

# AMENDMENTS IN THE FINANCE ACT' 2020

&

# IMPACT OF COVID-19 ON COMPLIANCES UNDER VARIOUS ACTS



THE FINANCE ACT, 2020

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# Section-6: RESIDENTIAL STATUS

- There is no change in determining the Residential Status of Indian Citizens (Crew of Indian Ship or people going for the purpose of employment outside India) [Explanation-1(a)].
- **Amendment is only in Explanation-1(b)** applicable to Indian Citizen or Persons of Indian Origin who come on a visit to India (w.e.f. AY 2021-22).

Income other than Income from Foreign Sources i.e. which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India) **(Amendment in Explanation-1(b))**

**Is Less than or equal to Rs. 15 lacs**

A. His stay in India during the P.Y. should be 182 days or more in all;

OR

B.

(i). His overall stay in India should be of 365 days or more during the previous 4 F.Y., immediately preceding the relevant P.Y.

AND

(ii). His stay in India during previous F.Y. should be 182 days or more in all

**\*Note: No Change**

**Is more than Rs. 15 lacs**

A. His stay in India during the P.Y. should be 182 days or more in all;

OR

B.

(i). His overall stay in India should be of 365 days or more during the previous 4 F.Y., immediately preceding the relevant P.Y.

AND

(ii). His stay in India during previous F.Y. should be **120** days or more in all

**\*Note: They are considered to be Non**

**-Ordinarily Resident as per newly inserted**

**Sec 6(6)(c)**

# Insertion of new Sub- Section (1A):

- An Individual shall be deemed to be Resident in India if:
  - He is a **Citizen of India**.
  - **Not liable to tax in any other country/** territory because of his domicile/ residence/any other criteria.
  - **Having Total Income**, other than the Income from foreign sources (except income derived from a business controlled in or a profession set up in India), **exceeding Rs. 15 Lacs** during the P.Y.
- **Will always be considered as Not-Ordinarily Resident as per the newly inserted Sec. 6(6)(d).**

# Section-6(6): NOT ORDINARILY RESIDENT

- Provisions for “Not Ordinarily Resident” were relaxed w.e.f AY 2021-22.
- Now, the **earlier provisions have been retained.**
- **Proposed amendment has been cancelled.**

## Existing Provisions (Retained)

i. The Individual or the manager of the HUF has been a Non-Resident in India in **Nine out of Ten** previous years preceding that previous year.

AND

ii. His stay in India should be 730 days or less in **7 P.Y.** immediately preceding the previous F.Y

## Proposed Amendment (Cancelled)

The Individual or the manager of the HUF has been a Non-Resident in India in **Seven out of Ten** previous years preceding that previous year.

# Tax Deducted at Source



TCS



TDS



# Tax Collected at Source

AMENDMENTS IN  
THE PROVISIONS

# Section -194N: TDS on Cash Withdrawal

## Overview of Earlier Provisions (Still in Existence):

- Deductor : Banking Company , Co-operative bank, Post Office
- Deductee : Any person
- Nature of payments: Cash withdrawals from account
- Rate of TDS : 2%
- Threshold limit : In excess of Rs. 1 Crore (Aggregate amt. during the year from all accounts maintained with deductor)

# Section -194N: TDS on Cash Withdrawal

w.e.f. 01-07-2020

## Newly inserted Proviso:

- Applicability: Recipient of cash has **not filed ROI for all the 3 previous A.Y.** relevant to the 3 P.Y. immediately preceding the P.Y. in which the payment is made.

Cash Withdrawal during the year	Rate of TDS
Exceeding Rs. 20 lacs upto Rs. 1 crore	2%
Exceeding Rs. 1 crore	5%



# SECTION 194J: TDS on Professional/Technical Services

w.e.f. 01.04.2020

## ➤ Sec-194J: Fees for Professional or Technical Services

- TDS rate on royalty income arising to a person by way of sale, distribution or exhibition of cinematographic films has been **reduced from 10% to 2%**.
- Will provide relief to them since TDS @ 10% used to block their Working Capital.

## ➤ Corresponding change in the definition of Royalty as per Sec. 9(1)(vi):

- Clause (vi), Explanation 2, in clause (v), the words: ***“but not including consideration for the sale, distribution or exhibition of cinematographic films”*** omitted w.e.f. 01/04/2021 (AY 2021-2022).

# TCS PROVISIONS

w.e.f. 01/10/2020 

- Increasing Foreign Remittance/substantial non-filers observed.
- Sec 206C(1G)(a)- TCS on Remittance through LRS:
  - Collector: Authorized Dealer (AD)
  - TCS Rate: 5% (10% if no PAN/Aadhaar)
  - Threshold Limit: Rs. 7 lacs p.a.
- Sec206C(1G)(b)- TCS on purchase of Foreign Tour package:
  - Collector: Seller of an overseas tour package
  - Collectee: Person buying the overseas tour package directly/ through AD.
  - TCS Rate: 5% (10% if no PAN/Aadhaar)
  - No Threshold limit

# TCS PROVISIONS

- Sec. 206C(1G): TCS on repayment of Educational Loan:
  - Collector: Authorized Dealer
  - Purpose of Remittance: Repayment of Educational Loan
  - TCS Rate: **0.5% (Earlier 5% as applicable to other foreign remittances)**
  - Limit: **Rs. 7 lacs p.a.**
  - Lender of Loan: Financial Institution as defined in Sec. 80E.

# TCS PROVISIONS

w.e.f. 01/10/2020

## ➤ Sec. 206C(1H): TCS on Sale of Goods above specified limits:

- Collector: Seller whose turnover from business exceeds Rs.10 Crores during the immediately preceding F.Y.
- TCS Rate: **0.1%**
- Threshold Limit: On amount in excess of Rs. 50 lacs

### Issue Involved:

*Whether TCS provision applied even in case of import and export of goods ?*

### Amendment:

- **Goods exported outside India will not attract TCS.**
- **Buyer not to include any person importing goods in India.**

# Section 1940: TDS on payment of certain sums by e-commerce operator to e-commerce participant

## ➤ Existing Provisions:

- Deductor: E-Commerce Operator
- Deductee: E-Commerce Participant
- TDS Rate: 1%
- Threshold Limit: Rs. 5 lacs

w.e.f. 01/10/2020

## ➤ Definition of E-Commerce Operator:

A person who owns, operates or manages digital or electronic facility or platform for electronic commerce

and

**is responsible for paying to e-commerce participant (omitted).**

**➤ As per Sub-section 6 (newly introduced): E-commerce operator shall be deemed to be the person responsible for paying to e-commerce participant.**

# EQUALISATION LEVY

w.e.f. AY 2021-22

- Currently Equalization Levy (EL) @ 6% applicable only to Online Advertisement Services provided by Non-Resident E-com operator.
- **Scope of EL expanded (Sec. 165A):**
  - Payments to Non-Resident E-Com Operator for Supply of Goods/Services or both.
  - Rate: **2%**
- **Levy not be charged in following situations:**
  - E-commerce Operator has a PE in India.
  - Cases where EL is already charged u/s. 165 (Online Advertisement Service).
  - Sales/ Turnover/ Gross receipts of E-com Operator from E-com supplies/ services is **less than Rs. 2 crore** during the year.



# DIVIDEND TAX

## **AMENDMENTS:**

- ★ Taxation
- ★ TDS Provisions
- ★ Deductions

# Section- 10(34): DIVIDEND INCOME

- DDT abolished we.f. 01.04.2020.
- Dividend taxable in the hands of the Shareholder.
- Corresponding changes made in Sec. 10(34) and Sec. 115BBDA
- Issues involved:
  - *Taxability of dividend, declared before 01.04.2020 on which DDT is already paid, but received on or after 01.04.2020 ?*
    - *A Proviso is added in sec 10(34) stating that dividend received on or after 01.04.2020 which is subjected to DDT will also be exempt in the hands of the recipient.*



# SECTION 194K: TDS on Income in respect of Units

w.e.f. 01.04.2020

- Sec-194K: TDS on Income from Dividend and units of Mutual Funds:
  - Dividend payout on Shares and Mutual Funds will attract TDS @ 10%.
  - No TDS on dividend upto Rs. 5,000
  - **No TDS if income is in the nature of Capital Gains (newly inserted proviso).**

# Section 195: TDS Deduction in case of NRIs/Foreign Co.s

- Abolition of DDT and re-introduction of Dividend Taxation.
- TDS exemption provided to NRI/ Foreign Companies abolished w.e.f 01.04.2020.
- NRI TDS is also governed by DTAA.
- Amendment: Change in the TDS rates

Amendment  
in Part-II of  
First Schedule

## Earlier Rates (Rates in force):

Non-Residents Individuals- **30%**  
Foreign Companies- **40%**  
or as per DTAA  
Whichever is more beneficial

## Amended Rates

Non-Residents Individuals- **20%**  
Foreign Companies- **20%**  
or as per DTAA  
Whichever is more beneficial

# Section- 80M: Deduction in respect of Inter-corporate dividends

w.e.f. AY 2021-22

- Objective: To avoid double taxation.
- Dividend received:
  - By a Domestic Company
  - From a Domestic Company, **Foreign Company or a Business Trust (scope extended)**
  - Amount of Deduction: Lower of
    - Dividend received
    - Dividend distributed by the domestic company one month prior to the date for furnishing the ROI u/s. 139(1) i.e on or before 30th September.
- **Companies opting for Concessional Tax rates u/s. 115BAA (22%) or u/s. 115BAB (15%) are allowed deduction u/s. 80M.**

# Section-115BAC: Tax on Income of Individuals/HUF

w.e.f. AY 2021-22

- Deals with new Income Tax slabs applicable only to Individuals/HUF.
- Choice of New or Old Regime of Taxation:

Individuals/HUF not having Income from Business or <b>Profession</b>	Have choice to opt for new or old tax regime <i>every year</i>
Individuals/HUF having Income from Business or <b>Profession</b>	Only <i>one time choice</i> to opt for the tax regime

- 'Profession' is included by Amendment made in clause (i) of sub-section (5) of the said section.
- Chapter VI-A Deduction, SEZ Exemption (10AA), Set off of losses, Housing Loan interest, Additional Depreciation, LTA, PT, Medclaim, Donation ,etc not available under new tax regime.

# Section-115BAC: Tax on Income of Individuals/HUF

w.e.f. AY 2021-22

## ➤ Deductions Allowable:

- 80 JJAA: Deduction for Employment of New Employees
  - 80CCD(2): Contribution to NPS
  - Transport cost of differently abled persons
  - Conveyance Allowance for performance of office duties
  - Cost of Travel/Tour/ Transfer.
  - Daily Allowances given to Employees under certain circumstances.
- The Rates of Surcharge and Cess remain same for the New Tax Regime.

# AMENDMENTS IN CASE OF 10(23C) INSTITUTIONS

## ➤ Existing Provisions:

- Corpus donations received by the Institutions registered u/s. 10(23C) were considered to be part of its income.
- It had to be applied specifically for getting the exemption benefit, unlike in case of Trusts registered u/s. 12AA.
- Not able to build up their Corpus Fund.

## ➤ Amended Provisions:

- Explanation has been inserted to the Third Proviso to Sec. 10(23C).
- **Corpus Donations shall not form part of the total income.**
- Excluded from the requirement of mandatory application of corpus donation.

# AMENDMENTS IN CASE OF 10(23C) INSTITUTIONS

## ➤ Existing Provisions for Application of Income :


- Corpus Donation shall not be considered as an Application of Income in the hands of the donor in the following cases:

Situation	Trust-A (Donor)	Corpus Donation	Trust-B (Donee)
I	Trust registered u/s. 12AA	→	Trust registered u/s. 12AA
II	Fund/Trust/Institution registered u/s. 10(23C)		

# AMENDMENTS IN CASE OF 10(23C) INSTITUTIONS

➤ Consequential Amendment u/s. 10(23C) and Sec. 11 for Application of Income:

- Corpus Donation shall not be considered as an Application of Income in the hands of the donor in the following cases:

Situation	Trust-A (Donor)	Corpus Donation	Trust-B (Donee)
I	Any Fund/Trust/Institution registered u/s. 10(23C)		Any Fund/Trust/Institution registered u/s. 10(23C)
II	Trust registered u/s. 12AA		





**Covid-19**

**IMPACT ON COMPLIANCES  
UNDER THE VARIOUS ACTS**

- These changes have been incorporated by **The Taxation and Other Laws (Relaxation of Certain Provisions) Ordinance, 2020** dated 31.03.2020.
  
- From the Due Date extensions to waiver of penalty, eight different regulatory and statutory aspects were addressed. These were as follows:
  - **Income Tax**
  - **GST, Excise and Service Tax**
  - **Customs**
  - **Financial Services**
  - **Corporate Affairs**
  - **Insolvency and Bankruptcy Code (IBC)**
  - **Commerce**
  - **Fisheries**

# CHANGES IN THE INCOME TAX ACT

- Extension of the following compliance dates till **30/06/2020** falling due between the period **20/03/2020 to 29/06/2020**:
- Filing of Original/Revised **Returns/** any Return for FY 2018-19,
  - Filing of **Appeal, Reply, Application** (eg. u/s. 264),
  - Furnishing of any **Report, Document, Statement (TDS Return)**, etc,
  - Completion of any **proceeding**, passing of any **order**, issuance of any **notice** (eg- u/s. 148), intimation, notification, sanction/approval/any other action,
  - Extension of **Aadhar-PAN linking**.

# CHANGES IN THE INCOME TAX ACT

.....contd.....

- Investment/payment for claiming **Deduction under Chapter-VIA, Part-B**, eg- u/s. 80C (LIC, PPF, NSC etc.), u/s. 80D (Mediclin), u/s. 80G (Donations), etc.
- Making investment/construction/purchase for claiming roll over benefit / **deduction u/s. 54 to 54GB** in respect of Capital Gains.
- For claiming deduction u/s. 10AA for SEZ units, date for **Commencement of Operations which was on** or before 31/03/2020, extended to **30.06.2020**.

# CHANGES IN THE INCOME TAX ACT

- **Reduced Interest rate @ 9% p.a.** for payment of the following taxes due between 20/03/2020 to 29/06/2020, **if paid by 30/06/2020**:
  - Income Tax- TDS, TCS, Regular Assessment Tax, Tax in Intimation u/s. 143(1)
  - Equalization Levy
  - STT, CTT
- No late fee/penalty/prosecution.
- **Vivad se Vishwas Scheme**:
  - **Due date of 31.03.2020 substituted with 30.06.2020** i.e. No additional Tax /penalty/ interest/ fees, if payment made by 30/06/2020.
- Date for passing of order/ issuance of notice under **Benami Law** has also been extended to 30/06/2020.

# CHANGES IN THE INCOME TAX ACT

- Special Fund PM CARES FUND has been set up (w.e.f. 01/04/2020):
  - Donation made to the Fund eligible for **100% deduction u/s. 80G** of the IT Act.
  - Limit on deduction of 10% of Gross Income shall not be applicable for donation made to PM CARES Fund.
  - Included in Sec. 10(23C)(i) of the I.T. Act, 1961.

# CHANGES IN INDIRECT TAXES

## GST Provisions:

- Insertion of new Sec. 168A in the CGST Act, 2017: Power of Government to extend time limit in certain circumstances.
  - The Govt. may extend the time limit specified/ prescribed/ notified under the Act in respect of actions which cannot be completed/ complied due to *force majeure (includes COVID-19 declared as pandemic)*.

# CHANGES IN INDIRECT TAXES

## ➤ Relaxation in filing of GSTR-3B:

Turnover	Month	Original Due Date	Revised last date to file	Interest (if return filed after Orig. due date but before revised date)	Late Fees
Above Rs. 5 crores	Feb' 20	20.03.2020	24.06.2020	Nil Interest for 15 days, 9% interest thereafter on Tax due till 24.06.2020.	Nil
	Mar' 20	20.04.2020			
	April' 20	20.05.2020			
	May' 20	20.06.2020	27.06.2020	18% p.a. will be charged only after revised last date	Rs. 50 / day
Above Rs. 1.5 Cr upto Rs. 5 Cr	Feb' 20	22 / 24 March	29.06.2020	Nil	Nil
	Mar' 20	22 / 24 April			
	April' 20	22 / 24 May			
	May' 20	22 / 24 June	12 / 14 July	18% p.a. will be charged only after revised last date	Rs. 50 / day



# CHANGES IN INDIRECT TAXES

## ➤ Relaxation in filing of GSTR-3B (contd.....):

Turnover	Month	Original Due Date	Revised last Date to file	Interest (if return filed after Orig. due date but before revised date)	Late Fees
Upto Rs. 1.5 Cr	Feb' 20	22 / 24 March	30.06.2020	Nil	Nil
	Mar' 20	22 / 24 April	03.07.2020		
	April' 20	22 / 24 May	06.07.2020		
	May' 20	22 / 24 June	12 / 14 July	18% p.a. will be charged only after revised last date	Rs. 50 / day

# CHANGES IN INDIRECT TAXES

## ➤ Note:

- i. Due date has not been extended. Only relief is given by providing extension for limited period .
- ii. Interest @ 9% shall be applicable from Original Due Date (+ 15 days) till the date of filing, if filed on or before the extended Due Date.
- iii. Interest @ 18% shall be applicable from Original Due Date till the date of filing, if not filed on or before the extended Due Date.
- iv. No late fees if 3B filed by revised due date. If filed after extended due date, late fees chargeable from the Original due date till the date of filing.

## ➤ Relaxation in filing GSTR-1:

Irrespective of Turnover, for all the types of assessee, the due date for filing GSTR-1 for the month of March, April and May has been extended to 30.06.2020 without any late fees.

# CHANGES IN INDIRECT TAXES

- Condition of availing **Additional 10% ITC** over and above appearing in GSTR-2A will be applicable for cumulative period of **Feb to Aug**. Effect of said adjustment shall be given in GSTR-3B of Sept '20 (*Notification- 30/2020 dt. 03.04.2020*).
- Validity of E way- bills expiring between 20.03.2020 and 15.04.2020 is extended till 30.04.2020.
- Extension of the following compliance dates till **30/06/2020** falling due between the period **20/03/2020 to 29/06/2020**:
  - Composition Scheme:
    - Date for opting for the Scheme..
    - Last date for making payments for quarter ending 31st March, 2020 and filing of Return for FY 2019-20.
  - Issue of notice, notification, approval / sanction order, filing of appeal, furnishing of return, statements, applications, reports, any other documents.

# CHANGES IN INDIRECT TAXES

- Sabka Vishwas Legal Dispute Resolution Scheme 2019:
  - Extended to 30/06/2020.
  - No interest if paid by 30/06/2020.
  
- Other Acts (Customs Act, Central Excise Act, Service Tax):
  - 24X7 Custom clearance till end of 30th June, 2020.
  - Extension of the following compliance dates till 30/06/2020 falling due between the period 20/03/2020 to 29/06/2020:
    - Issue of notice, notification, approval/sanction order, filing of appeal, furnishing of return, statements, applications, reports, any other documents.

# CHANGES IN MCA REGULATIONS

- **No Additional Fees** for late filing during the moratorium period (01/04/2020 to 30/09/2020) for any document/ return/ statement, irrespective of its due date.
- **Time period** of 120 days between two consecutive **Board Meetings extended by 60 days** till next two quarters i.e. till 30/09/2020.
- **CARO' 2020** shall be made **applicable from FY 2020-2021** instead of FY 2019-2020.
- **Declaration** for commencement of business to be filed by **newly incorporated companies** within 180 days of incorporation **extended by more 180 days** (total 360 days).
- **No minimum residency of at least 182 days** by at least one director of the company will not be treated as non-compliance for FY 2019-20.

A blue ballpoint pen is shown in the upper right quadrant, angled downwards and to the left. The pen's tip is touching a white surface, and the words "Thank you!" are written in a black, cursive script that extends from the pen's tip towards the bottom left. The background is a plain, light gray.

*Thank you!*

A large, white thought bubble with a thick blue outline is positioned on the right side of the image. The bubble has a scalloped, cloud-like top edge and a small tail at the bottom. Inside the bubble, the words "ANY QUESTIONS?" are written in a blue, serif, all-caps font. The background behind the bubble is a dark gray.

ANY  
QUESTIONS  
?