pay any AMT</b>
	▶ New Section 115BAD inserted w.e.f. AY 2021-22 (FY 2020-21).
	▶ Option has been given to resident co-operative societies to pay tax @22% plus 10% surcharge and 4% cess on total income.
	▶ Total income of such societies shall be computed without claiming specified exemptions, deductions and incentives available under the Act and are not required to pay any Alternate Minimum Tax (AMT).
	▶ Option can be exercised for any assessment year beginning on or after 2021-22 and apply for such year and subsequent year's also and can't be withdrawn.
<b>(29)</b>	<b>Penalty will be levied on a person if identified during any proceedings under the Act that books of accounts maintained by him contains false entry or omission of any entry to evade tax liability</b>
	▶ New section 271AAD inserted w.e.f. 01-Apr-2020
	▶ Assessing office may levy penalty on a person if during any proceedings under the Act found that books of account maintained by him contains—

	✓ A false entry; or
	✓ An omission of any entry which is relevant for computation of total income of such person to evade tax
	▶ Penalty shall be equal to the aggregate amount of such false or omitted entry
	▶ Penalty may also be levied on any other person who causes to make a false entry or to omit any
	▶ False entry includes use or intention to use–
	✓ False invoice; or
	✓ GST Invoice without actual supply or receipt of such goods or services or both; or
	✓ GST invoice to or from a person who does not exist
<b>(30)</b>	<b>Period of approval of affordable housing project by competent authority extended till 31.03.2021 for availing deduction u/s 80-IBA.</b>
<b>(31)</b>	<b>The Scope of E-assessment scheme extended to best judgement assessment u/s 144 – Section 143(3A)</b>
<b>(32)</b>	<b>Income Tax Appellate Tribunal (ITAT) can grant stay of demand in respect of appeal filed before it only if assessee deposits not less than 20% of disputed tax or furnishes security for such amount (earlier no such condition) – Amended section 254 of the Act</b>

(33)	Central government may make a scheme for faceless appeal before CIT(A) on or before 31.03.2022 – Sub-section (6B), (6C) & (6D) inserted to section		
(34)	Central government may make a scheme for imposing penalty (E-Penalty) on or before 31.03.2022 – Sub-section (2A), (2B) & (2C) inserted to section		
(35)	Claiming deduction u/s 35AD in respect of investment in capital expenditure in specified business made as an option to the assessee		
(36)	Both existing and new charitable or religious trusts, institutions, funds etc., have to make a fresh application for registration and certificate of exemption can be granted for a period of 5 years at once – Section 11(7), 12A, 12AA amended and 12AB		
(37)	Entities receiving donation shall furnish a statement to the department and issue a certificate to the donor. Failure of the same attracts fee – Section – 234G		
	Annexure_1 – Head-wise summary of Investments/expenses not eligible for claiming as deduction/ exemption if choose to pay tax as per new rates		
	<b>Sr. No</b>	<b>Section/ Rule</b>	<b>Deductions/Exemptions</b>
	1.	10(5)	Leave Travel Allowance (LTA)
	2.	10(13A)	House Rent Allowance (HRA)
			<b>Head of income</b>
			Salary

3.	10(14)	Allowances covered (for e.g. allowances to meet cost of living or to meet personal expenses etc.)	
4.	10(17)	Allowances to MPs/MLAs	
5.	16(ia)	Standard deduction of Rs.50,000	
6.	16(ii)	Entertainment allowance (to government employees)	
7.	16(iii)	Tax on employment (i.e. Professional Tax - PT)	
8.	Various	Any exemption/deduction for allowances / perquisite	
9.	24(b)	Interest on housing loan (Self occupied / Vacant Property - Sec. 23(2))	<b>House Property</b>
10.	57(iia)	Family Pension	<b>Other Sources</b>
11.	10(32)	Deduction for clubbing of income of minor Child	
12.	10AA	Units in SEZ	<b>Business Income (PGBP) Business Income (PGBP)</b>
13.	32(1)(iia)	Additional Depreciation	
14.	32AD	Investment in new plant or machinery in notified backward areas in certain States	
15.	33AB	Tea/Coffee/Rubber development account	
16.	33ABA	Site Restoration Fund	

17.	35(1)(ii)	Sum paid to research association or to a university/college/other institution to be used for scientific research	
18.	35(1)(iia)	Sum paid to a company for scientific research purpose	
19.	35(1)(iii)	Sum paid to research association or to a university/college/other institution to be used for social science or statistical research	
20.	35(2AA)	Sum paid to National laboratory/a university/an Indian Institute of Technology/specified person for scientific research part of approved programme	
21.	35AD	Capital expenditure on specified business	
22.	35CCC	Expenditure on agricultural extension Project	
23.	80C	LIC Premium, Children Tuition Fees, PF contribution, Principal component of housing loan etc.,	<b>Chapter - VIA deductions (from Gross Total Income)</b>
24.	80CCC	Contribution to certain pension funds	
25.	80CCD(1)	Employee's contribution to national pension Scheme	
26.	80D	Health Insurance Premium / Medical Expenditure / Preventive Health-check up	
27.	80DD	Maintenance/medical treatment of dependent disabled person	

28.	80DDB	Medical treatment of specified diseases	
29.	80E	Interest on loan taken for higher education	
30.	80EE	Interest on loan taken for residential house Property	
31.	80EEA	Interest on loan taken for residential house property (if not eligible to claim u/s 80EE)	
32.	80EEB	Interest on loan taken for purchase of electric vehicle	
33.	80G	Donation institutions to certain funds/charitable	
34.	80GG	Rent paid (if not eligible deduction u/s 10(13A)) to claim HRA	
35.	80GGA	Donations development for scientific research/rural	
36.	80GGC	Contributions to political parties	
37.	80-IA	Deduction in respect of profits and gains from industrial undertakings or enterprises engaged in infrastructure development	<b>Chapter - VIA deductions (Having income from Business)</b>
38.	80-IAB	Deduction in respect of profits and gains by an undertaking or enterprise engaged in development of SEZ	
39.	80-IAC	Eligible Start-up	
40.	80-IB	Deduction in respect of profits and gains from certain industrial undertakings other than infrastructure development undertakings	
41.	80-IBA	Deductions in respect of profits and gains from housing projects	

(38)	<p><del>Exemption of specified allowances and perquisites paid to Chairman or a retired Chairman or any other member or retired member of the UPSC [Section 10(45)]</del></p> <p>(i) <del>Under the Income-tax Act, 1961, perquisites and allowances received by an employee are taxable under the head "Salaries" unless they are specifically exempted.</del></p> <p>(ii) <del>Section 10(45) exempts specified allowances and perquisites received by Chairman or any other member, including retired Chairman/ member, of the Union Public Service Commission (UPSC).</del></p> <p>(iii) <del>The exemption would be available in respect of such allowances and perquisites as may be notified by the Central Government in this behalf.</del></p> <p>(iv) <del>Accordingly, the Central Government has notified the following allowances and perquisites for serving Chairman and members of UPSC, for the purpose of exemption under section 10(45)-</del></p> <p style="padding-left: 20px;"><del>(a) The value of rent free official residence,</del></p> <p style="padding-left: 20px;"><del>(b) The value of conveyance facilities including transport allowance,</del></p> <p style="padding-left: 20px;"><del>(c) The sumptuary allowance and</del></p> <p style="padding-left: 20px;"><del>(d) The value of leave travel concession.</del></p> <p><del>In case of retired Chairman and retired members of UPSC, the following have been notified for exemption under section 10(45):</del></p> <p>(i) <del>a sum of maximum ₹ 14,000 per month for defraying the service of an orderly and for meeting expenses incurred towards secretarial assistance on contract basis.</del></p>
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	<p><del>(ii) the value of a residential telephone free of cost and the number of free calls to the extent of ₹ 1,500 pm (over and above free calls per month allowed by the telephone authorities)</del></p>
	<p><b>Note</b> - Tax exemption is also available in respect of certain specified perquisites enjoyed by Chief Election Commissioner/ Election Commissioner and judges of Supreme Court on account of the enabling provisions in the respective Acts which govern their service conditions.</p>
	<p><del><b>NOTE:</b> SECTION 10(45) HAS BEEN OMITTED VIDE FINANCE ACT 2020</del></p>
<b>(39)</b>	<p><b>COST OF ACQUISITION IN CASE OF SEGREGATION OF MUTUAL FUND PORTFOLIO:</b></p> <p><b>Introduction:</b> The main objective of segregated portfolio is to handle defaulted bonds in the portfolio separately so that original scheme is not greatly affected and stop investor from buying at low price to take advantage price appreciation later when default dues are cleared. It also helps in fair treatment to all investors in case of a credit event and to deal with liquidity risks.</p> <p><b>Relevant provisions:</b></p> <p>'49(2AG) The cost of acquisition of a unit or units in the segregated portfolio shall be the amount which bears, to the cost of acquisition of a unit or units held by the assessee in the total portfolio, the same proportion as the net asset value of the asset transferred to the segregated portfolio bears to the net asset value of the total portfolio immediately before the segregation of portfolios.</p>

	49(2AH) The cost of the acquisition of the original units held by the unit holder in the main portfolio shall be deemed to have been reduced by the amount as so arrived at under sub-section (2AG).
	<b>Explanation.--</b> For the purposes of sub-section (2AG) and sub-section (2AH), the expressions “main portfolio”, “segregated portfolio” and “total portfolio” shall have the meanings respectively assigned to them in the circular No. SEBI/HO/IMD/DF2/CIR/P/2018/160, dated the 28th December, 2018, issued by the Securities and Exchange Board of India under section 11 of the Securities and Exchange Board of India Act, 1992.’
	<b>S.2(42A) Explanation 1:</b> “(hh) in the case of a capital asset, being a unit or units in a segregated portfolio referred to in sub-section (2AG) of section 49, there shall be included the period for which the original unit or units in the main portfolio were held by the assessee;”
	<b>Example:</b> Mr. Arnab has invested in HSBC Global Fund on 01.04.2016. His total investment is Rs. 1 crore. On 01.04.2020 he receives a notice for segregation of portfolio owing to liquidity crisis emerging in the debt fund market on account of COVID – 19 Pandemic. Accordingly, he gets 10,000 units in the segregated portfolio. You are required to calculate the capital gains if he sells both the portfolios for Rs. 80 lakhs and Rs. 30 lakhs respectively on 31.03.2021. Ignore Indexation.

<b>Details of portfolio:</b>		
Net asset value of the asset transferred to the segregated portfolio		70 crores
net asset value of the total portfolio immediately before the segregation of portfolios		100 crores
<b>Answer:</b>		
Cost of acquisition in segregated portfolio = $1,00,00,000 \times 70 / 100$		
= 70,00,000		
Balance cost in the original portfolio = 1 Crore – 70 lakhs		
= 30 lakhs		
Computation of capital gains:		
<b>Particulars</b>	<b>Original</b>	<b>Segregated</b>
Period of holding	01.04.2016 – 30.03.2020	01.04.2016 – 30.03.2020
Nature	LTCA	LTCA
Full Value of consideration	80	30
Less: Cost	70	30
Capital Gains	10	0
<b>(40)</b>	<b>Special provision for set off of losses in cases of amalgamation of banking companies: [New Section 72AA]</b>	
	<b>72AA. Notwithstanding anything contained in sub-clauses (i) to (iii) of clause (1B) of section 2 or section 72A, where there has been an amalgamation of--</b>	

	(i) one or more banking company with any other banking institution under a scheme sanctioned and brought into force by the Central Government under sub-section (7) of section 45 of the Banking Regulation Act, 1949; or
	(ii) one or more corresponding new bank or banks with any other corresponding new bank under a scheme brought into force by the Central Government under section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 or under section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 or both, as the case may be; or
	(iii) one or more Government company or companies with any other Government company under a scheme sanctioned and brought into force by the Central Government under section 16 of the General Insurance Business (Nationalisation) Act, 1972, the accumulated loss and the unabsorbed depreciation of such banking company or companies or amalgamating corresponding new bank or banks or amalgamating Government company or companies shall be deemed to be the loss or, as the case may be, allowance for depreciation of such banking institution or amalgamated corresponding new bank or amalgamated Government company for the previous year in which the scheme of amalgamation was brought into force and other provisions of this Act relating to set off and carry forward of loss and allowance for depreciation shall apply accordingly.

	<p><b>Explanation.</b>—For the purposes of this section,—</p>
	<p>(i) “Accumulated loss” means so much of the loss of the amalgamating banking company or companies or amalgamating corresponding new bank or banks or amalgamating Government company or companies under the head “Profits and gains of business or profession” (not being a loss sustained in a speculation business) which such amalgamating banking company or companies or amalgamating corresponding new bank or banks or amalgamating Government company or companies, would have been entitled to carry forward and set off under the provisions of section 72, if the amalgamation had not taken place;</p>
	<p>(ii) “Banking company” shall have the meaning assigned to it in clause (c) of section 5 of the Banking Regulation Act, 1949;</p>
	<p>(iii) “Banking institution” shall have the meaning assigned to it in sub-section (15) of section 45 of the Banking Regulation Act, 1949;</p>
	<p>(iv) “Corresponding new bank” shall have the meaning assigned to it in clause (d) of section 2 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 or, as the case may be, clause (b) of section (2) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980;</p>

	(v) “General insurance business” shall have the meaning assigned to it in clause (g) of section 3 of the General Insurance Business (Nationalisation) Act, 1972;
	(vi) “Government company” means a Government company as defined in clause (45) of section 2 of the Companies Act, 2013, which is engaged in the general insurance business and which has come into existence by operation of section 4 or section 5 or section 16 of the General Insurance Business (Nationalisation) Act, 1972;
	(vii) “Unabsorbed depreciation” means so much of the allowance for depreciation of the amalgamating banking company or companies or amalgamating corresponding new bank or banks or amalgamating Government company or companies which remains to be allowed and which would have been allowed to such banking company or companies or amalgamating corresponding new bank or banks or amalgamating Government company or companies, if the amalgamation had not taken place.’.

