



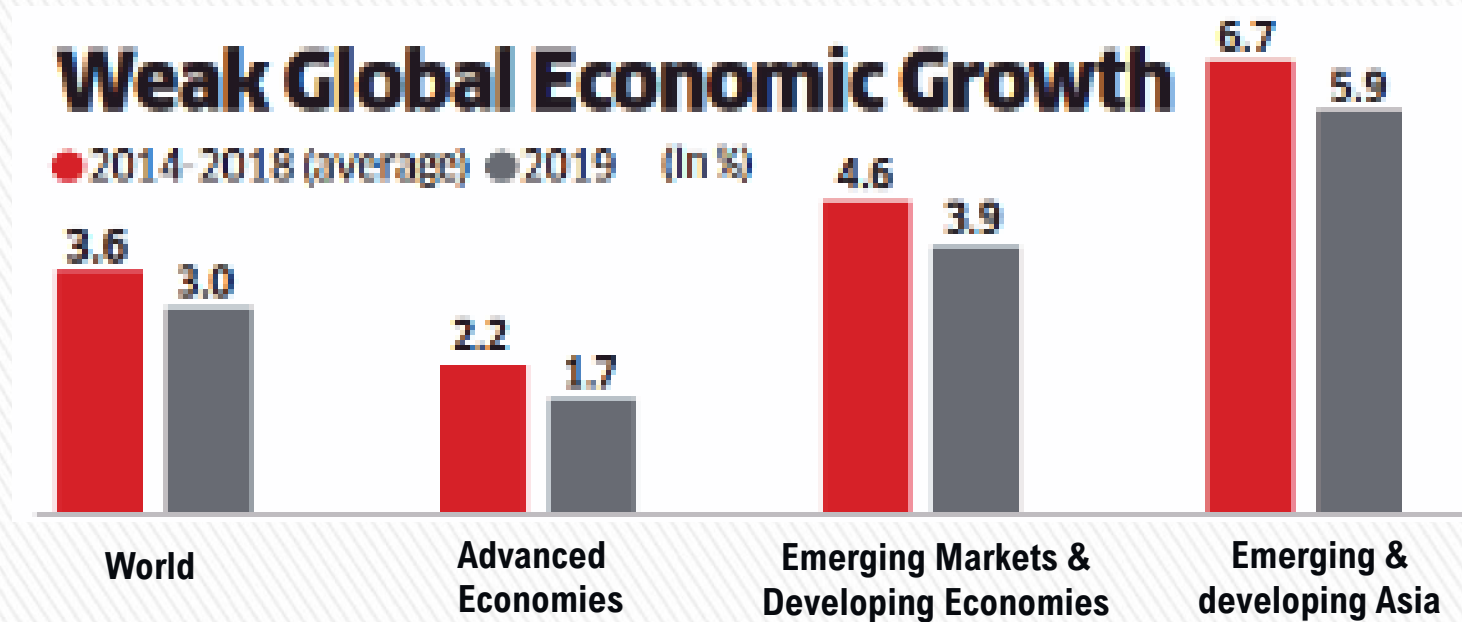
# **BUDGET OVERVIEW**

[Budget Analysis 2020-21](#)

## Growth Rate of GDP

Year	%
2016-17	8.2 %
2017-18	7.2%
2018-19	6.8%
2019-20	5.0%





## Global Economic Growth



## Wealth loss by Defaulters



Thousands of Crores



## **Banking Reforms Expected:**

- » Developers need to take a Haircut by reducing housing cost
- » No Full waivers of loans – Less Productive
- » Onus of Fostering Growth of PSBs
- » SEBI needs quality manpower with investment in technology and analytics
- » Legal Framework for Close-out Netting
- » Short Term Funds Creates Refinancing Risk



## Major Steps Since Budget

- » Corporation Tax Cut: Rs. 1.45 Lakh Cr
- » Infrastructure pipeline : Rs. 102 Lakh Cr
- » Real Estate Revival Fund : Rs. 10K Cr
- » Priority Sector Loan Norms - Additional Credit Flow : 68K Cr
- » New Duty Refund Scheme for Exporters : Rs. 50K Cr
- » Lifeline to Telecom Companies : Rs. 42K Cr
- » Re-Finance Window for Housing Finance Cos : Rs. 30K Cr
- » Surcharge on FPIs Withdrawn : Rs. 12K Cr.
- » IDBI Bank Capitalization : Rs. 4557 Cr



## Major Steps Since Budget

- » Additional Depreciation for car purchases to help reduce inventory pile up to Auto Sector
- » Review of Prosecution Norms under Companies Act
- » Merger of 10 public Sector Banks
- » Amendment in SEZ Rules
- » GST Simplicity Vs Complexity

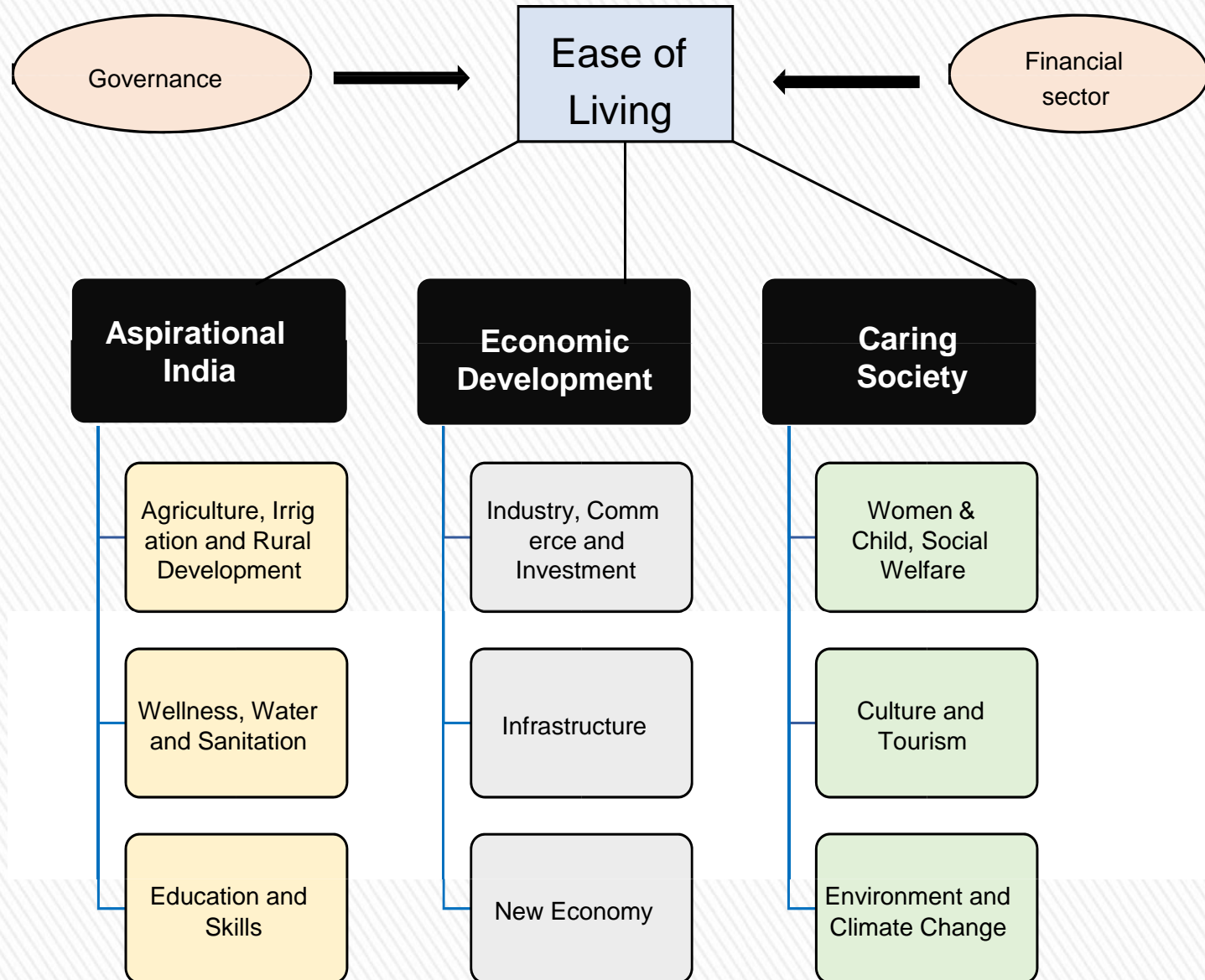


- » Understand all issues of 70 years cannot be resolved in 5 Years
- » More Focus on Economy & Job Creation
- » Ensure No Failure of Start-Ups & Industries
- » Double Agriculture Income
- » Believe in Colleagues & Team



# Bizzsol Prominent Themes of the Budget

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## Next Wave

- Digital Governance.
- Improve physical quality of life through National Infrastructure Pipeline
- Disaster Resilience.
- Social Security through Pension and Insurance penetration



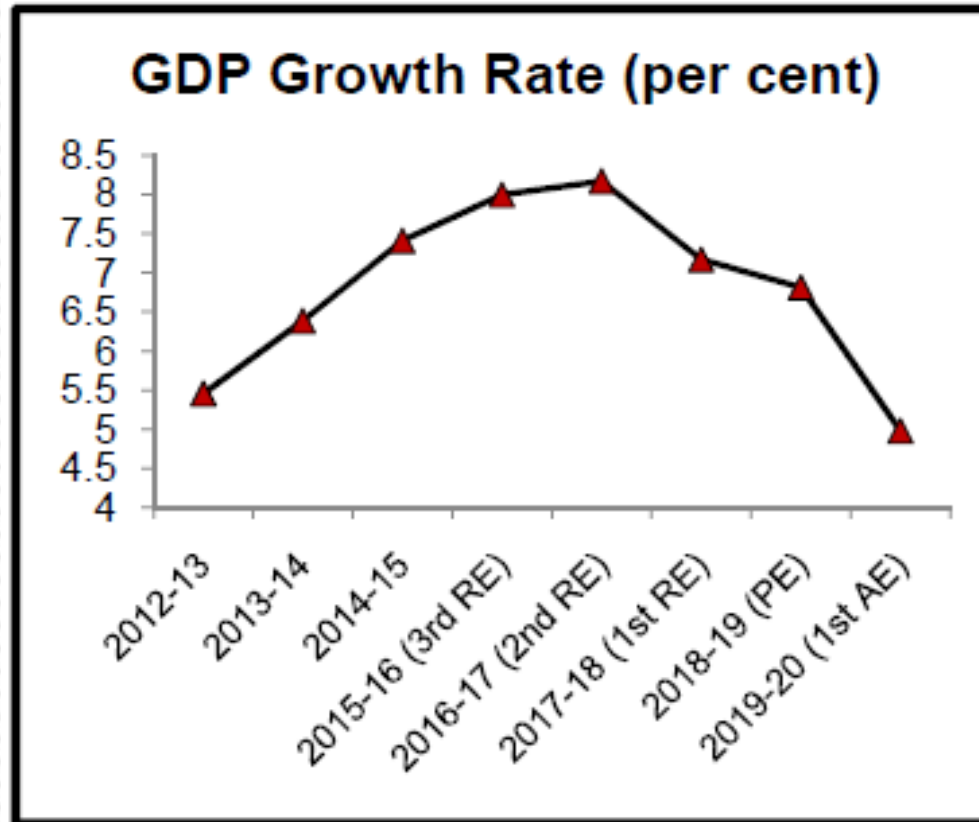
**Governance guided by “Sabka Saath, Sabka Vikas, Sabka Vishwas” with focus on:**

- Preventive Healthcare: Provision of sanitation and water
- Healthcare: Ayushman Bharat
- Clean energy: Ujjawala and Solar Power
- Financial Inclusion, Credit support and Pension
- Affordable Housing
- Digital penetration

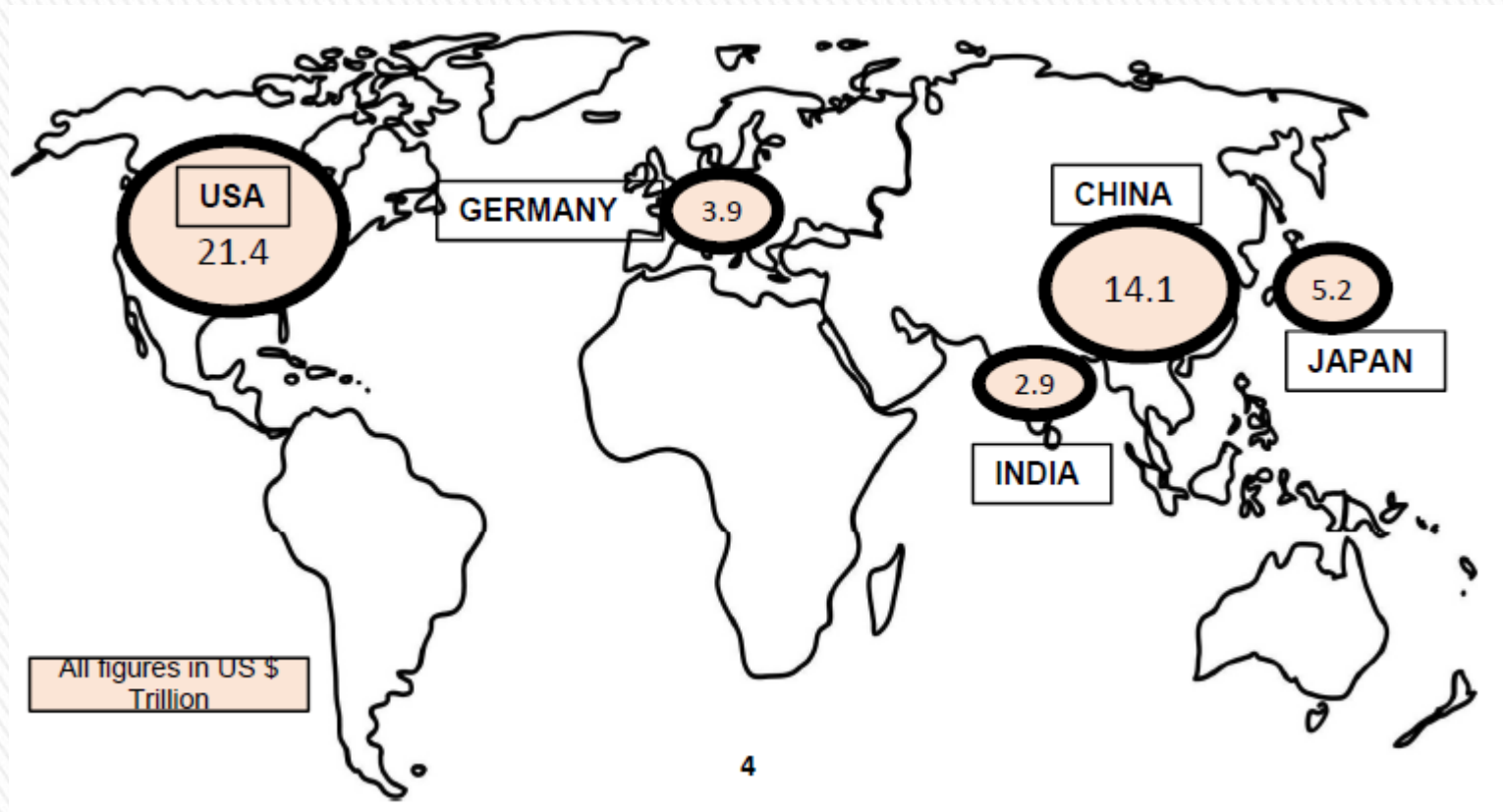


- Deposit Insurance Coverage to increase from Rs 1L to Rs. 5L per depositor.
- Eligibility limit for NBFCs for debt recovery under SARFAESI Act proposed to be reduced to asset size of Rs 100 Cr or loan size of Rs 50L.
- Proposal to sell balance holding of government in IDBI Bank.
- Separation of NPS Trust for government employees from PFRDAI.





**India is the 5th largest economy in the world in terms of GDP at current US \$ Trillion.**



PM KUSUM to cover 20 Lacs farmers for stand alone solar pumps and further 15 Lacs for grid connected pumps.

- Viability gap funding for creation of efficient warehouses on PPP mode.
- SHGs run Village storage scheme to be launched
- Integartion of e-NWR with e-NAM.

“Kisan Rail” and “Krishi Udaan” to be launched by Indian Railways and Ministry of Civil Aviation respectively for a seamless national cold supply chain for perishables

- **About 150 higher educational institutions will start apprenticeship embedded courses.**
- **Internship opportunities to fresh engineers by urban local bodies.**
- **Special bridge courses to improve skill sets of those seeking employment abroad.**
- **Knowledge Translation Clusters for emerging technology sectors**
- **Scaling up of Technology Clusters harbouring test beds & small scale manufacturing facilities.**
- **National Mission on Quantum Technologies and applications with an outlay of Rs.8000 crore proposed.**

- ❑ Scheme to encourage manufacturing of mobile phones, electronic equipment and semi conductor packaging.
- ❑ National Technical Textiles Mission for a period of 4 years.

- ❑ NIRVIK Scheme for higher export credit disbursement launched.
- ❑ Setting up of an Investment Clearance Cell to provide end to end facilitation.

- ❑ Extension of invoice financing to MSMEs through TReDs.
- ❑ A scheme to provide subordinate debt for entrepreneurs of MSMEs
- ❑ Scheme anchored by EXIM Bank and SIDBI to handhold MSMEs in exports markets.

**Lowest Corporate Tax Rate Cut in India**

- National Logistics Policy to be launched soon.
- Roads: Accelerated development of Highways.
- Railways: Four station redevelopment projects
- 150 passenger trains through PPP mode.
- More Tejas type trains for tourist destinations.
- Port: Corporatizing at least one major port.
- Air: 100 more airports to be developed under UDAAN.

Power: Efforts to replace conventional energy meters by prepaid smart meters

- ❑ Infrastructure Financing: Rs. 103 Lacs Cr. National infrastructure Pipeline projects announced.
- ❑ An international bullion exchange to be set up at GIFT City.



## Women & child, social Welfare

- More than 6 Lacs Anganwadi workers equipped with smart phones
- A Task Force to be appointed to recommend regarding lowering MMR and improving nutrition levels



## Culture & Tourism

- Proposal to establish Indian Institute of Heritage and conservation.
- 5 Archaeological sites to be developed as iconic sites
- A Museum on Numismatics and Trade to be established
- Tribal Museum in Ranchi
- Maritime Museum to be set up at Lothal



## Environment and Climate Change

- Coalition for disaster Resilient Infrastructure launched in September 2019.
- Encouragement to States implementing plans for cleaner air in cities above 1 million.



**“Action as against Bol  
Bacchan”**

**“Taxpayer Charter” to be  
implemented in letter & spirit**



# **CUSTOMS ACT 1962**

**Budget Analysis 2020-21**

- ❑ **Section 11: Power to prohibit importation or exportation of goods**
  - ❑ **Government have been empowered to prohibit importation & exportation of any goods. Earlier provision for Gold & Silver has been modified so as to enhance the scope and therefore any other goods have been added.**
  - ❑ **It is welcome move for make in India.**
- ❑ **Section 28 : Recovery of 62 [duties not levied or not paid or short-levied or short- paid] or erroneously refunded.**
  - ❑ **Rectification Corrected retrospectively.**
  - ❑ **Explanation 4 has been modified with retrospective effect from 29th March 2018 so as to negate judgement, decree or order of appellant tribunal or court or any other provisions of the law for recovery of duties for protecting the decision of appointed person before 4<sup>th</sup> July 2011 which had done the assessment.**
- ❑ **Section 28AAA : Recovery of duties in certain cases**
  - ❑ **Earlier only violation of FTDR was covered. Now Scope Enhanced.**
  - ❑ **Scope has been enhanced so as to include violation of any law not only FTDR.**



## ❑ **CHAPTER VAA: ADMINISTRATION OF RULES OF ORIGIN UNDER TRADE AGREEMENT**

- ❑ New Chapter has been inserted to prohibit the malpractices for availing preferential rate of duty benefit on account of Free Trade Agreement with different countries.
- ❑ Now importer have to furnish declaration Regional Value Content & products Specific Criteria and accurate truthful information. Mere Certificate of origin cannot be considered as a entitlement for availing preferential rate of duty .
- ❑ Officers have been empowered to refuse the benefit subject to adhering procedure prescribed.

## ❑ **CHAPTER VIIA : Payments through electronic cash ledger**

- ❑ It is a welcome provision. Rather than using the scrips or authorization such duty amount will be credited in electronic duty credit ledger which can be utilized for payment of customs duty.



❑ **Sec 51B : Ledger for duty credit.**

- ❑ It is a welcome provision. Rather than using the scrips or authorization such duty amount will be credited in electronic duty credit ledger which can be utilized for payment of customs duty.

❑ **Sec. 111 : Confiscation of improperly imported goods:**

- ❑ Insertion of new clause. If any person wrongly claims preferential rate of duty then powers have been given to confiscate such goods.

❑ **Sec 156 : General power to make rules.**

- ❑ Insertion of new clauses.

- ❑ Govt have been empowered to make rules with reference to certificate of origin for preferential rate of duty.



# **Customs Tariff Act 1975**

**Budget Analysis 2020-21**

- ❑ **Sec 8B : Power of Central Government to impose safeguard duty.**
  - ❑ Scope of imposing safeguard duty has been enhanced so as to include tariff rate quota to curb increased quantity of import which causes serious injury to domestic industries.
  - ❑ However, it can be imposed max upto 200 days but can be extended upto 4 years subject to adhering procedures prescribed.



- » Decision of WTO against case filed by US
- » No More Exports Subsidies
- » RoSCTL (Rebate of State and Central Taxes and Levies) Scheme – Detailed format not submitted
- » More Stiff Pricing Competition
- » US Stringent Policies
- » Overall World Recession
- » New Foreign Trade Policy
- » Negative Trade Notice of DGFT on Classification
- » Corona Virus



# GST – Each solution is adding to problems

**Regular Extensions  
of Due Dates**

**GST Audit**

**Section Vs. Rules  
Vs. GSTN System**

**E-Invoicing**

**New Tax  
Returns**

**GSTR-2A Matching –  
20%, 10% & ASMT-10**



# **Income Tax Act Analysis**

## **Budget Analysis 2020-21**

- ❑ **Section 6(1) and 6(6): w.e.f. AY- 2021-22**
  - ❑ **Currently if an individual is in India for a period of 182 days or more in a previous year, such individual is then said to be resident. From AY 2021-22, such period of 182 days is reduced to 120 days.**
  - ❑ **Further, currently an individual shall be Non Ordinarily Resident if satisfies following two conditions:**
    - **He has been Non Resident in India in at least 9 out of 10 immediately preceding previous years or**
    - **He has been in India for a period of 729 days or less during the last 7 immediately preceding previous years.**
  - ❑ **This two conditions are replaced with singular condition of being non resident in at least 7 out of 10 immediately preceding previous years**
  - ❑ **an Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India**



# Non-applicability of DDT w.e.f. 01<sup>st</sup> April 2020

- ❑ Since Dividend Distribution Tax (DDT) would not be required to pay on dividend distributed on or after 01<sup>st</sup> April 2020 and that such dividend shall be taxable in hands of recipient, slew of amendments have been made to ensure that, exemptions as otherwise available to recipient of dividend where such dividend was subjected to tax on its distribution, shall now not be available. List of such changes include:
  - ❑ Change in provisions of Sec 115O, 115R, 10(23D) to provide for tax on distribution made before 01<sup>st</sup> April 2020 only
  - ❑ Change in Sec 10(34), 10(35), 10(23FD), 115A, 115C, 115UA, 115BBDA with effect to withdraw exemption from tax levied on dividend received, since now no DDT shall be applicable.
  - ❑ Insertion of Sec 80M to remove cascading effect by allowing set off of dividend distributed. Sec 115BAA/115BAB (allowing companies to pay tax @22%/15% respectively) has also been amended to allow for claim of deduction u/s 80M.
  - ❑ Amend Sec 194 to include tax deduction on dividend payments and 194LBA to provide for business trusts to deduct tax @ 10%/5% in case of resident and non-resident respectively



# Non-applicability of DDT w.e.f. 01<sup>st</sup> April 2020 (*continued..*)

## ❑ Insertion of 194K (TDS) to provide as following:

❑ Any person responsible for paying resident any income in respect of units of MFs shall

❑ At the earliest of time of credit of such income to the account of payee or at time of payment thereof,

❑ Deduct tax @ 10% subject to threshold income limit of ₹ 5000, below which payment shall not be subjected to tax deduction

❑ Amend Sec 195 to withdraw exemption from deduction of tax on distribution of dividends to NRI. As such, distribution of dividend to NRI shall also be subjected to tax.

❑ Suitably amend Sec 196A, 196C and 196D to remove exclusion granted to dividend u/s 115O. As such dividend payment non-resident holders of units of MFs, FII, non-resident holder of shares of Indian company shall be subject to deduction of tax at source @ 20%.



# Non-applicability of DDT w.e.f. 01<sup>st</sup> April 2020 (*continued..*)

- ❑ Amendment in Sec 10(23FC) to provide for blanket exemption to dividend received from SPV in hands of business trust (such as REIT) and hence give a complete passthrough effect.
  - Earlier, such exemption was restricted to dividend received as referred in Sec 115O.
- ❑ Amendment in Sec 57 to allow for deduction of commission or remuneration paid for realizing dividend. Earlier such deduction was not available in respect of dividend referred in Sec 115-O which was not chargeable to tax in hands of shareholders. However, such deduction is maximum of 20% of dividend.



# Tax Collected At Source (TCS) (Continued..)

- ❑ TCS U/s 206C has been amended to include new entries :

New Entries (Person who shall collect tax)	Nature	TCS Rate
Authorized Dealers	Buyer asking remittance under LRS of an amount more than Rs 7 Lakhs in a FY	5% (In case of non-PAN buyer, it is 10%)
Seller of tour programs (overseas tours)	Sale of complete overseas tour package	5% (In case of non-PAN buyer, it is 10%)
Seller of goods	Individual or in aggregate, value exceeds Rs 50 Lakhs during a FY. Limit is separate for each buyer	0.1% on amount in excess of Rs 50 Lakhs (1% in case of non-PAN buyers)

# Tax Collected At Source (TCS) (Continued..)

- ❑ TCS U/s 206C has been amended to include new entries :
  - ❑ An authorised dealer receiving an amount or an aggregate of amounts of **seven lakh rupees or more** in a financial year for remittance out of India under the **LRS of RBI**, shall be liable to collect TCS, if he receives sum in excess of said amount from a buyer being a person remitting such amount out of India @5% (10% where PAN /Aadhaar not available).
  - ❑ A seller of an overseas tour program package who receives any amount from any buyer, being a person who purchases such package, shall be liable to collect TCS @ 5% (10% where PAN /Aadhaar not available).
  - ❑ Seller of goods (whose turnover exceeds **Rs 10 Cr.** in preceding financial year) is liable to collect TCS @ 0.1% on consideration received from a buyer, for a single transaction/ in aggregate in a previous year in excess of **Rs 50 Lakhs.** (1% where PAN or Aadhar not available)

- ❑ **Employer's Contribution to Superannuation Fund:**
  - ❑ **Now, perquisite in form of employer's contribution to Superannuation fund shall not be taxable if such contribution is less than or equal to ₹7.50 Lakhs. In this limit, contribution to NPS and recognized provident shall also be considered. Earlier this threshold was separately ₹1.50 Lakhs. Contribution in excess is taxable.**
  - ❑ **Now, any interest/dividend received on above contribution by employer shall also form part of value of perquisite and would be taxable in hands of employee, subject to limit of ₹7.50Lakhs**
- ❑ **Deemed value limit of 105% increased to 110% in case of sale of land or building or both as capital asset (50C) or otherwise as stock –in-trade (43CA) or in case of slump sale (Sec 50B). In other words, stamp duty value shall be deemed to be full value of consideration if it is more than 110% of consideration received. Earlier this cap was 105%.**
- ❑ **Similar amendment is made under Sec 56 relating to receipt of immovable property, where the deemed value over and above the actual value will be treated as income from other sources subject to that such deemed value is more than 110% of actual value.**



- ❑ Tax audit limit has been increased from ₹1 Cr to ₹ 5Cr, in order to ease compliance burden.
- ❑ However, if for an assessee, cash receipts/ payments are in excess of 5% of total receipts/ payments, then the limit shall remain Rs 1 Cr.
- ❑ Further, tax audit report would have to be submitted one month prior to due date of filing of return as specified u/s 139(1). In this regard, suitable amendments have been made in relevant sections which did require submission of ITR and audit report together. Such sections include 80-IA, 80-IB, Sec 115JB & 115JC



- ❑ Benefit of deduction not exceeding Rs. 1.50 Lakhs (u/s 80EEAA) available to an individual in respect of loan sanctioned and taken for certain house property (loan amount is less than Rs 45 Lakhs) has been extended till 31<sup>st</sup> March 2021, in a relief to housing sector.
- ❑ Deduction u/s 80G/80GGA shall now be available subject furnishing of a statement by donee institution regarding donation received. Donee institution shall be imposed with fee/penalty in case of failure to do so.
- ❑ Deduction u/s 80GGA of donation in cash for scientific research or rural development is restricted to only ₹2,000 instead of now-earlier limit of ₹10,000
- ❑ Eligible start-ups with a turnover of up to ₹ 100 Cr (earlier it was ₹25Cr only) now can avail benefit of deduction 100% of profit and gains from business in any 3 consecutive out of 10 assessment years from date of incorporation. Such option period was 7 years till this change.
- ❑ Deduction u/s 80-IBA in respect of profit and gains from housing projects shall now be further available to housing projects approved during 01<sup>st</sup> April 2019 to 31-Mar-2020



# Safe harbour Rules/ Advance Pricing Agreements/ Thin Capitalization

- ❑ Since Safe Harbour Rules (SHR)/ Advance Pricing Agreements (APA) have been able to reduce significant litigations in case of transfer pricing between associated enterprises, the benefits of same shall now be further extended to attribution of income to permanent establishment of non-residents
- ❑ Thin capitalization provisions have been relaxed to exclude interest paid in respect of a debt issued by a lender which is a PE of a non-resident, being a person engaged in the business of banking, in India.



# *Bizsol* Tax on Income of Individuals and HUF

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## ❑ Insertion of Section 115BAC :

- ❑ An individual or an HUF have an option to pay income tax at concessional rate subject to no deductions from income.
  - ❑ Assessee having business income, can opt for the scheme and may withdraw from such scheme, in subsequent year. However, they cannot re-opt for this concessional scheme as long as they have income under the head *profit and gains from business/ profession*.
  - ❑ *Assessee having no business income, can decide to opt for such concessional scheme separately for each assessment year.*
- ❑ An individual or HUF opting for the new regime shall not be allowed to carry forward Alternate Minimum Tax credit.

# *Bizzsol* Tax on Income of Individuals and HUF (continued..)

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- ❑ The total income of the individual or HUF shall be computed without considering exemptions, deductions and set off of losses. These are specified below :

Exemptions	Deductions	Set off
10(5) : Travel concessions	Chapter VI-A deductions	Of House Property with any other head
10(13A) : Special Allowance to meet rent	Section 16 : Salary related deductions (standard deduction of Rs 50,000)	Additional depreciation u/s 32
10(14) : Allowance to meet expenses in performance of duty	24(b) : Deduction of interest payable on borrowed capital for house property.	Carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred in Column (i) and (ii))
10(32) : In respect of income of a minor child included in total income	Section 57(iia) : Deduction in respect of family pension	
	Section 80CCD : Deduction in respect of contribution to pension	

# Tax on Income of Individuals and HUF (continued..)

□ The slab rates under the optional new tax regime are as under:

Total income	Rate of Tax
Upto Rs 2,50,000	NIL
From Rs 2,50,001 to Rs 5,00,000	5%
From Rs 5,00,001 to Rs 7,50,000	10%
From Rs 7,50,001 to Rs 10,00,000	15%
From Rs 10,00,001 to Rs 12,50,000	20%
From Rs 12,50,001 to Rs 15,00,000	25%
Above Rs 15,00,000	30%

# *Bizzsol* Tax on Income of Individuals and HUF (continued..)

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## □ Illustration for Middle Income Group

Particulars	Old regime	New regime
Gross Salary	8,00,000	8,00,000
Standard Deduction U/s 16(ia)	50,000	0
Salary Income	750,000	800,000
Deduction U/s 24(b)	0	0
Deduction U/s 80C	70,000	0
Deduction U/s 80D	0	0
Taxable Income	680,000	800,000
Tax (including cess)	50,440	46,800

Particulars	Old regime	New regime
Gross Salary	8,00,000	8,00,000
Standard Deduction U/s 16(ia)	50,000	0
Salary Income	750,000	800,000
Deduction U/s 24(b)	0	0
Deduction U/s 80C	1,00,000	0
Deduction U/s 80D	25,000	0
Taxable Income	6,25,000	800,000
Tax (including cess)	39,000	46,800

# **Bizzsol** Tax on Income of Individuals and HUF (continued..)

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## Illustration for upper middle- and high-Income Group

Particulars	Old regime	New regime
Gross Salary	12,00,000	12,00,000
Standard Deduction U/s 16(ia)	50,000	0
Salary Income	11,50,000	12,00,000
Deduction U/s 24(b)	1,00,000	0
Deduction U/s 80C	150,000	0
Deduction U/s 80D	30,000	0
Taxable Income	8,70,000	12,00,000
Tax (including cess)	89,960	1,19,600

Particulars	Old regime	New regime
Gross Salary	20,00,000	20,00,000
Standard Deduction U/s 16(ia)	50,000	0
Salary Income	19,50,000	20,00,000
Deduction U/s 24(b)	2,00,000	0
Deduction U/s 80C	1,50,000	0
Deduction U/s 80D	50,000	0
Taxable Income	15,50,000	20,00,000
Tax (including cess)	2,88,600	3,51,000

# Tax on Income of resident co-operative society

- ❑ **Section 115BAD provides special tax rate for resident co-operative societies.**
  - ❑ **A resident co-operative society now has an option to discharge their tax liabilities at a rate of 22% starting from P.Y 2020-21.**
  - ❑ **Such lower rate can be availed by foregoing exemption of section 10AA(Special provision for a new SEZ) and deductions under chapter VI-A, section 32(additional depreciation),32AD(Additional 15% deduction on P&M for a new establishment in backward area, 33AB(Tea development account), 33ABA(Site restoration fund), 35(2AA) (Scientific research), 35AD(specified businesses), 35CCC(Exp on agriculture extension projects).**
  - ❑ **Any set off-of Loss or depreciation from earlier assessment years shall also be prohibited for those opting to pay tax at lower rate of 22%.**
  - ❑ **A resident co-operative society opting for the new tax regime will not be allowed to carry forward their Alternate Minimum Tax credit.**
  - ❑ **The option must be exercised before filing the return of income and once exercised in any year will be applicable for all subsequent years. In other words, once adopted, assessee cannot revert to old scheme.**

# Tax Deducted at Source (continued..)

❑ **Section 192 has been amended to ease burden on employees on account of tax deduction at source on perquisites received in form of sweat equity shares . This relief is in form of postponement in deduction and collection, in manner specified below:**

❑ a person, **being an eligible start-up referred to in section 80-IAC**, responsible for paying any income to the assessee being perquisite of the nature specified in clause (vi) of sub-section (2) of section 17 of the Act, in any previous year relevant to the assessment year 2021-22 or subsequent assessment year, deduct or pay, as the case may be, tax on such income within fourteen days —

(i) after the expiry of forty-eight months from the end of the relevant assessment year; or

(ii) from the date of the sale of such specified security or sweat equity share by the assessee; or

(iii) from the date of which the assessee ceases to be the employee of the person;

whichever is the earliest based on rates in force of the financial year in which the said specified security or sweat equity share is allotted or transferred



# Tax Deducted at Source (continued..)

- ❑ **Section 194 has been suitably amended to remove reference to Sec 115-O.**
  - ❑ Further, threshold for deduction of tax has been increased from ₹2500 to ₹5000
- ❑ **Since limit for tax audit has been increased to ₹ 5Cr, it was important to amend TDS sections which were applicable to *individuals/HUF liable to be audited under Sec 44AB.***
  - ❑ As such Sec 194A, 194C, 194H, 194I, 194J have been suitably amended and are now applicable to individuals/ HUF only if their turnover from business exceeds Rs.1 Crore or gross receipts from profession exceeds Rs.50 lakhs.
- ❑ **Amendment has been made in 194C to expand the scope of the section.**
  - ❑ Earlier TDS was not required to be deducted if work was done on material supplied by person other than the customer. Now work done on material supplied by a person who is associate or related to customer is also brought into ambit of the act.



# Tax Deducted at Source (continued..)

- ❑ **TDS on Fee for professional or technical services U/s 194J**
  - ❑ The TDS on fee for technical services has been reduced to 2% from the prior rate of 10%
  - ❑ TDS in case of professional services shall remain at 10%.
  
- ❑ **TDS on income by way of interest from an Indian company U/s 194LC**
  - ❑ TDS is deductible at a rate of 5% on interest payable to non resident (including foreign company) by specified Indian companies or business trust.
  - ❑ Concessional deduction rate was applicable on interest of loan agreements , long term infrastructure bonds, rupee denominated bonds issued upto 01<sup>st</sup> July , 2020.
  - ❑ The finance act has amended the provision to attract an increased foreign funding and extended the date upto 01<sup>st</sup> July , 2023.

# Tax Deducted at Source (continued..)

- ❑ TDS U/s 194LD on payment of interest to FII(foreign institutional investor) or QFI(Qualified Foreign Investor) on rupee denominated bonds of Indian company or govt. securities
  - ❑ TDS is deductible at a concessional rate of 5%. Amendment has been done on same lines as 194LC and the sunset clause has been extended upto 1<sup>st</sup> July, 2023.
  - ❑ Investments made by payee in municipal debts have also been brought within the scope of this section.
  
- ❑ New section 194O has been inserted wherein the e- commerce operator shall deduct TDS @ 1% on gross amount of goods or services or both for any sum credited or paid to ecommerce participant. However incase where the e-commerce participant is individual or HUF, TDS shall be deductible only if sale during previous year exceeds **Rs.5 lacs** and Pan or Aadhar has been furnished to the e-commerce operator.
  
- ❑ Where PAN is not furnished by e-commerce participant, a higher rate of tax at a rate of 5% shall be deducted (Section 206AA)

# Tax Deducted at Source *(continued..)*

- ❑ Section 203AA which facilitated the preparation and delivery of statement of particulars of tax paid and deducted (26AS) has been omitted w.e.f 01<sup>st</sup> June, 2020. Instead Annual information statement will be uploaded by the department in respective assess account on the income tax portal.

- ❑ Sec 12AA, under which currently registrations are granted to charitable trusts for purpose of availing benefits of Sec 11/12, would not be applicable after 31<sup>st</sup> May 2020.
- ❑ Instead, Sec 12AB shall be applicable for granting registrations to charitable trusts for purpose of Sec 11/12, and among other things, it specifies for online application for registration of existing or new trusts.
  - ❑ Existing trusts/ institutions registered under Sec 12AA, will have to obtain registration under new provision within 3 months of Finance Bill coming into force.
- ❑ Suitable amendments have been made under different sections of Income Tax Act so as to enable trusts that has obtained registration under new section 12AB to claim exemption benefits, in line with as were for Sec 12AA. Such amended sections include Sec 56, 115TD (tax on accreted income)



- ❑ In order to further reduce tax litigations, government has announced a similar scheme in this year as well called as *Vivad Se Vishwas* scheme
- ❑ Under this scheme, **a taxpayer would be required to pay only the amount of the disputed taxes and will get complete waiver of interest and penalty provided he pays by 31st March, 2020.**
- ❑ Those who avail this scheme after 31st March, 2020 will have to pay some additional amount. The scheme will remain open till 30th June, 2020.
- ❑ Procedural and other details are yet to be notified for this scheme.

# Other Miscellaneous Amendments.

- ❑ Section 250(6B) is a newly inserted provision in procedure of appeals to employ faceless appeals in addition to pre-existing faceless assessments. The provision states the vision and mission of faceless appeals.
- ❑ Proviso Section 254(2A) allows grant of stay of order of CIT ( appeals) by the tribunal after considering the merit of the application made by the assessee. Now in addition the assessee will be required to deposit a sum not less than 20% of tax, interest, fee or penalty payable.
- ❑ Newly inserted section 271AAD levies penalty if it is found that books maintained has false entry or omission of entry which is relevant to computation of income and such act is done to evade tax. A penalty equivalent to value of such false, omitted entry shall be imposed.
- ❑ Penalty shall now be leviable on research institution, universities or colleges as referred to in Sec 35 or institution/ fund as referred to in Sec 80G, for failure to furnish a statement of donations received/ failure to provide a certificate to donor. Penalty shall be minimum of ₹ 10,000 but which may further extend to ₹ 1,00,000.

# Other Miscellaneous Amendments (*continued..*)

- ❑ Taxpayer charter would be brought into existence to ensure taxpayers' rights are clearly enumerated in law and a trust system is developed between taxpayers and administration.



UNION BUDGET  
केन्द्रीय बजट

# CUSTOMS DUTY CHANGES

Budget Analysis 2020-21

# Customs Update

Hon'ble Finance Minister, Nirmala Sitharaman in her Budget Speech has put forth the objectives for making changes in Customs Duty:

- A number of measures have been taken for ease of doing business, for providing a level playing field to domestic manufacturers, particularly the MSME sector and for securing borders
- Employment generation
- Make In India

Finance Minister further stated that India has made considerable progress in manufacture and export of medical equipment under Ayushman Bharat initiative. To give further boost to this sector, with a twin objective, Health Cess has been imposed on the import of medical devices and said cess will be utilised for creation of infrastructure for health services in the aspirational districts

# Customs Tariff changes

## **Chapter 1:**

1) BCD on Pure bred breeding horse falling under tariff item 0101 21 00 where duty was 30% earlier but now has been exempted.

## **Chapter 2: No Change**

## **Chapter 3:**

1) Tuna Bait having tariff item 0303 which was earlier exempted will now attract BCD at 30%.

## **Chapter 4:**

1) Milk and cream (Powder, granules for other solid form) falling under tariff item 040210 or 04022100 where duty was earlier at 15% but now has been revised to 60%.

2) Butter, ghee and butter oil falling under tariff heading 0405 where duty was earlier at 30% but now has been revised to 40%.

3) Whey falling under tariff item 0404 10 10 and 0404 90 90 and Cheese falling under tariff item 0406 90 00 where duty was earlier at 30% but now has been revised to 40%. Also it is now exempted from levy of Social Welfare Surcharge.

# Customs Tariff changes

## **Chapter 5:**

- 1) Pancreas (products of animal origin) falling under Chapter 5 where duty was earlier at 5% but now has been revised to 30%.
- 2) Conch Shell falling tariff item 0508 00 where duty was earlier at 5% but now has been revised to 30%.

## **Chapter 6:**

- 1) BCD on Bulbs, tubers etc or other live plants falling under tariff heading 0601 and 0602 has been increased from 5% to 10%. Also it is now exempted from levy of Social Welfare Surcharge.

## **Chapter 7:** No change

## **Chapter 8:**

- 1) BCD on Walnuts, shelled falling under tariff item 0802 32 00 has been increased from 30% to 100%. Walnuts, in shell and Walnuts Shelled falling under tariff item 0802 31 00 and 0802 32 00 now been exempted from levy of Social Welfare Surcharge.
- 2) Shelled Almonds, falling under tariff item 0802 12 00 has now been exempted from levy of Social Welfare Surcharge.

# Customs Tariff changes

## **Chapter 9:** No Change

## **Chapter 10:**

1) BCD on Meslin and durum wheat seeds and seeds of wheat falling under tariff item 1001 99 20, 1001 11 00 and 1001 99 00 which was earlier exempted will now be charged at 100%. Also it is now exempted from levy of Social Welfare Surcharge.

3) Exemption from BCD on Maize falling under tariff item 1005 90 has been withdrawn now it will attract tariff rate 60% and exempted from levy of Social Welfare Surcharge.

## **Chapter 11:** No Change

## **Chapter 12:**

1) BCD on Sugar Beet Seeds falling under tariff item 1209 10 00 has been increased from 5% to 30%.

## **Chapter 13:** No Change

# Customs Tariff changes

## **Chapter 14:**

- 1) Concession of BCD for import of Bamboo for use in the manufacture of Agarbatti is available at 10% subject to IGCRD procedure as per Customs Rule, 2017.

## **Chapter 15:**

- 1) Concessional benefit has been withdrawn on Crude sunflower seed or safflower oil falling under sub heading 1512 12.
- 2) BCD on Refined rape, colza or mustard oil falling under 1514 19 and 1514 99 has been increased from 45% to 70%.
- 3) Concessional rate of BCD on Margarine, animal or vegetable fats and oils falling under tariff heading 1517 and 1518 has been increased from 80% to 100%.
- 4) Concessional rate of BCD on Crude glycerol, glycerol water and glycerol lyes (other than crude glycerin) falling under tariff item 1520 00 00 has been increased from 20% to 30%.

## **Chapter 16:** No change

# Customs Tariff changes

## **Chapter 17:**

- 1) Concessional BCD on Raw Sugar falling under tariff heading 1701 has been increased from 25% to 100%.
- 2) Concessional BCD on Dextrose Monohydrate, 1702 has been increased from 20% to 30%.
- 3) Concessional BCD on Molasses resulting from refining of sugar falling under tariff heading 1703 has been increased from 10% to 30%.
- 4) Concessional BCD on Chewing Gum falling under 1704 10 00 has been increased from 30% to 45%. Also it is now exempted from levy of Social Welfare Surcharge.

## **Chapter 18 & 19:**

- 1) Concessional BCD on food preparations for infant use and put up in retail sale falling under tariff item 1806 90 has been increased from 17.5% to 30% and for tariff item 1901 10 has been increased from 30% to 50%. Also it is now exempted from levy of Social Welfare Surcharge.

# Customs Tariff changes

## **Chapter 20:**

- 1) Concessional BCD on preserved potatoes falling under tariff heading 2004 10 00 has been increased from 30% to 35%.
- 2) Concessional BCD on Peanut Butter falling under tariff heading 2008 11 00 has been increased from 7.5% to 30%.

## **Chapter 21:**

Orange Juice falling under tariff items 2009 11 00, 2009 12 00 and 2009 19 00 is now exempted from levy of Social Welfare Surcharge.

## **Chapter 22:**

- 1) Concessional BCD on Wine, for use as sacramental wine falling under chapter 22 has been increased from 30% to 150%.
- 2) Concessional BCD on Angostura bitters falling under tariff heading 2208 has been increased from 5% to 150%.

## **Chapter 23:**

- 1) Fin Fish Feed falling under tariff item 230120, 2309 90 32, 2309 90 39 which was earlier exempted will now attract BCD at 30%.

# Customs Tariff changes

## **Chapter 23:**

2) Concessional BCD on Dietary soya fibre falling under tariff heading 2304 has been increased from 15% to 30%.

**Chapter 24 to 26: No change.**

## **Chapter 27:**

1) BCD on Bunker Fuel, Very Low Sulphur Fuel Oil (VLSFO) reduced from 10% to Nil.

2) BCD on Naphtha, when imported by Ratnagiri Gas and Power Private Limited (RGPPL) and electrical energy generating company, for use in generation of electricity which was earlier exempted will now attract BCD at 10%.

3) BCD on Propane falling under tariff item 2711 12 00 and Butane falling under tariff item 2711 13 00 reduced from 5% to 2.5%.

4) BCD on Calcined Petroleum Coke falling under tariff item 2713 12 10, 2713 12 90 reduced from 10% to 7.5%.

5) BCD on Electrical Energy falling under tariff item 2716 00 00 will now be charged at ₹ 2000/1000kwh.

# Customs Tariff changes

## **Chapter 28:**

1) BCD on all goods including Noble metal compounds and Noble Metal Solutions falling under tariff heading 2843 has been increased from 7.5% to 10%.

## **Chapter 29:**

1) Concessional BCD on Butyl acrylate falling under tariff heading 2916 12 10 has been increased from 5% to 7.5%.

## **Chapter 30:**

1) Japanese Encephalitis (JE) vaccine, imported by the Andhra Pradesh Government through UNICEF which was earlier exempted will now attract BCD at 5%.

## **Chapter 31:**

1) BCD on Kyanite salts, in a form indicative of their use for manurial purpose has been increased from 5% to as per tariff rate.

**Chapter 32 to 34:** No Change

# Customs Tariff changes

## **Chapter 35:**

1) BCD on Isolated soya protein has been increased from 10% to 30%.

## **Chapter 36:** No Change.

## **Chapter 37:**

1) Concessional BCD on Colour positive unexposed cinematographic film in jumbo rolls and colour negative unexposed cinematographic film in rolls of 400 feet and 1000 feet falling under Chapter 37 has been increased from 5% to 10%.

2) Concessional BCD on Instant print film falling under tariff item 3701 20 00 has been increased from 5% to 10%.

3) BCD on Cinematographic films, exposed but not developed has been increased to 10%.

## **Chapter 38:**

1) BCD on Platinum and Palladium falling under tariff sub-heading 3815 12 has been reduced from 12.5% to 7.5% subject to actual user condition.

# Customs Tariff changes

## **Chapter 39:**

- 1) BCD on Polymers of styrene falling under tariff heading 3903 has been reduced from 10% to 7.5%.
- 2) Compostable polymer or bio-plastic used in the manufacture of bio-degradable agro mulching films, nursery plantation pots and flower pots falling under 3913 90 90 was earlier exempted now charged at 7.5%
- 3) Concessional BCD on Water blocking tape for use in the manufacture of insulated wires and cables falling under tariff item 3919 90 00 has been increased from 5% to 10%
- 4) BCD on Subbed polyester base, imported by M/s Hindustan Photo Films manufacturing Company Limited, for the manufacture of medical or industrial X-ray films and graphic art films falling under heading 3902 was earlier exempted but now will be charged at 10%.

**Chapter 40:** No Change.

**Chapter 41:** BCD on patent leather was earlier exempted but now will be charged at 10%.

**Chapter 42:** No Change.

**Chapter 43:** BCD on raw and tanned furskin falling under headings 4301 and 4302 has been increased from Nil to 15% for 4301.

**Chapter 44 to 47:** No Change.

# Customs Tariff changes

## **Chapter 48:**

- 1) BCD on Newsprint falling under heading 4801 and uncoated newspaper used in printing of newspaper has been reduced from 10% to 5%.
- 2) BCD on Lightweight coated paper weighing up to 70g/m<sup>2</sup>, imported by actual users for printing of magazines is being reduced from 10% to 5% subject to IGCRD procedure as per Customs Rule, 2017.

## **Chapter 49 to 53: No Change**

## **Chapter 54:**

- 1) BCD on Dyed Polyester shirtings, suitings, sarees, Terylene and dacron sarees falling tariff item 5407 52 has been increased from 20% or ₹ 38 per sq. metre to 25% or ₹ 38 per sq. metre whichever is higher

## **Chapter 55-63: No Change**

## **Chapter 64:**

- 1) BCD on goods falling under tariff heading 6401 to 6405 (Footwear) has been increased from 25% to 35% and for tariff heading 6406 (Parts of Footwear) has been increased from 15% to 20%.

# Customs Tariff changes

**Chapter 65-66:** No Change

**Chapter 67:**

1) BCD on Artificial Flowers, Foliage and Fruit and Parts Thereof; Articles Made Of Artificial Flowers, Foliage Or Fruit falling under chapter heading No. 6702 has been increased from 10 % to 20%.

**Chapter 68:** No Change

**Chapter 69:**

1) BCD on Tableware, Kitchenware, Other Household Articles and Toilet Articles falling under Chapter heading no. 6911 has been increased from 10 to 20%.

**Chapter 70:**

- 1) BCD on Articles of Jewellery and parts thereof falling under heading 7013 is being increased from 10% to 20%
- 2) Glass beads falling under tariff item 7018 is being increased from 10% to 20 %

# Customs Tariff changes

## Chapter 71:

- 1) BCD on Rubies ,Emeralds, sapphires and unset and imported uncut, Rough coloured gemstones, Rough semi precious stone, Preforms of precious and semi precious stones falling under heading 7103 & 7104 where earlier duty was NIL but now has been revised to 0.5%.
- 2) Gold in the form of wire, ribbon, preform of purity 99.99 % & Gold wire with phosphorous or antimony doping used in manufacture of specified goods which was earlier exempt has now been chargeable at 12.5%
- 3) BCD on Platinum or Palladium for use in the manufacture falling under tariff heading 7110 where earlier duty was 12.50% but now has been reduced to 7.50%.
- 4) BCD on Spent catalyst or ash containing precious metals falling under tariff heading 7112 where earlier duty was 12.50% but now has been reduced to 11.85%.
- 5) BCD on Coins other than gold coin falling under heading 7118 where earlier duty was 10% but now has been enhanced to 12.5%.

# Customs Tariff changes

**Chapter 72:** No Change.

**Chapter 73:**

- 1) BCD on Table, kitchen or other household articles etc of iron falling under tariff 7323 is increased from 10% to 20%.

**Chapter 74:**

- 1) BCD on Table, kitchen or other household articles etc of Copper falling under heading 7418 where earlier duty was 10% has now been revised to 20%.

**Chapter 75:** No Change.

**Chapter 76:**

- 1) BCD on Table, kitchen or other household articles etc of Aluminum falling under heading 7615 where earlier duty was 10% is now revised to 20%.

**Chapter 77:** No Change

# Customs Tariff changes

## **Chapter 78:**

- 1) 1.BCD on Lead bars, rods, profiles and wire falling under heading 7806 where earlier duty was 5% is now revised to 10%.

## **Chapter 79:**

- 1) BCD on Zinc tubes, pipes and tube or pipe fittings falling under heading 7907 where earlier duty was 7.50% is now revised to 10%.

## **Chapter 80:**

- 1) BCD on Tin plates, sheets and strip falling under heading 7806 where earlier duty was 5% is now increased to 10%.

**Chapter 81:**No change.

**Chapter 82:**No change.

## **Chapter 82:**

- 1) BCD on Padlocks And Locks, Key Combination under heading 8301 has been increased to 10% from 5%

# Customs Tariff changes

## Chapter 84:

- 1) BCD on compressor of refrigerators falling under tariff item 8414 30 00 and compressor of air conditioners falling under tariff 8414 80 11 has been increased from 10% to 12.5%. (SWC)
- 2) BCD on refrigerator and freezing equipment falling under tariff heading 8418 has been increased from 7.5%/10% to 15%.
- 3) BCD on specified goods required for manufacture of Optical Disk Drives was earlier exempted will now be charged as per tariff.
- 4) BCD exemption on Parts for manufacture of printers falling under sub heading 8443 32 except 8443 99 51, 8443 99 52, 8443 99 53 and CD writers falling under 8471 has been removed and will now be charged as per tariff.
- 5) BCD on catalytic converters falling under tariff items 8421 39 20 and 8421 39 90 has been increased from 10% to 15%.
- 6) All goods other than catalytic converters falling under tariff items 8421 39 20 and 8421 39 90 will be charged as per tariff. (SWC)

# Customs Tariff changes

## Chapter 84:

- 1) i) BCD on different kinds of fans falling under sub heading 8414 51 (except railway carriage) has been increased from 10% to 20%. (SWC)
  - ii) BCD on railway carriage fans under tariff item 8414 51 40 has been increased from 7.5% to 10%.
  - iii) BCD on wall fans falling under tariff item 8414 51 50 and other goods under tariff 8414 51 90 has been increased from 7.5% to 20%.
  
- 1) BCD on parts and components and Goods specified in List 10 required for use in high voltage power transmission project has been increased from 5% to 7.5%.
  
- 2) BCD on pressure vessel for tariff item 8419 89 10 has been increased from 7.5% to 10%.
  
- 3) BCD on (A) Sprinklers and drip irrigation systems for agricultural and horticultural purposes; (B) Micro Irrigation equipment and Poultry Incubators and Brooders has been increased from 5% to 7.5%. (SWC)

# Customs Tariff changes

## Chapter 85:

- 1) The Concessional rate of 5% BCD for MP3 or MP4 or MPEG 4 player with or without radio or video reception facility under chapter heading No. 85 has been removed. (SWC)
- 2) The scope of exemption from BCD for Audio cassettes, if recorded with material from books, newspaper or magazines, for the blind under chapter heading No. 85 has been removed.
- 3) The Concessional rate of 7.5% BCD for Electric motors and generators chapter heading No. 8501 except for 8501 64 70, 8501 64 80 has been removed, hence BCD will be 10%.
- 4) The Concessional rate of 10% BCD will be applicable on all goods other than charger and power adapters under sub-heading 8504 40, tariff rate increased to 15%
- 5) All static converters covered under 850440 can be imported at concessional rate of 10%.

# Customs Tariff changes

## Chapter 85:

- 1) BCD on Food Grinders & other Appliances falling under tariff heading 8509 40 10, 8509 40 90, 8509 80 00 and Shavers, Hair Clippers, Hair-Removing Appliance falling under tariff heading 8510 10 00, 8510 20 00, 8510 30 00 has been increased from 10% to 20%.
- 2) Exemption from BCD on Fingerprint readers / scanner for use in manufacture of cellular mobile phones falling under tariff item 8517 70 90 has been withdrawn.
- 3) BCD on Populated, Loaded or Stuffed Printed Circuit Boards of falling under heading 8517 70 10 has been increased from 10% to 20%. (SWC)
- 4) BCD on Vibrator motor, Ringer, Display Assembly, Touch panel/Covered glass assembly falling under tariff item 8517 70 90 has been increased from Nil to 10%.
- 5) BCD on specified parts of Microphones falling under tariff item 8518 10 00 has been exempted subject to actual user condition. (SWC)

# Customs Tariff changes

## Chapter 85:

- 1) Micro Fuse Base, Sub-Miniature Fuse base, Micro Fuse Cover & Sub-Miniature Fuse cover falling under heading 8538 for use in manufacturing of Micro Fuse Base, Sub-Miniature Fuse base has been exempted from BCD subject to end use.
- 2) BCD on Color television picture tubes for use in the manufacture of cathode ray televisions falling under tariff item 8540 11 was earlier exempted now charged at 10%.
- 3) BCD on Solar Cells not assembled having tariff item 8541 40 11 and Solar Cells assembled in modules or made up in panels having tariff item 8541 40 12 has been increased from Nil to 20%. However applicable safeguard duty shall continue.

# Customs Tariff changes

**Chapter 86:** No change

**Chapter 87:** BCD on electric motor vehicles has been increased wef 01-04-2020

Heading	Description	From	To
8702, 8704	Completely built units of electric motor vehicle	25%	40%
8703	Semi Knocked down of electric passengers vehicles, three wheeler	15%	30%
8702, 8704, 8711	Semi Knocked down of electric-Bus, trucks and two wheeler	15%	25%
8702, 8703, 8704, 8711	Completely knocked down form of electric vehicle-passenger vehicle, bus and trucks, two wheeler and three wheeler	10%	15%

BCD on Completely Built units of commercial vehicles excluding electric motor vehicles under tariff 8702 and 8704 has been increased from 30% to 40%.

Exemption from levy of Social Welfare Surcharge provided for completely built units of all commercial vehicles (including electric commercial vehicles) under tariff 8702 and 8704.

# Customs Tariff changes

## **Chapter 88 to 89: No Change**

## **Chapter 90:**

- 1) Health cess is being levied on all medical devices falling under headings 9018 to 9022. However no cess will be levied on devices which are exempt from BCD including under FTA notifications.
- 2) All items of chapter 90 will attract levy of Social Welfare Surcharge at the rate of 10% of BCD Payable.

## **Chapter 91 to 93: No Change**

## **Chapter 94:**

- 1) BCD on Seats, Furnitures, Mattress, Lamps, Lighting fittings falling under Chapter heading no. 9401, 9403, 9404 & 9405 has been increased from 20% to 25%.

## **Chapter 95:**

- 1) BCD on goods falling under Chapter heading no. 9503 (Tricycles, Scooters, Toys & dolls etc.) has been increased from 20% to 60%.

## **Chapter 96:**

- 1) BCD on Brooms, Brushes Hand Riddles, Combs, Hair-Slides falling under Chapter heading no. 9603, 9615, 9617 & 9604 has been increased from 10% to 20%.

# Customs Tariff changes

**Chapter 97 - 98:** No Change

**Any Chapter:**

- 1) BCD on promotional material imported in form of electronic promotion kits/beta cams, falling under any chapter will attract applicable tariff rate.

# Goods and Services Tax

Proposed amendments and upcoming changes in GST





# Proposed Changes in GST Law

Effective from the date to be notified..

# Proposed Amendments in GST Acts

The Finance Bill 2020 has proposed various amendments in CGST Act, UTGST Act and IGST Act, 2017

## Number of Amendment proposed in the Finance Bill 2020

- CGST Act – 16 Amendments
- UTGST Act – 4 Amendments
- IGST Act – 3 Amendments



# Amendments in GST Act

Some of the important amendments proposed in GST Acts

- Time limit for availing ITC in case of debit notes delinked with the invoice to which it pertains.

## Section 16 (4) of the CGST Act, 2017

- Empowered the Joint / Additional Commissioner and Commissioner to condone delay in filing the revocation application for cancellation of registration after the period of 30 days.
  - Joint / Additional Commissioner – 30 days.
  - Commissioner – Further 30 days.

## Section 30 of the CGST Act, 2017



# Amendments in GST Act

Some of the important amendments proposed in GST Acts

- Late Fees for delay in issuance of TDS certificates is proposed to be removed.

*Section 51 of the CGST Act, 2017*

- **Transitional arrangement for input tax credit.**

The words “within such time and” is proposed to be inserted in the section 140 and shall be deemed to have been inserted since 1<sup>st</sup> July 2017.

*Section 140 of the CGST Act, 2017*



# Amendments in GST Act

Some of the important amendments proposed in GST Acts

- Government is empowered for another 2 years to issue orders to remove difficulties faced by the taxpayers. Earlier it was 3 years from 1<sup>st</sup> July 2017 and now it is proposed to change to 5 years.

## Section 172 of the CGST Act, 2017

- Transfer of business assets without consideration or asset put to use for private purpose without consideration will not be subjected to GST.

## Schedule II to the CGST Act, 2017



# Amendments in GST Act

Some of the important amendments proposed in GST Acts

➤ Penalty for certain offences and Punishment for certain offences .

With this proposed amendment, the CGST Law empowers the authority to levy penalty and punishes for offences to the “persons who retains the benefit of a transactions” like:

- Supply without tax invoice
- Issue invoice & bill without supply
- Avails ITC without actual receipt of goods or services
- Takes or distributes ITC as ISD in contravention to prescribed provisions

*Section 122 & 132 of the CGST Act, 2017*



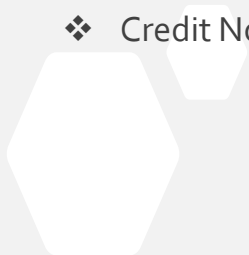
# E-Invoice in GST & New GST Returns..

Both releasing on 1<sup>ST</sup> April 2020..

# What is E-Invoice?

## Legal Provisions related e-Invoice

- Notification No. 70/2019 Central Tax dated 13<sup>th</sup> December 2019 has been issued to mandate registered person whose aggregate turnover is more than ₹ 100 crores to prepare an e-invoice w.e.f. 1st April 2020 for supplies made to registered person
- If the invoice is issued without following E-Invoice process then such Invoice will be an invalid Invoice.
- Applicable for B2B transactions & export transactions like,
  - ❖ Tax Invoice,
  - ❖ Debit Note and
  - ❖ Credit Note.



# What is E-Invoice?

Legal Provisions related e-Invoice

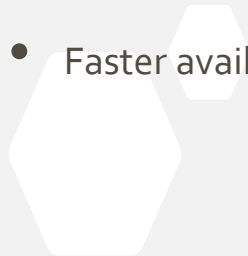
- 'E-invoicing' or 'electronic invoicing' is a system in which B2B invoices are authenticated electronically by GSTN for further use on the common GST portal.
- Under the proposed electronic invoicing system, ***an Invoice Reference Number (IRN)*** will be issued against every invoice by the ***Invoice Registration Portal (IRP)*** to be managed by the GST Network (GSTN).
- All invoice information will be transferred from this portal to both the GST portal and e-way bill portal in real-time.
- It will eliminate the need for manual data entry while filing ANX-1/GST returns as well as generation of the e-way bills, as the information is passed directly by the IRP to GST portal.



# Benefits of E-Invoice

Benefits envisaged by introduction of E-Invoice

- E-invoice resolves and plugs a major gap in data reconciliation under GST to reduce mismatch errors.
- E-invoices created on one software can be read by another, allowing interoperability and help reduce data entry errors.
- Real-time tracking of invoices prepared by the supplier is enabled by e-invoice.
- Backward integration and automation of the tax return filing process – the relevant details of the invoices would be auto-populated in the various returns, especially for generating the e-way bills.
- Faster availability of genuine input tax credit.



# Benefits of E-Invoice

Benefits envisaged by introduction of E-Invoice

- System level matching of input credit and output tax.
- Complete trail of B2B invoices
- Lesser possibility of audits/surveys by the tax authorities since the information they require is available at a transaction level.
- Elimination of fake invoices



# How E-Invoice will work?

Process of issuing e-Invoice

- **Generate Invoice in own software / ERPs**
- **Upload the invoice details on the portal**
  - ❖ Manual Upload
  - ❖ API Mode
- **Receive back response from E-Invoice Portal**
  - ❖ Machine readable invoice details and IRN
  - ❖ QR Code having details of the invoice
- **Print the invoice (either invoice received from portal or your own invoice)**
- **Send the invoice to the customer.**



# Open issues for E-Invoice

## Open issues

- Issues before the taxpayers & authorities
  - ❖ Extension in deadline... (Two big movies releasing on the same time)
  - ❖ Whether the GSTN wise turnover or PAN based turnover?
  - ❖ Difference in mandatory fields as per GSTN E-invoice system and GST Law & Rules made thereunder.
  - ❖ Whether QR Code to be printed on invoice or not?
  - ❖ Change in the system and controls.



# Action for taxpayers

Action to be taken by the taxpayers

- Session briefing proposed changes for issuance of the invoice.
- Mapping the compulsory requirement for generation of IRN on e-Invoice portal.
- Review of the existing ERP system and process of issuance of the invoices.
- Review of reports generated from the system.
- Identify changes required in the ERP in order to implement the change.
- Discussion with ERP service providers or Internal IT Team to address the issues w.r.t implementation of changes.
- Monitoring the progress for timely implementation of changes.
- Testing the changes offline as well as online with the e-Invoice portal.
- Preparation of SOP with appropriate controls to ensure smooth process post implementation.





# New Return System

Annex-I and Annex-II..

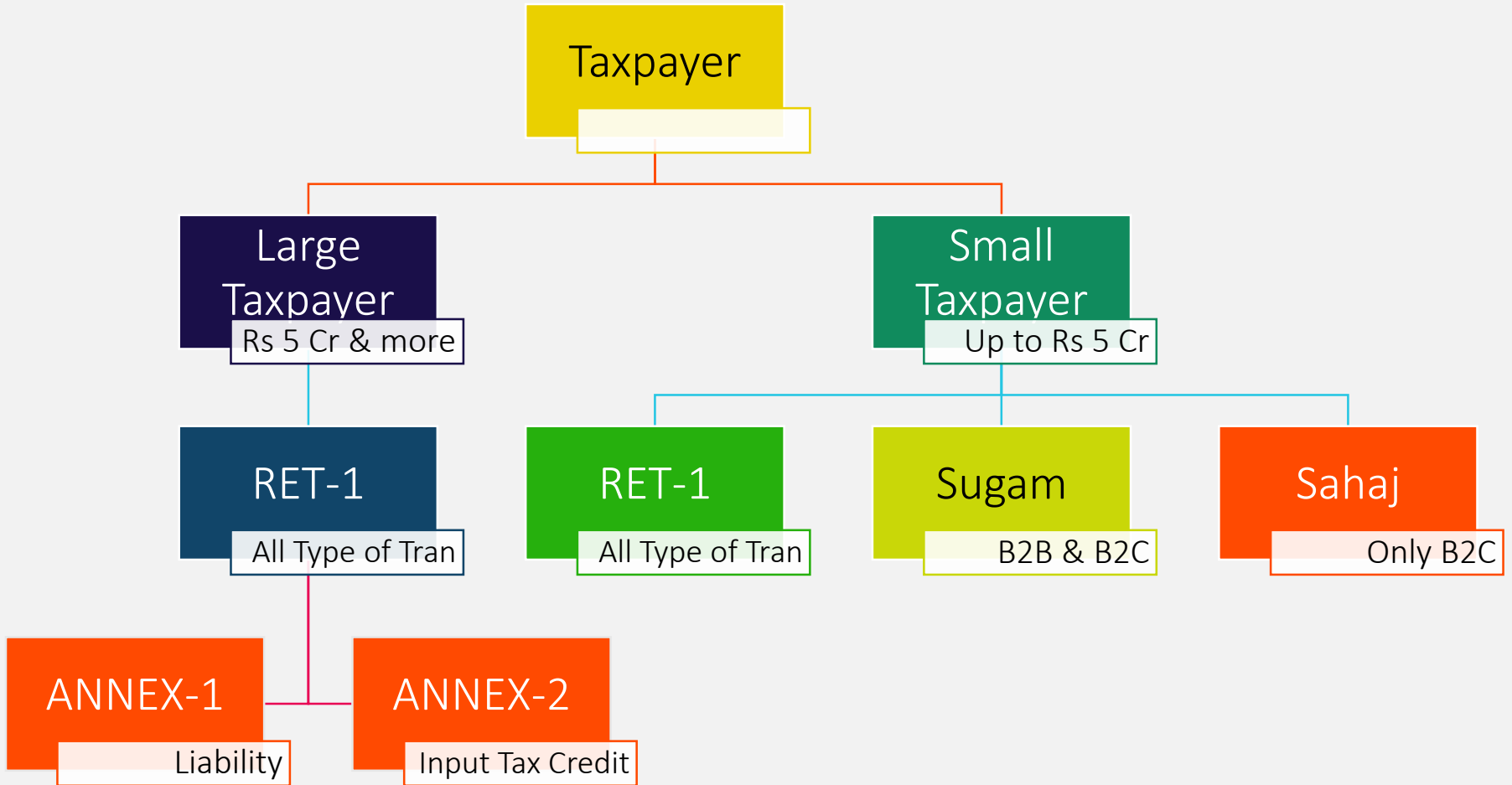
# Why new returns??

Reason for proposing new returns

- ❖ Returns proposed in July 2017
  - GSTR-1 (return for outward supplies),
  - GSTR-2 (return for inward supplies) and
  - GSTR-3 (final return)
- ❖ Failure in implementing GSTR-2 and GSTR-3 as the matching was proposed on the GSTN portal.
- ❖ Returns applicable as on date,
  - GSTR-1 (return for outward supplies),
  - GSTR-3B
- ❖ Dream of invoice-wise matching of the credit availed and the taxpayment by the supplier still unfulfilled.
- ❖ Committee was formed under the Chairmanship of Shri Sushilkumar Modi.
- ❖ The committee proposed new returns.



# Type of New Return



# Frequency of filing of new returns

- **Large Taxpayers**

- RET-1 – Monthly
- Invoice upload – Continuous

- **Small Taxpayers**

- PMT-o8 – Monthly for payment of taxes
- RET-1 – Quarterly or Monthly
- Sugam – Quarterly
- Sahaj – Quarterly
- Invoice upload – Continuous



# Critical issues & solutions

The new return format is expected to face below initial issues,

- Taxpayer outreach.
- Clashing of due dates with different returns & provisions.
- Modalities for matching the invoices pertaining to earlier period is not clear and reporting of such credits is also not clear.
- Modalities for Change from one format of reporting to another format like Sahaj to Sugam or vice-a-versa is not yet specified



# Critical issues & solutions

## Perennial issues

- Difference in monthly payment of taxes and quarterly returns
- Provisional credit – Month on month reconciliation of credit availed and subsequently matched
- Reporting of the missing invoices by the recipient and reporting of those invoices by supplier within 2 months of reporting.
- Provisional credit availed needs to be reconciled within period of 2 months from the date of availing.
- Accepting / rejecting invoices on the portal will be huge task to the taxpayers. If no action is taken, then it is deemed locking. i.e “Deemed Acceptance”.
- Manual punching of the data w.r.t import of goods as the GSTN portal still not linked to ICEGATE website.



# Critical issues & solutions

## ❖ Perennial issues

- The tax payer cannot accept all the invoices as there can be cases wherein the goods supplied by the supplier are in transit. In these cases, the specific invoices need to be kept on hold /pending while completing the Annexure-II
- The new return (Annexure-I) requires invoice wise HSN details to be reported. Invoice for goods having different HSN needs to be reported accurately. The current GSTR-1 requires reporting of HSN details at summary level and not invoice wise.
- No change once the invoice is locked by the recipient, the only way to address these issues will be amendment to the original document.



# THANK YOU.

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