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INDIA Budget 2020

Analysis of Tax Changes – Impact on Business



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1 FOREWORD

Honourable Finance Minister of India, Mrs. Nirmala Sitharaman presented the Union Budget of the Government of India on 1 February 2020. The Union Budget was centred around the theme of “Ease of Living” with an increased focus on the agriculture, rural development, education, infrastructure development and renewable energy specially the solar sector. Under this theme of “Ease of Living”, the budget centres three prominent categories:

- **Aspirational India:** To cover reforms relating to agriculture and rural development, wellness, water and sanitation and education and skills.
- **Economic Development:** Focus on boosting industry, commerce, investment and development of infrastructure.
- **Caring society:** This theme focuses on social, cultural and environmental aspects such as the establishment of Indian Institute of Heritage and Conservation. States have been encouraged to develop plans for cleaner air in cities with population above one million.

Some major reforms as part of Aspirational India were farmer-friendly initiatives like setting up of solar pumps and smooth national cold supply chain for perishables. Higher budgetary allocation has been provided for healthcare under which more than twenty thousand hospitals would be set up in Tier-2 and Tier-3 cities.

Infrastructure has been given a boost with new proposed airports and passenger trains alongwith development of five new smart cities. This is in line with the Government’s mission to spend EUR 12.5 billion on Infrastructure development in the next five years.

There was clear push to attract new foreign investment with measures such as abolishing the Dividend Distribution Tax, exemption to Sovereign Wealth funds on interest, dividend and capital gains made in infrastructure and concessional withholding tax rates for FPIs and QFIs which is after a historic announcement to reduce the corporate tax rates in September 2019.

On the macroeconomic side, the real GDP growth has remained sluggish with a rate of about 5 per cent owing to a global slowdown. However, GDP growth is expected to revive in the first quarter of 2020-21. The Government has continued its path of fiscal prudence by aiming to keep the fiscal deficit target at a 3.8 per cent of GDP. Major changes in the tax and regulatory laws include the following:

- On the regulatory side, the Government announced to continue its efforts to remove criminal liability under the Companies Act and enable sourcing ECB and FDI in the education sector. It is also proposal to set up an Investment Clearance Cell through an online portal that will facilitate “end to end” support for investors including pre-investment advisory, information related to land banks and clearances at Centre and State level.
- On the direct tax side, income tax rates for individuals has been reduced for assessee who does not wish to claim any deductions from its taxable income. A new provision has also been inserted to tax the global income of Indian citizens who do not get taxed in any other country owing to their residential status. Other changes include expansion in the definition of “business connection” and “Significant Economic Presence” for income attribution, withholding tax provisions and sections relating to penalty and appeals.
- On the indirect tax side, the Government reaffirmed simplifying the GST regime through new return filing system and e-invoicing from 1 April 2020. The Government has increased the Customs duty rates on several commodities and has also introduced a “Health Cess” of 5 per cent of import of certain medical devices. Further, stricter monitoring of importers claiming exemptions under the Free Trade Agreements is also proposed.

On the following pages, we have summarised the changes proposed under Union Budget 2020

2 BUDGET HIGHLIGHTS

2.1 POLICY AND REGULATORY FRAMEWORK

- Indian Stamp Act to be amended in order to remove stamp duty in respect of the instruments of transaction in stock exchanges and depositories, which are established in any International Financial Services Centre set up under section 18 of the Special Economic Zones Act, 2005.
- Announcement for amendments in Indian Companies Act, 2013 which proposes to decriminalize several civil offenses thereby providing much needed relief from several tedious non-compliance burden on directors who were not directly involved.
- Digitalization initiatives under several laws and applications including for applications under Intellectual Property, setting up of Data Centres, etc. in order to ease doing of business.
- Proposal to fully open certain specified Government securities to non-resident investors, liberalize regulations relating to foreign investment in India in the education sector as well as setting up an investment clearance cell for faster pre-investment advisory and other information, thereby providing attraction for more foreign direct investment in the country.
- Schemes to be introduced in manufacturing of electronic equipments, solar energy, quantum technology to bring about investment and development in these areas.
- Proposed addition to airports, inland waterways will open up investment, development in the aviation, waterways and allied fields.

2.2 INCOME TAX

2.2.1 CHANGES IN TAX RATE

For Individuals

- No changes proposed in the existing slabs and tax rates applicable to an individual.
- **Optional** Simplified Income Tax Scheme introduced for individuals with slab rates as follows:

| Existing Income Tax rates | | |
|---------------------------|------------------------------|------------------------------------------|
| Income Slab (INR) | Existing Tax Rate (per cent) | New rates proposed (per cent) (optional) |
| 0-250,000 | Nil | Nil |
| 250,001-500,000 | 5 | 5 |
| 500,001-750,000 | 20 | 10 |
| 750,001-1,000,000 | 20 | 15 |
| 1,000,001-1,250,000 | 30 | 20 |
| 1,250,001-1,500,000 | 30 | 25 |
| Above 1,500,000 | 30 | 30 |

- Rates of Surcharge and Health and Education Cess remain unchanged.

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For Corporates

- Tax rate for domestic companies, whose total turnover or gross receipts in the financial year 2017-18 do not exceed INR 4 billion, would be 25 per cent; else 30 per cent.
 - Rates of Surcharge and Health and Education Cess remain unchanged.
 - **Optional** Concessional Tax Rate* for companies –
 - 22 per cent (all companies);
 - 15 per cent (companies engaged in manufacturing set-up and registered on or after 1 October 2019)
1. Surcharge to be levied at 10 per cent; Health and Education Cess at 4 per cent.
 2. Minimum Alternate Tax (“MAT”) is not applicable to companies opting for concessional rate of tax.
 3. **Optional** Concessional Tax Rate at 22 per cent (akin to companies) extended to co-operative societies.
 4. Tax rates for all other entities and foreign companies (including permanent establishments of non-resident entities in India) as well as MAT rate# remain unchanged.

* Introduced vide Taxation Laws (Amendment) Act, 2019

MAT rate was reduced from 18 per cent to 15 per cent vide Taxation Laws (Amendment) Act, 2019 (effective rates 15.60/16.90/17.46, depending on income levels)

2.2.2 TAX PROPOSALS

Personal Taxation

- Simplified Personal Income Tax Scheme proposed provides an option to individuals or Hindu Undivided Families to forego prescribed incentives and deductions and opt for concessional tax slabs rates, subject to prescribed conditions.
- Residency provisions for individuals proposed to be streamlined; 182 days rule for visiting Indian citizens and Person of Indian Origin to qualify as Indian residents reduced to 120 days; also proposed that an Indian citizen not liable to tax in any other country or territory shall be deemed to be resident in India.
- Condition for qualifying as “Resident and Not Ordinarily Resident” proposed to be relaxed to provide that individual or manager of HUF to be a non-resident in India in seven out of ten previous years preceding that year (from nine out of ten previous preceding years).
- Combined upper limit of INR 0.75 million proposed to be introduced in respect of employer's contribution in a year to National Pension Scheme, superannuation fund and recognised provident fund and any excess contribution is proposed to be taxable.

Domestic Taxation

- Dividend Distribution Tax proposed to be abolished; classical system of taxing dividends in the hands of the taxpayer proposed to be re-introduced; slew of amendments made to several provisions of the Income Tax Act, 1961 (“Act”) for enabling this change.

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- Turnover threshold for Tax Audit under Section 44AB of the Act proposed to be increased from INR 10 million to INR 50 million.
- Safe Harbour for consideration transfer of land and building proposed to be increased from 5 per cent to 10 per cent.
- Concessional tax rate of 15 per cent for manufacturing companies proposed to be extended to companies engaged in generation of electricity.
- Exemption in respect of income of a wholly owned subsidiary of Abu Dhabi Investment Authority and Sovereign Wealth Fund proposed, subject to certain conditions.
- Assessee provided an option for not availing deduction under Section 35AD in respect of 100 per cent of capital expenditure by specified businesses.
- Conditions for eligible start-ups claiming deductions proposed relaxed; deduction available in any three years out of ten years (in place of seven years); the turnover threshold enhanced, total turnover of business of a start-up not to exceed INR 1000 Million in any year beginning from the year of incorporation.
- Time limits proposed extended for approval of affordable housing project to claim deduction under Section 80IBA and for sanction of loan for acquisition of affordable residential house property under Section 80EEA to 31 March 2021.
- Tax audit and other audit reports to be furnished at least one month prior to the due date of filing of return of income to enable pre-filing of Income tax returns.
- Due date for filing return of income under Section 139 proposed to be advanced to 31 October of the assessment year, for assesses with due date of 30 September.

International Tax

- Implementation of “Significant Economic Presence” provisions proposed to be deferred to Assessment Year 2022-23
- Source rule for taxing non-residents in Section 9 of the Act proposed to be extended to include income from advertisement that target Indian customers or income from sale of data collected from India or income from sale of goods and services using such data collected from India, within the meaning of income attributable to operations carried out in India.
- Scope of Section 90 / 90A proposed to be aligned with the provisions of Multilateral Instrument (“MLI”), to include anti-avoidance, treaty shopping as a purpose of entering into a Double Taxation Avoidance Agreement
- Relaxation in return filing exemption proposed to be extended to Non-residents deriving income in the nature of royalty or fees for technical services, subject to appropriate tax deduction as per Section 115A
- Sunset period for borrowings availed by specified Indian companies in foreign currency from sources outside India, to avail beneficial withholding tax rate of 5 per cent on interest payments on such foreign borrowings under Section 194LC / 194LD of the Act, proposed to be extended from existing 1 July 2020 to 1 July 2023.

Transfer Pricing

- Safe Harbour Rules and Advance Pricing Agreements (‘APAs’) introduced for determination of profit attributable to a permanent establishment (‘PE’).

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- Transfer Pricing audit report (in Form 3CEB) to be furnished at least one month prior to the due date of filing of return of income.
- Relaxation in return filing exemption proposed for non-residents deriving income in the nature of royalty or fees for technical services, subject to appropriate tax deduction as per Section 115A not extended explicitly for transfer pricing documentation and file the transfer pricing audit report (in Form 3CEB).
- Exclusion proposed for interest paid to PE of a foreign company engaged in the business of banking under section 94B for computing interest restriction of 30% of earnings before interest, taxes, depreciation and amortization (EBITDA).

Withholding Tax

- Definition of “work” under Section 194C of the Act proposed to be expanded so as to include raw material supplied by related parties as defined under Section 40A(2)(b) of the Act.
- TDS on e-commerce transactions proposed to be introduced vide insertion of new Section 194-O. Transactions routed by an e-commerce participant on e-commerce platform through an e-commerce operator, to be subjected to TDS at the rate of 1 per cent of the gross amount of sale or services or both, at the time of credit or payment to e-commerce participant. TDS to be deducted at a higher rate of 5 per cent, if PAN is not furnished by the e-commerce participant.
- TDS on fees for technical services (other than professional services) under Section 194J of the Act, proposed to be reduced from existing 10 per cent to 2 per cent. Move to result in substantial reduction in litigation on the controversy of whether TDS is to be deducted under Section 194C or Section 194J of the Act.
- TCS at the rate of 5 per cent proposed to be introduced on foreign remittances under Liberalized Remittance Scheme (“LRS”) and on selling of overseas tour package.
- TCS at the rate of 0.1 per cent proposed to be introduced on sale of goods over specified limit (amount of consideration exceeding INR 5 million). In non-PAN/Aadhaar cases, the rate of TCS shall be 1 per cent.
- Deferment on tax liability of ESOPs by start-ups proposed. An eligible start-up is required to deduct and pay tax on perquisite value of ESOPs within 14 days of the earliest of the following dates, at the applicable rates in force in the financial year in which said specified security or sweat equity shares has been allotted or transferred:
 - After the expiry of 60 months from the end of the relevant financial year;
 - From the date of sale of such specified security or sweat equity share by the assessee; or
 - From the date of which the assessee ceases to be the employee of the person.

Procedures

- Direct tax Amnesty scheme announced - “Vivad se Vishwas Scheme” for settlement of long drawn litigation; details of the scheme to follow
- E-assessment Scheme, 2019 proposed to be modified to include the reference of Section 144 of the Act, relating to best judgement assessment.
- Definition of eligible assessee as defined in Section 144C of the Act to make reference to DRP, proposed to be expanded to include non-residents not being a company. Further, any

variation proposed by the Assessing Officer which is detrimental to the interests of the assessee eligible for reference to the DRP.

- E-appeal scheme proposed to be introduced for faceless appeals before the Commissioner (Appeals).
- Income Tax Appellate Tribunal (ITAT) proposed to be empowered to grant a stay of income tax demand, pending appeal before it, only upon payment of at least 20 per cent of the amount of tax, interest, fee, penalty or any other sum payable under the provisions of the Act, or upon furnishing security of an equal amount. Extension for stay of demand not to exceed 365 days in aggregate.
- E-penalty scheme proposed to be introduced for faceless imposition of penalty by the Income tax authorities.
- To curb practice of making fake invoices and claiming tax credits or avoiding taxes, penalty amounting to 100 per cent of false or omitted entry proposed to be levied under new provisions of Section 271AAD of the Act.
- CBDT to adopt and declare a Taxpayer's Charter and issue such orders, instructions, directions or guidelines to other income-tax authorities as it may deem fit for the administration of the Charter.

Others

- Concessional tax rate of 22 per cent as applicable to corporates proposed to be extended to co-operative societies resident in India by insertion of a new Section 115BAD in the Act; conditions prescribed for availing this reduced tax rate.
- Tracking mechanism proposed to be introduced for receipt of donation by donee to cross-check claim of donation by donor

2.3

INDIRECT TAXES

Goods and Services Tax ('GST')

- New penalty provisions introduced for persons retaining the benefit of certain fraudulent transactions, availing fraudulent input tax credit, issuance of fake invoices or on whose instance certain malpractices are committed.
- Date of debit note to be delinked from date of invoice for the purposed of section relating to restriction of input tax credits claimed for a particular financial year.
- Provisions inserted for enabling cancellation of GST registration for voluntarily registered taxpayers.
- Entry 4(a) and 4(b) in Schedule II proposed to be amended retrospective from 1 July 2017 to omit the term "whether or not for a consideration" to align the entry with the amendment carried out in Section 7 of the CGST Act.
- Section 10(2) of the CGST Act proposed to be amended to extend the scope of ineligibility to opt for composition scheme to persons engaged in making supply of specified services.
- Proviso to Section 31(2) proposed to be amended to grant the power to the Central Government to specify the categories of services or supplies in respect of which a tax invoice shall be issued along with time and manner for issuance of such invoice.

- Section 51(3) of the CGST Act proposed to be amended to provide issuance of TDS Certificate by the deductor of tax in such form as may be prescribed.
- Transitional provisions under Section 140 of the CGST Act proposed to be amended with retrospective effect from 1 July 2017 to provide that input tax credit shall be availed within such time and in such manner as may be prescribed.
- Section 172 of the CGST Act proposed to be amended to increase the tenure of the Central Government's power to make provisions for removing any difficulty in giving effect to the provisions of CGST Act from 3 years to 5 years.
- Rate of GST to change retrospectively from 1 July 2017 on goods such as fishmeal, pulley, wheels, and other parts (tariff heading 8483) used in agricultural machinery without refund for past transactions.

Customs and allied laws

- A new **Chapter VAA "Administration of Rules of Origin under Trade Agreement"** is proposed to be incorporated in the Customs Act, 1962 to provide provisions for administration of the preferential tax treatment regime under Free Trade Agreements. Under the proposed new chapter, the importer is required to fulfil with certain requirements to avail the benefit under Free Trade Agreements. Simultaneously, the proper officer has been provided with the powers to verify the country of origin, suspend the agreement on non-satisfaction of the documents provided by the importer etc.
- It is proposed to incorporate Section 51B to provide for creation of **Electronic Duty Credit Ledger** in the Customs System. This would enable duty credit to be provided in electronic form for remission of benefits available in case of export of goods. Further, the provisions of Section 28AAA of Customs Act, 1962 on recovery of duties would be expanded to cover the balance in such Electronic Duty Credit Ledger.
- Section 28 of the Customs Act is amended to provided that all cases where notice has been issued before 29 March 2018 would continue to be governed by the erstwhile provisions of the Section 28 and would not be covered under the provisions relating to definite time frame for adjudication of demand notices, failure of which would lead to the lapse of assessment proceedings.
- A new levy in the form of **Health Cess** is proposed to be imposed on the import of specified medical devices falling under headings 9018 to 9022, at the rate of 5 per cent ad valorem on the import value of such goods as determined under Section 14 of the Customs Act, 1962.
- Section 8B is being substituted with a new section to empower the Central Government to apply **Safeguard Measures** in the form of Tariff Rate Quota in case any article is imported into India in increased quantities which could cause threat or serious injury to the domestic industry. The safeguard measure would include imposition of safeguard duty on the import of goods above the defined quota of imports.
- Changes are proposed to be made in the **Anti Dumping Rules** to strengthen the anticircumvention measures by making the said rules more comprehensive and wider in scope to include all types of circumventions of antidumping duty in line with best international practice.
- It is proposed to incorporate a provision in the **Countervailing Duty Rules** to enable investigation into the case of circumvention of countervailing duty and for enabling imposition of such duty in the desired cases.

3 POLICY / REGULATORY CHANGES

3.1 AMENDMENTS IN INDIAN STAMP ACT

- Section 9A of the Indian Stamp Act, 1899, which levies stamp duty on instruments sold or issued through depository participant, is now proposed to be amended, whereby the above stated stamp duty shall not be applicable in respect of the instruments of transaction in stock exchanges and depositories, which are established in any International Financial Services Centre set up under section 18 of the Special Economic Zones Act, 2005.

3.2 AMENDMENTS IN INDIAN COMPANIES ACT

- It is proposed to decriminalise civil offences under the Indian Companies Act and therefore, the Companies Act will be amended to that effect. However, no further details were provided in the Budget. This will provide a significant ease in doing business in cases where there are unnecessary claims and criminal charges against directors for non-compliances even when they are not directly responsible.

3.3 INVESTMENT CLEARANCE CELL

- It is proposed to set up an online Investment Clearance Cell, which will provide support to entrepreneurs by providing services which will include pre-investment advisory, provision of information related to banks and end to end facilitation including clearances at Centre and State level.
- It remains to be seen whether this cell will provide the required initiatives for reducing compliances and attracting investment.

3.4 FACILITATION OF APPLICATIONS FOR INTELLECTUAL PROPERTY

- The Government proposes to develop a digital platform for the purpose of making application for registration of Intellectual Property Rights. While it already exists for Trademarks, establishing online procedures for all IPR will put India in line with other developed countries regarding procedures for IPR registrations.
- It is also proposed to establish a Centre in Institute of Excellence to undertake work in the area of complexity and innovation in Intellectual Property.

3.5 AMENDMENTS IN INDIAN CONTRACT ACT

- The Government has proposed to bring about amendments to the Indian Contract Act with an aim to strengthen honouring of contracts. Since no changes have taken place for a long time with regard to this Act, the amendments are to bring it in line with current contractual practices in the market.

3.6 SCHEME FOR MANUFACTURING IN ELECTRONIC EQUIPMENTS

- With an aim to boost domestic manufacturing in mobile phones, electronic equipment and semi-conductor packaging, and to attract investments in the said areas, the Government has proposed to introduce a new scheme, details of which would be provided later.

3.7 INFRASTRUCTURE DEVELOPMENT

- The Government has proposed to extend PM-KUSUM scheme to twenty lakh farmers, which will help them to set up stand-alone solar pumps. Further, fifteen lakh farmers shall also be covered under the scheme to set up power generation capacity on their barren lands and enable them to sell it to the grid.

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- It is proposed to develop hundred new airports by the year 2024 and the air fleet number shall grow from a present day of six hundred fleets to one thousand two hundred fleets, which will greatly open up the Indian market for aviation and allied sectors.
- It is also proposed to promote economic activities along the river banks that impact the eco-system, which will help increase business in the shipping and allied sector.

3.8 ENHANCEMENT OF DEPOSIT INSURANCE

- With an aim to protect the interest of depositors, deposit insurance cover in banks will be enhanced from INR 0.1 Million to INR 0.5 Million per depositor.

3.9 DIGITALISATION

- It is proposed to bring out a policy for development of Data Centre Parks throughout the country by private sector, which would help in skilfully incorporating data in every step of their value chains.
- Additionally, with an aim to boost Indian market in the area of Quantum Technology and development of related applications, the Government has provided for an outlay of INR 8,000 crores for National Mission on Quantum Technologies and Applications. This initiative will open new avenues in field of artificial intelligence and will attract investments from market leaders in Quantum computing.

3.10 FOREIGN DIRECT INVESTMENT

- It is proposed to fully open certain specified Government securities to non-resident investors. These changes are set to be proposed in the next few months.

3.11 DEVELOPMENTS IN EDUCATION SECTOR

- It is proposed to further liberalise regulations related to foreign investment in India, so as to enable investments in education sector through external loans.
- The Government has proposed that about one hundred and fifty higher educational institutions to start apprenticeship degree and diploma courses by March 2021.

4 INCOME TAX

4.1 CHANGES IN TAX RATES

Personal Tax Rates

Option 1 – Regular Income Tax Rates (after availing all incentives, deductions, allowances etc.)

No changes proposed in the existing slabs and tax rates, including Surcharge and Health and Education Cess applicable to individuals (Refer to Annexure A to this Document for details).

Option 2 – Simplified Income Tax Rate (**foregoing** prescribed deductions, incentives, allowances etc.)

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| Taxable Income | New Regime | | Old Regime | | Tax Reduction | Investment required to have tax parity* |
|-----------------|------------------|-------------------------------|------------------|-------------------------------|---------------|-----------------------------------------|
| | Total Tax Amount | Effective tax Rate (per cent) | Total Tax Amount | Effective tax rate (per cent) | | |
| INR 250,000 | Nil | Nil | Nil | Nil | Nil | Nil |
| INR 500,000 | Nil | Nil | Nil | Nil | Nil | Nil |
| INR 750,000 | 39,000 | 5.20 | 65,000 | 8.67 | 26,000 | 72,500 |
| INR 1,000,000 | 78,000 | 7.80 | 117,000 | 11.70 | 39,000 | 135,000 |
| INR 1,250,000 | 130,000 | 10.40 | 195,000 | 15.60 | 65,000 | 155,833 |
| INR 1,500,000 | 195,000 | 13.00 | 273,000 | 18.20 | 78,000 | 197,500 |
| INR 5,000,000 | 1,287,000 | 25.74 | 1,365,000 | 27.30 | 78,000 | 197,500 |
| INR 10,000,000 | 3,131,700 | 31.32 | 3,217,500 | 32.18 | 85,800 | 197,500 |
| INR 20,000,000 | 6,862,050 | 34.31 | 6,951,750 | 34.76 | 89,700 | 197,500 |
| INR 50,000,000 | 19,158,750 | 38.32 | 19,256,250 | 38.51 | 97,500 | 197,500 |
| INR 100,000,000 | 42,369,990 | 42.37 | 42,476,850 | 42.48 | 106,860 | 197,500 |

*This illustration is relevant for salaried taxpayers, as standard deduction and profession tax of INR 52,500 have been reduced. Further, in view of generally availed provident fund contributions, house rent allowance benefits, interest on housing loans, actual amount of investment required would be much lesser for parity in tax under the old and new (optional) regime. In case of non-salaried taxpayers, the amount of aforesaid investment required would be higher by INR 52,500.

Corporate Tax Rates

Option 1 – Regular Income Tax Rates

| Particulars | Taxable Income <= INR 10 million (per cent) | INR 10 Million < Taxable Income <= INR 100 Million (per cent) | Taxable Income > INR 100 million (per cent) |
|---------------------------------------------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------------------------|---------------------------------------------|
| Foreign companies | 41.60 | 42.43 | 43.68 |
| Domestic companies engaged in manufacturing set-up and registered on or after 1 March 2016 | 26 | 27.82 | 29.12 |
| Domestic Companies having Total Turnover / gross receipts not exceeding INR 4,000 Million in Financial Year 2017-18 | 26 | 27.82 | 29.12 |
| Domestic Companies having Total Turnover/ gross receipts exceeding INR 4,000 Million in Financial Year 2017-18 | 31.20 | 33.38 | 34.94 |

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| Particulars | Taxable Income <= INR 10 million (per cent) | INR 10 Million < Taxable Income <= INR 100 Million (per cent) | Taxable Income > INR 100 million (per cent) |
|-----------------------|---------------------------------------------|---------------------------------------------------------------|---------------------------------------------|
| Minimum Alternate Tax | 15.60 | 16.90 | 17.46 |

Option 2 – Concessional tax rate regime

| Particulars | Section 115BAA | Section 115BAB |
|--------------------|------------------------|-----------------------------------------------------------------------------------------|
| Applicability | All domestic companies | Companies engaged in manufacturing and set-up and registered on or after 1 October 2019 |
| Effective Tax rate | 25.17 per cent | 17.16 per cent |

(Details of the above provided for in Annexure A to this Document)

4.2 KEY PROPOSALS RELATING TO PERSONAL TAXATION

(All amendments take effect from 1 April 2021, unless stated otherwise and will apply to assessment year 2021-22 and subsequent years)

Simplified Personal Income Tax Scheme Introduced [Section 115BAC]

- In line with the changes proposed in the corporate taxation regime, a similar option is proposed to be introduced in the personal tax regime as applicable to individuals and HUF by inserting Section 115BAC in the Income Tax Act. The measure is aimed at rationalisation of tax rates applicable to middle class taxpayers and simplification of personal tax regime.
- On satisfaction of certain conditions, an individual or HUF shall, from assessment year 2021-22 onwards, have the option to pay tax in respect of the total income at following rates:

| Income Slab (INR) | Existing Tax Rate (per cent) | New rates proposed (per cent) (optional) |
|---------------------|------------------------------|------------------------------------------|
| 0-250,000 | Nil | Nil |
| 250,001-500,000 | 5 | 5 |
| 500,001-750,000 | 20 | 10 |
| 750,001-1,000,000 | 20 | 15 |
| 1,000,001-1,250,000 | 30 | 20 |
| 1,250,001-1,500,000 | 30 | 25 |
| Above 1,500,000 | 30 | 30 |

- The option shall be exercised for every previous year where the individual or the HUF has no business income. In other cases, the option once exercised for previous year shall be valid for that previous year and all subsequent years.
- The option shall become invalid for a previous year or previous years, as the case may be, if the Individual or HUF fails to satisfy the conditions and other provisions of the Act shall apply.
- Condition for concessional rate would be that the total income of the individual or HUF is computed without considering the following exemptions / deductions -

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| Relevant Section | Name |
|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10(5) | Leave travel concession |
| 10(13A) | House rent allowance |
| 10(14) | Allowances listed (except those specified) |
| 10(17) | Allowances to MPs/MLAs |
| 10(32) | Exemption for income of minor child included |
| 10AA | Exemption for SEZ unit |
| 16 | Standard deduction, deduction for entertainment allowance and employment/professional tax |
| 23/ 24 | Interest under Section 24 in respect of self-occupied or vacant property (Loss under the head income from house property for rented house shall not be allowed to be set off under any other head and would be allowed to be carried forward as per extant law) |
| 32(1)(iia) | Additional depreciation |
| 32AD /33AB / 33ABA/ 35 (various)/ 35AD/ 35CCC | Case specific deductions while computing profits and gains of business |
| 57 | Deduction from family pension |
| Chapter VIA , other than 80CCD or 80JJA | Various specified deductions |

- Concessional rate shall not apply unless option is exercised by the individual or HUF in the form and manner as may be prescribed -
 - where such individual or HUF has no business income, along with the return of income to be furnished under sub-Section (1) of Section 139 of the Act; and
 - in any other case, on or before the due date specified for furnishing the return of income;
- Option can be withdrawn by the individual or HUF having business income only once for a previous year other than the year in which it was exercised and thereafter, the individual or HUF shall never be eligible to exercise option under this Section, except where such individual or HUF ceases to have any business income.
- Provisions of Alternate Minimum Tax under Sections 115JC and 115JD shall not apply to such individuals, if the concessional rate of tax is opted for.
- It is proposed to carry out amendment of Income-tax Rules, 1962 (Rules) subsequently, so as to allow following allowances notified under Section 10(14) of the Act to the Individual or HUF exercising option under the proposed Section:
 - Transport Allowance granted to a divyang employee to meet expenditure for the purpose of commuting between place of residence and place of duty
 - Conveyance Allowance granted to meet the expenditure on conveyance in performance of duties of an office;
 - Any Allowance granted to meet the cost of travel on tour or on transfer;
 - Daily Allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty.

- It is also proposed to amend rule 3 of the Rules subsequently, so as to remove exemption in respect of free food and beverage through vouchers provided to the employee, being the person exercising option under the proposed Section, by the employer.
- This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

Residency provisions for individuals rationalised

- Several changes are proposed in the existing laws pertaining to determination of residential status.
- Clause (b) of Explanation 1 of said sub-Section provides that an Indian citizen or a person of Indian origin shall be Indian resident if he is in India for 182 days instead of 60 days in that year. This allowed them to visit India for longer duration without becoming resident of India. To curb misuse of this provision by individuals carrying out substantial economic activities from India and managing their period of stay in India, so as to remain a non-resident in perpetuity and avoid declaring their global income in India, it is proposed that the existing 182 days threshold be decreased to 120 days for visiting Indian citizens.
- It is also proposed that an Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India. This is being proposed to ensure high net worth individuals (HNWI) who avoid paying taxes to any country/ jurisdiction on income they earn are brought under the tax net. The Central Board of Direct Taxes (“CBDT”) subsequently issued a clarification that the proposal is to bring stateless persons within the tax ambit and in case of Indian citizens who become deemed residents of India by virtue of this provision, income earned outside India by him shall not be taxed in India unless derived from an Indian business or profession.
- The conditions for Resident and Not Ordinarily Resident are proposed to be relaxed to provide that an individual or HUF shall qualify as “not ordinarily resident” in India in a previous year, if the individual or the manager of the HUF has been a non-resident in India in seven out of ten previous years preceding that year. The erstwhile condition was nine out of ten years.
- This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

Extension of time limit for sanction of loan for affordable housing for availing deductions

- Existing provisions of Section 80EEA of the Act provide for a deduction in respect of interest on loan taken from any financial institution for acquisition of an affordable residential house property whose stamp duty value does not exceed INR 4.5 million.
- The deduction allowed is up to INR 0.15 million and is subject to certain conditions. One of the conditions is that loan has been sanctioned by the financial institution during the period from 1 April 2019 to 31 March 2020.
- In order to continue promoting purchase of affordable housing, the period of sanctioning of loan by the financial institution is proposed to be extended to 31 March 2021.
- This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

Upper limit introduced for employer's contribution to recognized provident funds, approved superannuation fund and national pension scheme

- Under the existing provisions of the Act, contribution made by an employer to the account of an employee in a recognized provident fund exceeding twelve per cent. of salary is taxable (i.e. upto twelve per cent not taxable). Further, amount of any contribution to an approved superannuation fund by employer exceeding INR 0.15 Million is treated as perquisite in the hands of the employee (below this limit, not taxable). Similarly, assessee is also allowed a deduction under National Pension Scheme (NPS) for fourteen per cent of salary contributed by Central Government and ten per cent of salary contributed by any other employer.
- However, there is no combined upper limit on the amount of contribution that may be made by the employer, which can be claimed to be not taxable. Thus, the employees earning high salary income are greatly benefited, whereas employees with low salary income are not able to get similar benefit, as they may not be able to contribute to all these funds. This is considered to be inequitable.
- Hence, it is proposed to provide a combined upper limit of INR 0.75 million in respect of employer's contribution in a year to NPS, approved superannuation fund and recognized provident fund and any excess contribution is proposed to be taxable.
- Consequently, it is also proposed that any annual accretion by way of interest, dividend or any other amount of similar nature during the previous year to the balance at the credit of the fund or scheme may be treated as perquisite to the extent it relates to the employer's contribution which is included in total income. Manner of computation in respect of the same would be prescribed.
- This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

4.3 KEY PROPOSALS RELATING TO DOMESTIC TAXATION

New regime for Taxation of Dividends

- The existing regime for taxation of dividends provides for a levy of Dividend Distribution Tax (DDT) on the amount declared, distributed or paid by way of dividends at the rate of 15 per cent (effective rate of 20.56 per cent after considering Surcharge and Health and Education Cess. DDT is paid in addition to the income-tax chargeable in respect of the total income of a domestic company.
- Such dividends on which DDT is paid are exempt in the hands of shareholders under Section 10(34) of the Act.
- Similarly under Section 115R, specified companies and Mutual Funds are liable to pay additional income-tax at the specified rate on any amount of income distributed by them to its unit holders. Such income is then exempt in the hands of unit holders under Section 10(35) of the Act.
- It is now proposed to overhaul the system of taxation of dividends. It is proposed to carry out amendments so that dividend or income from units are taxable in the hands of shareholders or unit holders at the applicable rate and the domestic company or specified company or mutual funds are not required to pay any DDT.
- It is further proposed to provide that the deduction shall be allowed only for interest expense under Section 57 of the Act shall be maximum 20 per cent of the dividend or income from units.

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- It is proposed to amend the following Sections consequentially -

| Section | Description |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 115-O | Dividend declared, distributed or paid on or before 31 March 2020 shall be subject to DDT |
| 10(34) | Exemption shall not be available in respect of any income, by way of dividend, received on or after 1 April 2020 |
| 115R | Income distributed on or before 31 March 2020 shall be subject to DDT |
| 10(35) 10(23FC) 10(23FD) | Exemption shall not be available in respect of income from units received on or after 1 April 2020 |
| 115BBDA | Dividend income in excess of INR 1 million would be taxable in the hands of shareholder at ten per cent in respect of dividend declared, distributed or paid by a domestic company on or before 31 March 2020. |
| 194K (inserted) | TDS rate of 10 per cent prescribed on dividends |

- Likewise, amendments are proposed in several other Sections as well, which contain a reference to Section 115-O of the Act to rationalise all provisions.
- It is proposed to reintroduce new Section 80M as it existed before its removal by the Finance Act, 2003 to remove the cascading effect, with a change that set off will be allowed only for dividend distributed by the company one month prior to the due date of filing of return, in place of due date of filing of return earlier.
- Amendments will apply in relation to assessment year 2021-22 and subsequent assessment years. However, amendments in relation to TDS on dividends will take effect from 1 April 2020.

Business Income

Rationalisation of provisions for applicability of tax audit and consequential amendments in TDS provisions

- Under Section 44AB of the Act, every person carrying on business (barring few exceptions) is required to get his accounts audited, if his total sales, turnover or gross receipts, in business exceed or exceeds INR 10 million in any previous year.
- In order to reduce compliance burden on small and medium enterprises, it is proposed to increase the threshold limit for a person carrying on business from INR 10 million to INR 50 million in cases where,-
 - Receipts in cash during the previous year do not exceed five per cent of aggregate of all amounts received; and
 - Amount incurred for expenditure in cash during the previous year does not exceed five per cent of aggregate of all payments.
- In view of change in threshold under Section 44AB of the Act, consequential amendments have been made in TDS/TCS provisions contained in Sections 194A, 194C, 194H, 194I, 194J and 206C that were linked to the applicability of provisions of Section 44AB, so as to continue the requirement of TDS/TCS for specified categories of persons (individuals and HUFs), if the gross receipt or turnover from the business or profession carried on by them exceeded the monetary limit specified in clause (a) or clause (b) of

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Section 44AB of the Act, i.e. INR 10 million in case of the business or INR 5 million in case of the profession, (barring few exceptions).

- These amendments will apply in relation to the assessment year 2020-21 and subsequent assessment years.

Safe Harbour for consideration on transfer of land and building increased

- Existing provisions in Section 43CA, in relation to computation of profits and gains from transfer of land and building, provide that where consideration accruing as a result of transfer of land or building or both, is less than value adopted or assessed for the purpose of payment of stamp duty, the value so adopted shall be deemed to be the full value of consideration, leading to higher income to be offered to tax. A safe harbor is provided that where the variation in consideration and stamp duty value does not exceed five per cent, consideration received or accruing shall be deemed to be the full value of the consideration.
- Similar anti abuse provisions, providing for substitution of stamp duty value in place of consideration for transfer of land or building or both, exist in Sections 50C (capital gains) and 56 (Income from other sources) of the Act. Thus, existing provisions of Sections 43CA, 50C and 56 of the Act provide for safe harbour of five per cent.
- It is proposed to increase the limit to ten per cent.
- This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

Rationalization of applicability of concessional rate of 15 per cent tax rate extended to companies engaged in generation of electricity

- It is proposed to extend the concessional rate of tax of 15 per cent applicable to manufacturing companies to business of generation of electricity.
- This amendment will apply in relation to the assessment year 2020-21 and subsequent assessment years.

Rationalization of concessional tax schemes for domestic companies under Section 115BAA and 115BAB

- Sections 115BAA and 115BAB of the Act provide domestic companies an option to be taxed at concessional tax rates provided they do not avail specified deductions and incentives, except deduction under Section 80JJA.
- With the change made in taxation of dividends, and consequential reintroduction of Section 80M in the Act, it is proposed to amend the provisions of Section 115BAA and Section 115BAB to not allow deduction under any provisions of Chapter VI-A other than Section 80JJAA and Section 80M, in case of domestic companies opting for taxation under these Sections.
- These amendments will apply in relation to the assessment year 2020-21 and subsequent assessment years.

Capital Gains

Rationalisation of provisions to compute cost of acquisition

- It is proposed to rationalise the provisions for computing the cost of acquisition of land and building by providing that in case of land or building or both, the fair market value of such

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an asset on 1 April, 2001 shall not exceed the stamp duty value of such asset as on 1 April 2001 where such stamp duty value is available.

- It is also proposed to insert an Explanation to provide that, "stamp duty value" shall mean the value adopted or assessed or assessable for the purpose of payment of stamp duty in respect of an immovable property.
- These amendments will apply in relation to assessment year 2021-22 and subsequent assessment years.

Incentives and Deductions

Exemption in respect of income of a wholly owned subsidiary of Abu Dhabi Investment Authority and Sovereign Wealth Fund

- In order to promote investment of sovereign wealth fund, including the wholly owned subsidiary of Abu Dhabi Investment Authority (ADIA), it is proposed to insert a new clause in Section 10 to provide exemption to income of a specified person in the nature of dividend, interest or long-term capital gains arising from investments made by it in India whether in the form of debt or equity, in a company or enterprise carrying on the business of developing, or operating and maintaining, or developing, operating or maintaining any infrastructure facility as defined in Section 80-IA of the Act or other notified businesses.
- In order to be eligible for exemption, the investment is required to be made on or before 31 March, 2024 and is required to be held for at least three years.
- For the purpose of this exemption, "specified person" is proposed to mean -
 - a wholly owned subsidiary of the ADIA, which is a resident of the United Arab Emirates (UAE) and which makes investment, directly or indirectly, out of the fund owned by the Government of the United Arab Emirates; and
 - a sovereign wealth fund which satisfies prescribed conditions
- This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

Exemption in respect of income of Indian Strategic Petroleum Reserves Limited

- It is proposed to provide exemption, by inserting a new clause in Section 10, to any income accruing or arising to Indian Strategic Petroleum Reserves Limited (ISPRL), being a wholly owned subsidiary of Oil Industry Development Board under the Ministry of Petroleum and Natural Gas, as a result of an arrangement for replenishment of crude oil stored in its storage facility in pursuance to directions of the Central Government in this behalf. This exemption is to be availed upon satisfaction of prescribed condition.
- This amendment will apply in relation to the assessment year 2020-21 and subsequent assessment years.

Providing option to assessee for not availing deduction under Section 35AD

- Under Section 35AD, deduction of 100 per cent of the capital expenditure is allowable to specified businesses during the previous year in which such expenditure has been incurred. Further, no deduction is allowable under any other Section in respect of such expenditure. At present, an assessee does not have any option of not availing the incentive under said Section.

- Due to this, an interpretation emerged that a domestic company opting for concessional tax rate under Section 115BAA or Section 115BAB of the Act, which does not claim deduction under Section 35AD, would also be denied normal depreciation under Section 32 due to operation of sub-Section (4) of Section 35AD. This was not the intention of the statute.
- Therefore, it is proposed to amend Section 35AD to make the deduction optional. It is further proposed that if the deduction has been claimed by the assessee and allowed to him under this Section, no further deduction will be allowed in respect of expenditure incurred under this Section in any other previous year or under any other Section.
- This amendment will apply in relation to the assessment year 2020-21 and subsequent assessment years.

Rationalization of provisions of start-ups

- The existing provisions of Section 80 IAC of the Act provide for a deduction of an amount equal to one hundred per cent of profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years out of seven years, at the option of the assessee, subject to the condition that the eligible start-up is incorporated on or after 1 April 2016 but before 1 April 2021 and total turnover of its business does not exceed INR 250 Million.
- It is proposed to amend Section 80 IAC of the Act so as to provide that-
 - deduction under Section 80 IAC shall be available to an eligible start-up for a period of three consecutive assessment years out of ten years beginning from the year in which it is incorporated and
 - Deduction shall be available to an eligible start-up, if the total turnover of its business does not exceed INR 1000 Million in any of the previous years beginning from the year in which it is incorporated.
- This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

Extension of time limit for approval of affordable housing project for availing deductions

- Existing provisions of Section 80 IBA of the Act, inter alia, provide that where the gross total income of an assessee includes any profits and gains derived from the business of developing and building affordable housing projects, there shall be allowed a deduction of an amount equal to one hundred per cent of the profits and gains derived from such business (subject to certain conditions specified therein).
- The conditions contained in the Section, inter alia, prescribe that the project is to be approved by the competent authority during the period from 1 June 2016 to 31 March 2020.
- In order to incentivise building affordable housing to boost the supply of such houses, the period of approval of the project by the competent authority is proposed to be extended to 31 March 2021.
- This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

4.4 KEY PROPOSALS RELATING TO INTERNATIONAL TAX

Implementation of “Significant Economic Presence” (SEP) provisions deferred

- Finance Act, 2018 introduced the concept of SEP within Sect. 9 of the Act to target digital transactions such as download of data or software and soliciting of business activities or engaging with users, exceeding prescribed threshold for payments. These provisions were to be effective from AY 2019-20.
- For the purpose of determining SEP of a non-resident in India, threshold for payments and number of users were required to be prescribed. These thresholds are under discussion globally, therefore, it is proposed to defer the applicability of SEP to assessment year 2022-23.
- These new provisions will apply to in relation to assessment year 2022-23 and subsequent assessment years.

Source Rule expanded to cover income from advertisements using digital medium

- It is proposed to expand the source rule in Section 9 of the Act to include income from advertisement that targets Indian customers or income from sale of data collected from India or income from sale of goods and services using such data collected from India, within the meaning of income attributable to operations carried out in India. This does not only restrict to data collection from a person residing in India; but also covers data collection from a person who uses internet protocol address located in India.
- This amendment will apply in relation to assessment year 2021-22 and subsequent assessment years.

Purpose of Double Taxation Avoidance Agreement aligned with Multilateral Instrument

- The existing provisions under Section 90 / 90A of the Act empower the Government of India to enter into Double Taxation Avoidance Agreements (DTAA) with governments of other countries/ territories for granting relief, avoidance of double taxation, exchange of information and recovery of income tax.
- To align the above provisions with the intent of Multilateral Instrument (“MLI”), which has entered into force in India on 1 October 2019, it is proposed to amend Sections 90 and 90A of the Act to provide that that the Central Government may enter into an agreement for, avoidance of double taxation of income under the Act and under the corresponding law in force in that country or specified territory, as the case may be, without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in this agreement for the indirect benefit of residents of any other country or territory)
- These amendments will apply in relation to the assessment year 2021-22 and subsequent assessment years.

Relaxation in return filing exemption to Non-residents

- Existing provisions provide a relaxation to non-residents from return filing compliances if such non-residents derives income in the nature of dividends and interest and on which taxes are deducted at source appropriately.
- It is proposed to amend Section 115A of the Act to extend this relaxation from return filing to non-residents deriving income in the nature of royalty or fees for technical services (FTS), not effectively connected with Permanent Establishments on which taxes are deducted appropriately at source.
- It is proposed to provide that non-residents (including foreign companies), shall not be required to file return of income under Section 139 of the Act if -

- total income consists of only dividend or interest income or royalty or FTS income; and
- Taxes are deducted at source on such income under the provisions of Chapter XVII-B of the Act at rates which are not lower than rates prescribed in Section 115A of the Act.
- These amendments will apply in relation to the assessment year 2020-21 and subsequent assessment years.

Extension of period of concessional rate of withholding tax on interest payments on foreign borrowings

- In order to attract fresh investments and ease foreign borrowings, it is proposed to extend the period of concessional rate of TDS of 5 per cent to 1 July 2023 from the existing 1 July 2020 under Section 194LC of the Act.
- It is also proposed that the rate of TDS shall further reduce to 4 per cent on interest payable to a non-resident, in respect of monies borrowed in foreign currency from a source outside India, by way of issue of any long term bond or rupee denominated bonds on or after 1 April 2020 but before 1 July 2023, and which is listed only on a recognized stock exchange located in any International Financial Service Centre.
- This amendment will apply in relation to the assessment year 2020-21 and subsequent assessment years.

Extension of period of concessional rate of withholding tax on interest payments to Foreign Institutional Investors (FII) and Qualified Foreign Investors (QFI)

- Section 194LD of the Act provides for concessional rate of TDS of 5 per cent in case of interest payments to FIIs and QFIs on their investment in Government securities and rupee denominated bonds of an Indian company subject to the condition that the rate of interest does not exceed the rate notified by the Central Government in this regard. The Section further provides that the interest should be payable at any time on or after 1 June 2013 but before 1 July 2020.
- In order to attract fresh investments and ease foreign borrowings, it is proposed to amend Section 194LD to :
 - extend the period of concessional rate of TDS of 5 per cent to 1 July 2023 from the existing 1 July 2020
 - Provide that the concessional rate of TDS of 5 per cent shall apply to interest payable, on or after 1 April 2020 but before 1 July 2023, in respect of investment made in municipal debt security by FIIs and QFIs.
- This amendment will apply in relation to the assessment year 2020-21 and subsequent assessment years.

CBDT empowered to make rules for determining income from India

- It is proposed to amend Section 295 of the Act to empower the CBDT for making rules to provide for manner and procedure for arriving at the income from -
 - operations carried out in India by non-residents; and
 - transaction or activities of non-residents
- The amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

Relaxation in conditions for availing exemption by offshore funds

- Existing provisions of Section 9A of the Act provides for a special regime in respect of offshore funds by providing them exemption from creating a “business connection” in India on fulfilment of certain conditions. Conditions are prescribed for eligibility of the fund to claim this exemption.
- In view of representations received, it is proposed to relax some conditions prescribed in Section 9A of the Act to provide that -
 - for the purpose of calculation of the aggregate participation or investment in the fund, directly or indirectly, by Indian resident, contribution of the eligible fund manager during first three years up to INR 250 Million shall not be accounted for; and
 - if the fund has been established or incorporated in the previous year, the condition of monthly average of the corpus of the fund to be at INR 1000 Million shall be fulfilled within twelve months from the last day of the month of its establishment or incorporation.
- This amendment will apply in relation to the assessment year 2020-21 and subsequent assessment years.

Rationalisation of taxability of FPIs

- Existing provisions for taxation of indirect transfers did not apply to capital assets, held by non-residents by way of investments, directly or indirectly, in Category-I or Category-II FPIs under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014 [SEBI (FPI) Regulations, 2014].
- SEBI has introduced new regulations in 2019, and has reduced the categories from three to two.
- In view of the same, it is proposed that the exception from indirect transfers is provided to an asset or a capital asset, held by a non-resident by way of investment in erstwhile Category I and II FPIs under the SEBI (FPI) Regulations, 2014 may be grandfathered.
- Further, similar exceptions are proposed to be provided in respect of investment in Category-I FPI under the new SEBI (FPI) Regulations, 2019.
- These amendments will apply in relation to assessment year 2020-21 and subsequent assessment years.

Rationalisation of definition of royalty

- Section 9 of the Act deems certain income by way of royalty to accrue or arise in India. Existing provisions outlining the meaning of royalty exclude consideration for sale, distribution or exhibition of cinematographic films.
- It is proposed to amend the definition of royalty so as not to exclude consideration for the sale, distribution or exhibition of cinematographic films from its meaning.
- These amendments will apply in relation to the assessment year 2021-22 and subsequent assessment years.

4.5

KEY PROPOSALS RELATING TO TRANSFER PRICING

Safe Harbour Rules and Advance Pricing Agreements (‘APAs’) for attribution of profit to Permanent Establishment (‘PE’)

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- Presently, the attribution of profit to PE is vexatious and highly litigated issue. There is no uniformity in the approach and quantum of profit that is reasonably attributable to the PE varied significantly.
- In order to provide certainty, it is proposed to amend Section 92CB of the Act so as to provide a pre-fixed acceptable profit range, which if adopted, would not be disputed by the income tax department.
- Similarly, to provide long term certainty for a period of 5 years with roll back option for 4 years, it is proposed that APA option would be made available for determining attribution of profit to the PE.
- However, as of now, these details are not yet published.
- These new provisions will apply to in relation to assessment year 2020-21 and subsequent assessment years.

Change in due date for transfer pricing compliance

- Currently, assessee undertaking international transactions are required to file a report from a Chartered Accountant in Form 3CEB on or before due date for furnishing the return of income i.e. 30th November of subsequent financial year as per Section 92F.
- Since the Government intends to make available pre-filled return of income to assessee, it is proposed that the transfer pricing audit report needs to be furnished by the assessee at least one month prior to the due date of filing of return of income.
- Thus, the revised due date will be as follows –

| Particulars | Old due date | Revised due date |
|----------------------------------------------------------------------------------------------|---------------------------|---------------------------|
| Due date of filing for transfer pricing audit report and maintenance of Local File | 30 th November | 31 st October |
| Due date for filing for return of income in cases where transfer pricing audit is applicable | 30 th November | 30 th November |

- Consequent to the change in the due date for filing of the transfer pricing audit report, the local file also would need to be maintained on a contemporaneous basis on or before the said due date (of 31st October). It may be noted that the due date for transfer pricing cases was extended to 30th November, considering the better availability of financial data used in the transfer pricing analysis, however, pre-poning of the said due date may again pose a problem for assessee in compiling the latest comparability analysis.
- This new provision will apply to in relation to assessment year 2020-21 and subsequent assessment years.

Transfer pricing audit compliance (i.e. Form 3CEB) to continue in cases where return of income is not mandatorily required to be filed in case of non-residents

- It is proposed that a non-resident shall not be required to file return of income if its total income consists only dividend, interest or royalty or fees for technical service and TDS on such income is deducted at the rates prescribed in the Act.

- However, no such corresponding change has been brought in the provisions of transfer pricing i.e. Section 92A, 92B, 92D, 92E etc.

Interest paid by Permanent Establishment of non-resident Bank is excluded under Section 94B

- As per Section 94B, interest paid to associated enterprise in excess of INR 10 Million would be subject to limitation of 30 per cent of earnings before interest, taxes, depreciation and amortization (EBITDA).
- Further, the Indian company or PE of a foreign company engaged in the banking business were excluded.
- However, the doubt remained regarding interest paid or payable in respect of debt issued by a PE of a non-resident in India being engaged in the business of banking.
- To remove this doubt, it is clarified that restriction of 30 per cent of interest would not apply to the debt issued by a lender which is PE of a non-resident. This provision will remove unnecessary difficulty faced by the taxpayers due to interpretation issues.
- This new provision will apply to in relation to assessment year 2021-22 and subsequent assessment years.

4.6

KEY PROPOSALS RELATING TO WITHHOLDING TAX

Scope for TDS on interest income under Section 194A enlarged

- Section 194A of the Act governs interest other than interest on securities. It provides that any person not being an individual or HUF who is responsible for paying to a resident any income by way of interest other than income by way of interest on securities, shall deduct income-tax at the rates in force.
- In order to extend the scope of Section 194A of the Act, to interest paid by large co-operative society, it is proposed to insert a proviso to provide that a co-operative society shall be liable to deduct income-tax if –
 - the total sales, gross receipts or turnover of the co-operative society exceeds INR 500 million during the financial year immediately preceding the financial year in which the interest is credited or paid; and
 - the amount of interest, or aggregate of such interest, credited or paid, or is likely to be credited or paid, during the financial year is more than INR 0.05 million in case of payee being a senior citizen, and INR 0.04 million in any other case.
- This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

Definition of term “Work” under Section 194C expanded to include raw material supplied by related parties

- Section 194C of the Act provides for TDS on payments made to resident contractors for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract.
- The term “work” has been defined to inter-alia include manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer. However, it excludes manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from a person, other than such customer. The escape clause of the Section was being

misused by certain taxpayers by getting the contract manufacturer to procure the raw material supplied through its related parties.

- In order to bring clarity and plug tax leakages, it is proposed to amend the definition of “work” under Section 194C of the Act to provide that the raw material provided by the assessee or its associate shall fall within the purview of the definition of ‘work’ under Section 194C.
- This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years

TDS on e-commerce transactions introduced

- In order to widen the tax base pertaining to substantial increase in volume of business conducted over the e-commerce platforms, it is proposed to provide that where sale of goods or provision of services of an e-commerce participant (who is any Indian resident vendor selling merchandise/services on the e-commerce platform) is facilitated by an e-commerce operator through its digital or electronic facility or platform, then e-commerce operator is required to deduct tax at 1 per cent of the gross amount of sale or services or both at the time of credit or payment to e-commerce participant.
- The rate of TDS shall be 5 per cent if PAN is not furnished by the e-commerce participant.
- Any payment made by a purchaser of goods or recipient of services directly to an e-commerce participant shall be deemed to be amount credited or paid by the e-commerce operator to the e-commerce participant for this purpose.
- ‘E-commerce operator’ means a person who owns, operates and manages digital or electronic facility or platform for electronic commerce and is responsible for paying to e-commerce participant.
- ‘E-commerce participant’ means a person resident in India selling goods and providing services or both, including digital products through digital and e-commerce facility.
- ‘Services’ is defined to include fees for technical services and fees for professional services, as defined in Section 194J of the Act.
- Exemption from TDS is provided to individuals and HUF e-commerce participants if the gross sales / services does not exceed INR 0.5 Million* during the year and PAN/Aadhaar has been furnished.

* As per clauses of the Finance Bill, 2020, the threshold is specified to be INR 1 Million.

- Consequential amendments are proposed in Section 197 (application for lower TDS certificate) and in Section 206AA (to provide for tax deduction at 5 in non-PAN/ Aadhaar cases).
- This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

TDS on fees for technical services (other than professional services) reduced to 2 per cent from 10 per cent

- Currently, Section 194J of the Act provides for TDS at the rate of 10 per cent on payment of any sum to a resident by way of fees for professional services or fees for technical services.
- The rate of TDS on fees for technical services (other than professional services) is proposed to be reduced from existing 10 per cent to 2 per cent.

- This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

TCS introduced on foreign remittances under Liberalised Remittance Scheme (“LRS”) and on selling of overseas tour package

- In addition to the existing list of businesses subjected to the provisions of Section 206C of the Act, it is proposed that, Authorized Dealer Bank receiving an amount aggregating to INR 0.70 million or more in a financial year, from a person, for remittance out of India under the LRS of Reserve Bank of India (“RBI”), shall be liable to collect TCS at the rate of 5 per cent*.
- Similarly, a seller of an overseas tour program package receiving any amount from any buyer of such tour package, shall be liable to collect TCS at the rate of 5 per cent*.

* As per Explanatory Memorandum to the Finance Bill, 2020, TCS at the rate of 10 per cent will apply in non-PAN/Aadhaar cases, though there is no such reference in the Finance Bill, 2020.

- No such TCS is to be collected, if the buyer is liable to withhold tax under any other provision of the Act and has deducted such amount.
- This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

TCS introduced on sale of goods over specified limit

- In order to widen and deepen the tax net, it is proposed that a seller receiving any amount as consideration for sale of goods from a buyer aggregating to INR 5 million or more in a financial year, would be liable to collect TCS at the rate of 0.1 per cent on the amount of consideration exceeding INR 5 million. In non-PAN/Aadhaar cases, the rate of TCS shall be 1 per cent.
- The liability to collect such TCS is applicable to only those sellers whose total sales, gross receipts or turnover from the business carried on by them exceed INR 100 million during the immediately preceding financial year.
- No such TCS is to be collected, if the seller is liable to collect TCS under any other specific provision of Section 206C of the Act or the buyer is liable to withhold tax under any provision of the Act and has deducted such amount.
- No TCS is to be collected from the Central Government, a State Government and an embassy, a High Commission, legation, commission, consulate, the trade representation of a foreign state, a local authority or any other person as the Central Government may notify.
- This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

Deferring tax liability on Employee Stock Options (“ESOPs”) by start-ups

- Currently ESOPs are taxed in the hands of an employee in two components:
 - tax on perquisite at the time of exercise of option; and
 - tax on capital gains at the time of sale.
- Taxing ESOPs at the time of exercise leads to liquidity problem as no cash benefit arises at the time of exercise.

- In order to ease the unwanted burden of payment of taxes by the employees of the eligible start-ups or TDS by the start-up employer, it is proposed to provide that an eligible start-up is required to deduct and pay tax on perquisite value of ESOPs within 14 days of the earliest of the following dates (at the applicable rates in force in the financial year in which said specified security or sweat equity shares has been allotted or transferred):
 - After the expiry of 60 months from the end of the relevant financial year;
 - From the date of sale of such specified security or sweat equity share by the assessee; or
 - From the date of which the assessee ceases to be the employee of the person.
- Similar amendment is proposed in Section 191 of the Act (for the employee to pay the applicable taxes directly in case of no TDS by the employer).
- This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

4.7 KEY PROPOSALS RELATING TO PROCEDURES

Rationalisation of due dates for filing audit reports

- To enable pre-filing of returns in case of persons having income from business or profession, it is required that the tax audit report may be furnished by assessees at least one month prior to the due date of filing of return of income.
- This requires amendments in all the Sections of the Act which mandates filing of audit report along with the return of income or by the due date of filing of return of income, such as provisions of Section 44AB (tax audit report), Section 44DA (audit report by permanent establishments), Section 92F (transfer pricing audit), Section 115JB (MAT), Section 115JC (AMT) etc. of the Act. These provisions are proposed to be amended accordingly, by providing that the said reports would need to be furnished by the specified date, which would be one month prior to the due date of filing of return of income.
- Due date for filing return of income under Section 139 is proposed to be amended by -
 - providing 31 October of the assessment year (as against 30 September) as the due date for filing return of income for an assessee not subject to the transfer pricing audit; and
 - removing the distinction between a working and a non-working partner of a firm with respect to the due date under Section 139 of the Act.
- These amendments will apply in relation to the assessment year 2020-21 and subsequent assessment years.

Introduction of Taxpayers Charter

- It is proposed to insert a new Section 119A in the Act to empower CBDT to adopt and declare a Taxpayer's Charter and issue such orders, instructions, directions or guidelines to other income-tax authorities as it may deem fit for the administration of Charter.
- This amendment will take effect from 1 April 2020.

Modification of e-assessment scheme

- In order to impart greater efficiency, transparency and accountability in the process of scrutinizing the return filed by a taxpayer, E-assessment Scheme, 2019 was notified by the Central Government. Various types of notices/communications/orders are sent by the

Income tax authorities and responses to the same are filed by the taxpayer assessee under E-proceedings. For example, notice for initiating scrutiny assessment under Section 143, notice for seeking detailed information or specific information under Section 142 etc. are issued to taxpayers under E-proceedings, as per guidelines of the E-assessment scheme, 2019.

- It is proposed -
 - to include the reference of Section 144 of the Act (relating to best judgement assessment) in the E-assessment scheme, 2019; and
 - To provide that Central Government may issue any direction in this regard up to 31 March 2022.
- This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

Amendment in Dispute Resolution Panel (“DRP”)

- In case of eligible assessee viz. foreign companies and any person in whose case transfer pricing adjustments have been made, Section 144C of the Act requires the Assessing Officer to forward the draft assessment order to the eligible assessee, if any variation is proposed in the income or loss mentioned in return of income filed which is detrimental to the interests of the eligible assessee. The eligible assessee with respect to such variation has the option of filing its objections before the DRP.
- It is proposed that eligible assessee could make reference to DRP on any variation proposed by the Assessing Officer which is detrimental to the interests of the eligible assessee.
- Further, the definition of eligible assessee as defined in Section 144C of the Act to make reference to DRP, has been expanded to include non-residents not being a company.
- These amendments will take effect from 1 April 2020.

Provision for e-appeal introduced

- With the introduction of the E-assessment Scheme 2019, most of the functions/processes under the Act, including of filing of return, processing of returns, issuance of refunds or demand notices and assessment, which used to require person-to-person contact between the taxpayer and the Income-tax Department, are now in the electronic mode. Now a taxpayer can manage to comply with most of his obligations under the Act without any requirement for physical attendance in the offices of the Income tax department.
- Currently, a taxpayer can file a first level appeal with Commissioner (Appeals) through his registered account on the income tax e-filing portal. However, the process that follows after filing of appeal is neither electronic nor faceless. Therefore, in line with the Government’s objective to eliminate the human interface from the system, an E-appeal scheme is proposed to be introduced, on similar lines as those of E-assessment Scheme 2019.
- Provisions of Section 250 of the Act are therefore proposed to be amended to empower the Central Government to -
 - Notify an E-appeal scheme for disposal of appeals so as to impart greater efficiency, transparency and accountability;
 - Eliminate the interface between Commissioner (Appeals) and the appellant taxpayer in the course of appellate proceedings to the extent technologically feasible;

- Optimize utilization of the resources through economies of scale and functional specialisation;
- Introducing an appellate system with dynamic jurisdiction in which appeal shall be disposed of by one or more Commissioner (Appeals);
- Issue necessary directions on or before 31 March 2022.
- This amendment will take effect from 1 April 2020.

Providing check on survey operations under Section 133A of the Act

- Under the existing provisions of Section 133A of the Act, an income-tax authority as defined therein is empowered to conduct survey at the business premises of the assessee under his jurisdiction. Further, no income-tax authority below the rank of Joint Director or Joint Commissioner can conduct any survey under the said Section without prior approval of the Joint Director or the Joint Commissioner, as the case may be.
- Provisions of Section 133A of the Act are proposed to be amended to provide that –
 - in a case where the information has been received from the prescribed authority, no income-tax authority below the rank of Joint Director or Joint Commissioner, shall conduct any survey under the said Section without prior approval of the Joint Director or the Joint Commissioner, as the case may be; and
 - In any other case, no income-tax authority below the rank of Commissioner or Director, shall conduct any survey under the said Section without prior approval of the Commissioner or the Director, as the case may be.
- This amendment will take effect from 1 April 2020.

Stay of demand by ITAT

- ITAT is the second level Appellate Authority under the scheme of Income tax appellate proceedings. Under the prevailing law, ITAT may, after considering the merits of the application made by the assessee pass an order of stay on tax demand for a maximum period of 180 days in any proceedings against the order of the Commissioner (Appeals). The period of stay can be further extended by the ITAT, but not beyond an aggregate period of 365 days.
- It is proposed the said provision, that ITAT may grant stay on tax demand subject to the condition that the assessee deposits not less than 20 per cent of the amount of tax, interest, fee, penalty, or any other sum payable under the provisions of the Act, or furnish security of an equal amount in respect thereof.
- Further, it is proposed to provide that no extension of stay of tax demand shall be granted by the ITAT beyond a period of 365 days and subject to the condition of the assessee making a minimum payment of 20 per cent of amount of tax, interest, fee, penalty etc. as the case may be.
- This amendment will take effect from 1 April 2020.

Provision of e-penalty

- As a part of the assessment process under the Act, Section 274 provides for the procedure for imposing penalty under Chapter XXI of the Act. In response to the show cause notice issued by the Assessing Officer, the assessee or his authorized representative is still required to visit the office of the Assessing Officer.

- Therefore, in line with the Government's objective to eliminate the human interface from the system, an E-penalty scheme is proposed to be introduced, on similar lines as those of E-assessment Scheme 2019. Provisions of Section 274 of the Act are therefore proposed to be amended to empower the Central Government to –
- Notify an E-penalty scheme for imposing of penalties so as to impart greater efficiency, transparency and accountability;
- Eliminate the interface between Assessing Officer and the assessee taxpayer in the course of proceedings to the extent technologically feasible;
- Optimize utilization of the resources through economies of scale and functional specialisation;
- Introducing a mechanism for imposing of penalty with dynamic jurisdiction in which penalty shall be imposed of by one or more income tax authorities;
- Issue necessary directions on or before 31 March 2022.
- This amendment will take effect from 1 April 2020.

Levy of penalty to curb the practice of fake invoicing

- In the recent past after the launch of Goods & Services Tax ("GST"), several cases of fraudulent input tax credit ("ITC") claim were caught by the GST authorities.
- In order to curb the practice of making fake invoices and claiming tax credits or avoiding taxes, it is proposed to insert a new Section 271AAD to provide that if during any proceedings under the Act, it is found that in the books of accounts maintained by any person to evade tax liability, there is (i) a false entry; or (ii) an omission of an entry which is relevant for computation of total income of such person; then the Assessing Officer may levy a penalty equal to 100 per cent of such false or omitted entry.
- It is also proposed to provide that any other person, who causes in any manner a person to make or cause to make a false entry or omits or causes to omit any entry, shall also pay a penalty equivalent to the aggregate amount of such false or omitted entry.
- The false entry is proposed to include use or intention to use:
 - forged or falsified documents such as a false invoice or, in general, a false piece of documentary evidence; or
 - invoice in respect of supply or receipt of goods or services or both, issued by the person or any other person, without actual supply or receipt of such goods or services or both; or
 - Invoice in respect of supply or receipt of goods or services or both, to or from a person who does not exist.
- This amendment will take effect from 1 April 2020.

Rationalisation of provision relating to Form 26AS

- Form 26AS, i.e. withholding tax credit statement, contains the information about tax collected or deducted at source. However, with the advancement in technology and enhancement in the capacity of system, multiple information in respect of a person such as sale/purchase of immovable property, share transactions etc. are being captured or

proposed to be captured. In future, it is envisaged that in order to facilitate compliance, this information will be provided to the assessee by uploading the same in the registered account of the assessee on the designated portal of the Income-tax department, so that the same can be used by the assessee for filing of the return of income and calculating his correct tax liability.

- As the mandate of Form 26AS would be required to be extended beyond the information about tax deducted, it is proposed to introduce a new Section 285BB in the Act regarding annual financial statement. This Section proposes to mandate the prescribed income-tax authority or the person authorised by such authority to upload in the registered account of the assessee a statement in such form and manner and setting forth such information, which is in the possession of an income-tax authority, and within such time, as may be prescribed.
- Consequently, Section 203AA is proposed to be deleted.
- These amendments will take effect from 1 June 2020.

Amendment in the provisions of Act relating to verification of the return of income and appearance of authorized representative

- Section 140 of the Act provides that in case of company the return is required to be verified by the managing director ("MD") thereof. Where the MD is not able to verify for any unavoidable reason or where there is no MD, any director of the company can verify the return. It is also provided that in case of a company in whose case application for insolvency resolution process has been admitted by the Adjudicating Authority ("AA") under the Insolvency and Bankruptcy Code, 2016 ("IBC"), the return has to be verified by the insolvency professional appointed by such AA. Similarly, in case of a limited liability partnership ("LLP"), the return has to be verified by the designated partner of the LLP or by any partner, in case there is no such designated partner.
- Therefore, it is proposed to amend Section 140 of the Act so as to enable any other person, as may be prescribed by the CBDT to verify the return of income in the cases of a company and a limited liability partnership.
- Further, Section 288 of the Act provides for the persons entitled to appear before any Income-tax Authority or the Appellate Tribunal, on behalf of an assessee, as its "authorised representative", in connection with any proceedings under that Act. While the IBC empowers the Insolvency Professional or the Administrator to exercise the powers of the Board of Directors or corporate debtor, there is a lack of explicit reference in Section 288 of the Act for an Insolvency Professional to act as an authorised representative of the corporate debtor which has been raising certain practical difficulties.
- Therefore, it is proposed to amend Section 288 of the Act to enable any other person, as may be prescribed by the CBDT, to appear as an authorised representative.
- These amendments will take effect from 1 April 2020.

4.8 KEY PROPOSALS (OTHERS)

Incentives to Resident Co-operative Societies

- In line with the concessional tax rate regime as applicable to corporates, it is proposed to insert a new Section (115BAD) in the Act to provide that a co-operative society resident in India shall have the option to pay tax at 22 per cent for assessment year 2021-22 onwards in respect of its total income.

- However if it fails to satisfy the conditions in any previous year, the option shall become invalid and other provisions of the Act shall apply. There are conditions prescribed on similar lines, as Section 115BAA providing an option of concessional tax rate for the domestic companies, to operationalise the new Section.
- This amendment will take apply in relation to the assessment year 2021-22 and subsequent assessment years.

Carry forward of losses or depreciation in certain amalgamations

- Section 72AA of the Act provides for carry forward of accumulated losses and unabsorbed depreciation allowance in case of amalgamation of banking company with any other banking institution under a scheme sanctioned and brought into force by the Central Government under the Banking Regulation Act, 1949.
- To ease the banking and insurance sector, it is proposed to extend the benefit of this Section to amalgamations of -
 - 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 Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 or under Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, or both, as the case may be, or
 - 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 General Insurance Business (Nationalisation) Act.
- Necessary definitions are provided for in the proposed Section to clarify the above.
- This amendment will apply in relation to the assessment year 2020-21 and subsequent assessment years.

Filing of statement of donation by donee to cross-check claim of donation by donor

- An exempt entity may accept donations or certain sum for utilisation towards their objects or activities in respect of which the payer, being the donor, gets deduction in computation of his income (example under Section 80G of the Act). At present, there is no reporting obligation by the exempt entity receiving donation/any sum in respect of such donation/sum.
- Therefore, it is proposed to standardise the process through which one-to-one matching can happen between what is received by the exempt entity and what is claimed as deduction by the assessee. This standardisation may be similar to the provisions relating to the tax collection/ deduction at source, which already exist in the Act. Therefore, the entities receiving donation/sum may be made to furnish a statement in respect thereof, and to issue a certificate to the donor/payer and the claim for deduction to the donor/payer may be allowed on that basis only.
- In order to ensure proper filing of statement, levy of a fee and penalty may also be provided in cases where there is failure to furnish the required statement. It is accordingly proposed to amend relevant provisions of the Act.
- These amendments will take effect from 1 June 2020.

5 INDIRECT TAXES

5.1 GOODS AND SERVICES TAX

Amendment as a consequence of formation of new Union Territories in India

- Section 2(114) of the Central Goods and Services Tax (“CGST”) Act, 2017, which defines “Union Territory” has been proposed to be amended to include Dadra and Nagar Haveli and Daman and Diu and Ladhakh in view to align the CGST Act with Jammu and Kashmir Reorganisation Act, 2019 and the Dadra and Nagar Haveli and Daman and Diu (Merger of Union Territories), Act, 2019. Further changes have been proposed in order to enable the Government to notify a bench of the Appellate Tribunals in the said regions.

Clarificatory change relating to Composition Scheme

- Section 10 (1) of the CGST Act provides entitlement of Composition Scheme and applicable rates for certain category of supplier of goods. The said scheme was extended to service providers vide Notification 2/2019 dated 7 March 2019.
- It is proposed to extend the scope of ineligibility to opt for the said scheme to specified service providers such as persons engaged in making supply of services which are not leviable to tax, persons engaged in making inter-state supply of services and persons engaged in making any supply of services through electronic commerce operator. The said change is to rationalize the said provisions for both suppliers of goods as well as services.

Amendment in section 16(4) relating to restriction on ITC availment in a particular financial year relating to debit notes

- Section 16 (4) of the CGST Act is proposed to be amended to remove the linkage of the date of issuance of a debit note from the date of the invoice for the purpose of availing input tax credit relating to the said document in a particular financial year.
- Due to the above change, the time limit for availing input tax credit on such debit note in the relevant financial year would be considered from the date of such debit note and not from the date of the underlying invoice to which such debit note pertains. As the said amendment is not retrospective in nature, the entitlement of input tax credit on such debit notes for the past periods would still remain open for interpretation.

Provisions relating to cancellation of GST registration

- Section 29 of the CGST Act is proposed to be amended so as to provide the option of cancellation of GST registration to a voluntarily registered taxpayer under section 25(3) of the CGST Act.
- Further, Section 30 has been proposed to be amended to empower Additional Commissioner/Joint Commissioner (‘AC/JC’) to extend the time limit for filing the application for revocation of cancellation of registration by 30 days, which is further extendable by another 30 days by the Commissioner of GST.

Time and manner of issuance of invoices for certain categories of supplies

- Proviso to Section 31(2) of the CGST Act relating to issuance of invoices is proposed to be amended to specify certain categories of services or supplies in respect of which a tax invoice would be required to be issued in such time and in such manner as may be notified by the Central Government.

Amendments to TDS provisions

- The provisions relating to issuance of TDS Certificate by the deductor of tax as per Section 51(3) of the CGST Act are proposed to be amended to provide that the issuance shall be in the manner and form as may be prescribed.
- Additionally, provision providing for late fee in cases of delay in furnishing of the TDS certificate has been removed.

Penalty and Offence provisions expanded to cover person who causes to commit or retains the benefits out of malpractices

- A new Section 122(1A) has been introduced in the CGST Act to prescribe a penalty equal to the amount of tax evaded or ITC availed or passed on by any person who retains the benefit of certain **specified transactions** (under clauses (i) (ii) (vii) and (ix) of sub-section (1)) and at whose instance such transactions are conducted. The transactions covered under the above penalty provisions are as follows:
 - Supply of goods or services without issue of any invoice or issuance of incorrect or false invoice;
 - Issue of invoice without supply of goods or services
 - Utilization of input tax credit without actual receipt of goods or services
 - Distribution of input tax credit in contravention of the provisions of the CGST Act
- In addition to the above, Section 132 of the CGST Act which provides for punishment in case of certain offences, is proposed to be amended to include the persons who **cause to commit and retain the benefit of specified offences**.

Retrospective amendment in transition provisions

- Section 140(1) to 140(9) of the CGST Act which contain the transition provision relating to availment of input tax credit from the erstwhile regime, is proposed to be amended retrospectively from 1 July 2017 to clarify that input tax credit shall be transitioned within such time and in such manner as may be prescribed.
- The above change has been brought to empower the Government to prescribe the time limit for transition of input tax credit owing to the fact that earlier, the said section was silent on this aspect and the time limit for transition was only later notified under CGST Rules. As the power to notify the time limit was not supported by corresponding enabling provision under the CGST Act, validity of such limitation was being litigated in various High Courts.

Time limit for issue of removal of difficulty order extended

- Section 172 under the CGST Act and the parallel sections under the IGST and UTGST Act are proposed to be amended to extend the time to issue any removal of difficulty order under the said Acts from 3 years to 5 years.

Amendments in Schedule II of the CGST Act

- Para 4(a) and 4(b) of Schedule II to the CGST Act are proposed to be amended retrospectively from 1 July 2017 so as to omit the terms “whether or not for consideration”.
- This amendment is in line with the definition of supply as per section 7 of the CGST Act, according to which, “consideration” is mandatory for a transaction to qualify as “supply”.

Retrospective exemption from, or levy or collection of, central tax in certain cases

- Rate of GST on the following goods has been amended retrospectively from 1 July 2017 without the facility of refund for the past transactions:
 - Supply of fishmeal (falling under heading 2301) to attract nil rate for the period 1 July 2017 to 30 September 2019;
 - Supply of pulley, wheels and other parts falling under 8483 and used as parts of agricultural machinery (8432, 8433 and 8436) to attract 12 per cent rate during the period 1 July 2017 to 31 December 2018.

5.2 CUSTOMS DUTY

Rate changes under Customs Duty

- Union Budget 2020 was mainly aimed at promoting Government's one of the important programs 'Make in India' by increasing Basic Customs Duty on import of various goods in India including specified machinery classified under Chapter 84, electronic goods and parts thereof classified under Chapter 85 and automobile and automobile parts classified under Chapter 84, 87, etc.
- Further, benefit of exemption/ concessional rate of duty of BCD on various goods given under Notification 50/2017-Customs dated 30 June 2017 was withdrawn w.e.f. 2 February 2020.
- The entire list of changes in the Customs Duty rates is provided in the Annexures.

Introduction of Administrative steps for establishment and verification of "Rules of Origin" under the Free Trade Agreements

- To further regulate the verification process of country of origin norms for claims of preferential rates under the Free Trade Agreements executed by several nations with India, it has been proposed to incorporate a new Chapter VAA in the Customs Act, 1962. The same has been introduced owing to intelligence reports regarding misuse of treaty benefits on certain imports.
- Under the said chapter, the rules regarding country of origin for claiming of benefit under the Free Trade Agreements are elaborated.
- Under the said scheme proposed under Section 28DA, the importer would be liable to the following for claiming the preferential duty rates:
 - Make a declaration that the goods qualify for the preferential duty treatment by virtue of their origin
 - Possess sufficient information to fulfil determination criteria (regional value content, product specific criteria, etc.) stipulated in specified Trade agreement
 - Furnish such further information, as may be prescribed in the rules
 - Exercise reasonable care as to the accuracy and truthfulness of the information
- It is proposed that where the proper officer has reasons to believe that the country of origin criteria prescribed in the Trade agreement has not been met, then the proper officer can ask the importer to furnish further information consistent with the Trade agreement to support the claim of country of origin.

- In case where the importer fails to provide the requisite information, following steps can be undertaken by the proper officer:
 - The proper officer would be given powers to carry out his own verification.
 - Until such verification is pending, the officer would have the power to temporarily suspend the preferential tariff treatment to such goods.
 - Further, the Principal Commissioner of Customs or the Commissioner of Customs has been empowered to disallow the preferential rate even without further verification.
 - During the suspension period, the goods may be released on the request of the importer on submission of security equivalent to the differential amount of duty under provisional assessment and the preferential duty claimed.
 - While the preferential duty claim is under suspension, the officer would inform the Issuing Authority of the reasons for such suspension and would seek necessary information with a view to determine the origin of goods within prescribed time.
 - Depending upon the provision of information by the issuing authority or its satisfactory nature, the proper officer would restore or disallow the preferential treatment giving reasons for the action taken by him in writing.
 - Such verification may be sought within five years from the date of claim of such preferential duty treatment by the Importer.
 - Where the verification establishes non-compliance of country of origin criteria, the officer has been entrusted with the powers to reject the preferential tariff treatment to the imports of the identical goods from the same producer or exporter, unless proved otherwise.
- Further, In the following cases the officer would have the right to refuse the preferential treatment without due verification:
 - In case the tariff entry itself is not eligible for preferential treatment under the trade agreement
 - In case the certificate of origin contains in-complete description
 - In case the certificate of origin is altered in any way without any authentication by issuing authority
 - In case the certificate of origin is expired
- Section 111 and Section 156 of the Customs Act has also been proposed to be amended to respectively authorize the Custom Authorities to confiscate the goods in case of contravention of the provision of this chapter, and to delegate the power to prescribe rules in relation to the specified timelines, circumstances, etc. for the administration of Rules of Origin under the Trade agreement.
- The above provisions may make the process of claiming the preferential rates under the FTAs very cumbersome. Further, it is required to be seen how the signatory countries under the said FTAs react to the said proposal.

Introduction of Electronic Duty Credit Ledger:

- It is proposed to incorporate **Section 51B** to provide for creation of Electronic Duty Credit Ledger along with the current ledger in the Customs System. This would enable credit of

benefits on export of goods to be provided in electronic form in such online ledger. Such an amendment is being made with the perspective of the new foreign trade policy to be incorporated in the future.

- The duty credit available in the electronic credit ledger would be available to be used by the person to whom it is **issued** or to the person to whom such credit is **transferred** towards making payment of the duties payable under the Customs Act, 1962 in the manner which would be prescribed.

Clarification relating to adjudication of cases

- The amended Section 28 of the Customs Act provided for a definite time frame for adjudication of demand notices ranging from six months to one year depending upon charges of collusion, suppression ,etc., failure of which would lead to the lapse of assessment proceedings. Explanation 4 of the above section is proposed to be substituted in order to clarify that all cases where notice has been issued before 29 March 2018 would continue to be governed by the erstwhile provisions of the Section 28 notwithstanding, any judgement, decree, order of an any Court, Appellant Tribunal, or provision of any law, to the contrary.
- The above amendment would overrule the judgment of the Punjab and Haryana High Court in the case of **Harkaran Dass Vedpal v. Union of India [2019(368) ELT 546 (P&H)]** wherein it was held that amendment to Section 28 is retroactive in nature and time limitation of adjudication would apply to past notices as well.

Levy of Health Cess

- To fund the health infrastructure in the Country, a new levy of Health Cess is proposed to be imposed on the import of specified medical devices falling under headings 9018 to 9022, at the **rate of 5 per cent ad valorem on the import value of such goods as determined under Section 14** of the Customs Act, 1962.
- Such Health Cess would be a part of duty of Customs and the same would not be imposed on medical devices which are exempt from BCD. Furthermore, inputs/parts used in the manufacture of medical devices would also be exempt from Health Cess.

Introduction of “tariff rate quota” as a safeguard measure

- Section 8B of the Customs Tariff Act relates to imposition of “Safeguard Duty” in cases when an article is imported into India in increased quantities to cause serious injury to the domestic industry. It is proposed to substitute Section 8B of the said act to expand the scope of safeguard measures by including a Tariff Rate Quota (‘TRQ’) and other non-tariff barriers.
- In the said system, the imports within the quota would be charged at a lower tariff rate, while a higher tariff rate would be used for imports above the specified import level. It should be noted that TRQ is permitted as a safeguard measure in the WTO Agreement on Safeguards and its use is globally quite prevalent by the WTO members.

Amendments to Anti Dumping Rules

- The Anti-Dumping Rules provides for manner and procedure for investigation into dumping of goods that could cause injury to the domestic industry. The said rules also provide for investigation into cases of circumvention of antidumping duty by the exporters of subject goods to India.
- To make the said rules more **comprehensive and wider** in scope, changes are proposed to be made in the Rules to strengthen the anticircumvention measures by including all types

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of circumventions of antidumping duty in line with best international practice. Certain other changes are being made in these Rules for bringing clarity in the scope of these rules.

Amendments to Countervailing Duty Rules

- The Countervailing Duty Rules provide for manner and procedure for causing investigation into the cases of imports of subsidized goods that cause injury to domestic industry. At present, the Countervailing Duty Rules do not have any mechanism for imposition of countervailing duty in case of circumvention of these measures. It is proposed to incorporate a provision in the countervailing Duty Rules to **enable investigation into the case of circumvention of countervailing duty for enabling imposition of such duty**. Certain other changes are being made for bringing clarity in the Rules.

Announcement of Scheme for Refund of Taxes and Duties used in Exports

- It is proposed to digitally refund to exporters, duties and taxes levied at the Central, State and local levels, such as **electricity duties and VAT on fuel** used for transportation, which are not getting exempted or refunded under any other existing mechanism. While no further details were provided, the said scheme is proposed to be launched in this year.

5.3 EXCISE DUTY

- With the introduction of GST, the Central Excise law stands redundant except for certain products. The changes in the rate of National Calamity Contingent Duty ('NCCD') have been provided in the Annexure.

6 ANNEXURES

6.1 ANNEXURE A: RATES OF INCOME TAX

Personal Income Tax rates

Option 1 - Regular Income Tax Slabs (all deductions, incentives and other allowances to be availed)

(i) Resident individuals* (other than those mentioned in (i) and (ii) below)

| Existing Income Tax rates | |
|---------------------------|---------------------|
| Income Slab (INR) | Tax Rate (per cent) |
| 0-250,000 | Nil |
| 250,001-500,000 | 5 |
| 500,001-1,000,000 | 20 |
| Above 1,000,000 | 30 |

(ii) Resident individuals* of the age of 60 years or more but less than 80 years of age.

| Existing Income Tax rates | |
|---------------------------|---------------------|
| Income Slab (INR) | Tax Rate (per cent) |
| 0-300,000 | Nil |
| 300,001-500,000 | 5 |
| 500,001-1,000,000 | 20 |
| Above 1,000,000 | 30 |

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(iii) Resident individuals* of the age of 80 years.

| Existing Income Tax rates | |
|---------------------------|---------------------|
| Income Slab (INR) | Tax Rate (per cent) |
| 0-500,000 | Nil |
| 500,001-1,000,000 | 20 |
| Above 1,000,000 | 30 |

*A resident individual, whose taxable income does not exceed INR 0.5 million, can claim a tax rebate under Section 87A. The amount of rebate shall be lower of 100 per cent of income-tax or INR 12,500.

Option 2 Simplified Income Tax Slabs (prescribed deductions, incentives and other allowances not to be availed)

| Income Slab (INR) | New rates proposed (per cent) (optional) |
|---------------------|------------------------------------------|
| 0-250,000 | Nil |
| 250,001-500,000 | 5 |
| 500,001-750,000 | 10 |
| 750,001-1,000,000 | 15 |
| 1,000,001-1,250,000 | 20 |
| 1,250,001-1,500,000 | 25 |
| Above 1,500,000 | 30 |

Surcharge

- The rate of Surcharge at 10 per cent is to be levied on income-tax in case total income exceeds INR 5 million and is up to INR 10 million;
- The rate of Surcharge at 15 per cent is to be levied on income-tax in case the total income exceeds INR 10 million and is up to INR 20 million.
- The rate of Surcharge at 25 per cent is to be levied on income-tax in case the total income exceeds INR 20 million and is up to INR 50 million.
- The rate of Surcharge at 37 per cent is to be levied on income-tax in case the total income exceeds INR 50 million.
- The Health and Education Cess at the rate of 4 per cent shall be computed on aggregate of Income-Tax and Surcharge.

Corporate Tax Rates

Option 1: Regular Income Tax (all deductions, incentives, allowances availed)

| Description | Tax rate (per cent) | Effective Tax Rate (including Surcharge and Cess) (per cent) (depending upon income levels) |
|-------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------------------------------------------------------------------------------|
| Domestic companies whose total turnover or gross receipts in the previous year 2017-18 does not exceed INR 4000 Million | 25 | 26 / 27.82 / 29.12 |

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| | | |
|--------------------------------------------------------------------------------------------|----|----------------------|
| Companies engaged in manufacturing set-up and registered on or after one day of March 2016 | 25 | 26 / 27.82 / 29.12 |
| Others | 30 | 31.2/33.38/34.94 |
| Minimum Alternate Tax | 15 | 15.60/16.90/17.46 |
| Foreign Company: | | |
| Income Tax | 40 | 41.6 / 42.43 / 43.68 |

Option 2: Concessional Income Tax Rates (prescribed deductions, incentives, additional depreciation not to be availed)

| Description | Tax Rate (per cent) | Effective Rate(per cent) (including Surcharge and Cess) |
|-----------------------------------------------------------------------------------------|---------------------|---------------------------------------------------------|
| Companies engaged in manufacturing and set-up and registered on or after 1 October 2019 | 15 | 17.16 |
| All companies | 22 | 25.17 |

Foreign companies

| Description | Tax rate (per cent) | Effective Tax Rate (including Surcharge and Cess) (per cent) (depending upon income levels) |
|------------------|---------------------|---------------------------------------------------------------------------------------------|
| Foreign Company: | | |
| Income Tax | 40 | 41.6 / 42.43 / 43.68 |

6.2 ANNEXURE B: TECHNICAL CLARIFICATION ON BASIC CUSTOMS DUTY RATE

- BCD on dyed woven fabric of yarn containing 85 per cent or more by weight of textured polyester filaments, under tariff sub-heading "5407 52" has been prescribed by S. Nos. 47 and 48 of Notification No. 14/2006-Customs dated 01 March 2006. S. No. 31A of Notification No. 82/2017-Customs dated 27 October 2017 also prescribes rate on this item. Hence, the entry under Notification No. 82/2017-Customs dated 27 October 2017 is omitted.
- a) Technical changes of clarificatory nature are being made in Condition No. 78 so as to make it consistent with entry at S. No. 539 of Notification No. 50/2017-Customs dated 30 June 2017. The said S. No. 539 deals with export of ground equipment imported for testing the satellite or payload, within a period of six months.
- b) A separate new condition (No. 107) is being incorporated for S. No. 539A, which deals with Scientific and Technical instruments, apparatus, and equipments for launch of vehicle and satellite and payloads.
- Entry at S.No. 28 of Notification No. 50/2017-Customs dated 30 June 2017 is being amended to retain only tariff item 0802 90 00 in it. The other goods hitherto covered in this entry have the tariff rate same as the duty rate prescribed in this entry. Hence, these items do not require inclusion in this entry.
- Import of Bamboo for use in the manufacture of Agarbatti attracts concessional rate of 10 per cent under Entry at S.No. 55 of Notification No. 50/2017-Customs dated 30 June 2017. This concession shall henceforth be subject to actual user condition.

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- S.No. 57 of Notification No. 50/2017-Customs dated 30 June 2017 (prescribing effective rate on certain edible oils} is redundant as these goods are covered in certain other entries with lower or equal applicable rates. Hence this entry is being omitted.
- Goods falling under heading 2801, 2802, 2803, 2804, 2805 and 2814 attracts 5 per cent BCD by Tariff. However, S.No. 169 of Notification No. 50/2017-Customs dated 30 June 2017 prescribes a BCD rate of 7.5 per cent. This entry is being amended to remove this inconsistency.
- Phosphoric acid attracts 5 per cent BCD vide S. Nos. 170 (a conditional exemption) and 177 of Notification No. 50/2017-Customs dated 30 June 2017. S. No. 170, is being omitted, being redundant.
- S.No. 266 of Notification No. 50/2017-Customs dated 30 June 2017 provides 7.5 per cent BCD for goods falling under heading 3903. S. No. 262 is being amended to include heading 3903 so as to provide 7.5 per cent BCD on goods of heading 3903. Accordingly, the redundant entry at S.No. 266, is being omitted.
- S.No. 578 of the Notification No. 50/2017-Customs, dated the 30 June 2017 provides BCD exemption on assistive devices, rehabilitation aids and other goods for disabled as mentioned in List 30 to the said notification. The item at S. No. E(9) in this list is being amended to remove ambiguity about its scope. The intention has been to cover only such items which are for use of the disabled.
- S.No. 408 (and Condition 51) of the Notification No. 50/2017-Customs, dated the 30 June 2017 provides concessional BCD rate of 5 per cent on item for renovation and modernization of Fertilizer plants. It requires a techno-economic clearance from Department of Fertilizer. The Condition No. 51 is being amended so as to remove this requirement.

6.3

ANNEXURE C: IMPORTANT CHANGES IN THE NCCD RATES OF EXCISE DUTY

| Item/ Product | | Tariff Heading | Existing | Proposed |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------------|----------------------|
| Category | Description | | | |
| Cigarettes | Other than filter cigarettes, of length not exceeding 65 millimetres | 2402 20 10 | INR 90 per thousand | INR 200 per thousand |
| | Other than filter cigarettes, of length exceeding 65 millimetres but not exceeding 70 millimetres | 2402 20 20 | INR 145 per thousand | INR 250 per thousand |
| | Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimetres or its actual length, whichever is more) not exceeding 65 millimetres | 2402 20 30 | INR 90 per thousand | INR 440 per thousand |
| | Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimetres or its actual length, whichever is more) exceeding 65 millimetres but not exceeding 70 millimetres | 2402 20 40 | INR 90 per thousand | INR 440 per thousand |
| | Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimetres or its actual length, whichever is more) exceeding 70 | 2402 20 50 | INR 145 per thousand | INR 545 per thousand |

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| Item/ Product | | Tariff Heading | Existing | Proposed |
|---------------|-------------------------------------------------------|----------------|----------------------|----------------------|
| Category | Description | | | |
| | millimetres but not exceeding 75 millimetres | | | |
| | Other (<i>Cigarettes containing tobacco</i>) | 2402 20 90 | INR 235 per thousand | INR 735 per thousand |
| | Cigarettes of tobacco substitutes | 2402 90 10 | INR 150 per thousand | INR 600 per thousand |
| | Hookah or gudaku tobacco | 2403 11 10 | 10 per cent | 25 per cent |
| | Smoking mixtures for pipes and cigarettes | 2403 19 10 | 45 per cent | 60 per cent |
| | Other <i>smoking tobacco</i> | 2403 19 90 | 10 per cent | 25 per cent |
| | "Homogenised" or "reconstituted" tobacco | 2403 91 00 | 10 per cent | 25 per cent |
| | Chewing tobacco | 2403 99 10 | 10 per cent | 25 per cent |
| | Preparations containing chewing tobacco | 2403 99 20 | 10 per cent | 25 per cent |
| | Jarda scented tobacco | 2403 99 30 | 10 per cent | 25 per cent |
| | Snuff | 2403 99 40 | 10 per cent | 25 per cent |
| | Preparations containing snuff | 2403 99 50 | 10 per cent | 25 per cent |
| | Tobacco extracts and essence | 2403 99 60 | 10 per cent | 25 per cent |
| | Other (<i>manufactured tobacco and substitutes</i>) | 2403 99 90 | 10 per cent | 25 per cent |

6.4

ANNEXURE D: IMPORTANT CHANGES IN THE RATES OF CUSTOMS DUTY

Increase in Tariff: Basic Customs Duty (BCD)

| Item/ Product | | Tariff Code | Existing Tariff Rate | Proposed Tariff Rate |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|----------------------|----------------------|
| Category | Description | | | |
| Food processing | Walnuts, shelled | 0802 32 00 | 30 per cent | 100 per cent |
| Chemicals | Other Chemical products and preparations of the chemical or allied industries, not elsewhere specified | 3824 99 00 | 10 per cent | 17.5 per cent |
| Footwear | Footwear | 6401, 6402, 6403, 6404, 6405 | 25 per cent | 35 per cent |
| | Parts of footwear | 6406 | 15 per cent | 20 per cent |
| Household Items | Tableware, kitchenware, water filters (of a capacity not exceeding 40 litres) and other household articles, of porcelain of china.) | 6911 10, 6911 90 20, 6911 90 90 | 10 per cent | 20 per cent |
| | Ceramic tableware, kitchenware, clay articles and other household articles | 6912 00 10, 6912 00 40, 6912 00 20, 6912 00 90 | 10 per cent | 20 per cent |

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| Item/ Product | | Tariff Code | Existing Tariff Rate | Proposed Tariff Rate |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------------------|-------------------------|
| Category | Description | | | |
| | Glassware of a kind used for table, kitchen, toilet, office, indoor decoration or similar purposes (other than that of heading 7010 or 7018) | 7013 | 10 per cent | 20 per cent |
| | Table kitchen or other household articles and parts thereof, of iron or steel, iron or steel wool; pot scorers and scouring or polishing pads, gloves and the like, of iron or steel, including pressure cookers pans utensils, misc. articles such as iron & steel wool, polishing pads, gloves etc. | 7323 | 10 per cent | 20 per cent |
| | Table, kitchen or other household articles and parts thereof, of copper; pot scorers and scouring or polishing pads, gloves and the like, of copper. | 7418 10 | 10 per cent | 20 per cent |
| | Table, kitchen or other household articles and parts thereof, of aluminium; pot scourer and scouring or polishing pads, gloves and the like, of aluminium. | 7615 10 | 10 per cent | 20 per cent |
| | Padlocks and locks (key, combination or electrically operated) of base metal; clasps and frames with clasps, incorporating locks of base metals; keys for any of the foregoing articles, of base metals (other than lock of a kind used for automobiles.) | 8301 | 10 per cent | 20 per cent |
| | Brooms, brushes, hand operated mechanical floor sweepers, not motorized, mops and feather dusters; prepared knots and tufts for broom or brush making; paint pads and rollers; Squeegees (other than roller squeegees). | 9603 | 10 per cent | 20 per cent |
| | Hand sieves and hand riddles. | 9604 00 00 | 10 per cent | 20 per cent |
| | Combs, hair-slides and the like, hairpins curling pins, curling arios, hair curlers and the like, other than those of heading 8516 and parts thereof. | 9615 | 10 per cent | 20 per cent |

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| Item/ Product | | Tariff Code | Existing Tariff Rate | Proposed Tariff Rate |
|-----------------------------|----------------------------------------------------------------------------------------------------|-------------|-------------------------|-------------------------|
| Category | Description | | | |
| | Vacuum flasks and other vacuum vessels, complete with cases; parts thereof other than glass inners | 9617 | 10 per cent | 20 per cent |
| Household appliances | Table Fans | 8414 51 10 | 10 per cent | 20 per cent |
| | Ceiling Fans | 8414 51 20 | 10 per cent | 20 per cent |
| | Pedestal Fans | 8414 51 30 | 10 per cent | 20 per cent |
| | Blowers, Portable | 8414 59 20 | 10 per cent | 20 per cent |
| | Food Grinders | 8509 40 10 | 10 per cent | 20 per cent |
| | Other grinders and Mixer | 8509 40 90 | 10 per cent | 20 per cent |
| | Other Appliances | 8509 80 00 | 10 per cent | 20 per cent |
| | Shavers | 8510 10 00 | 10 per cent | 20 per cent |
| | Hair Clippers | 8510 20 00 | 10 per cent | 20 per cent |
| | Hair-removing appliances | 8510 30 00 | 10 per cent | 20 per cent |
| | Water heaters and immersion heaters | 8516 10 00 | 10 per cent | 20 per cent |
| | Storage heating radiators | 8516 21 00 | 10 per cent | 20 per cent |
| | Other electrical space heating apparatus | 8516 29 00 | 10 per cent | 20 per cent |
| | Hair Dryers | 8516 31 00 | 10 per cent | 20 per cent |
| | Other hair dressing apparatus | 8516 32 00 | 10 per cent | 20 per cent |
| | Hand Drying apparatus | 8516 33 00 | 10 per cent | 20 per cent |
| | Electric smoothing irons | 8516 40 00 | 10 per cent | 20 per cent |
| | Other ovens, cookers, cooking plates, boiling rings, grillers and roasters | 8516 60 00 | 10 per cent | 20 per cent |
| | Coffee and Tea Makers | 8516 71 00 | 10 per cent | 20 per cent |
| | Toasters | 8516 72 00 | 10 per cent | 20 per cent |
| | Electro-thermic fluid heaters | 8516 79 10 | 10 per cent | 20 per cent |
| | Electrical or electronic devices for repelling insects | 8516 79 20 | 10 per cent | 20 per cent |
| | Other electro-thermic appliances used for domestic purposes | 8516 79 90 | 10 per cent | 20 per cent |
| Electric heating resistors | 8516 80 00 | 10 per cent | 20 per cent | |
| Precious Metals | Coin | 7118 | 10 per cent | 12.5 per cent |
| Machinery | Railway Carriage fans | 8414 51 40 | 7.5 per cent | 10 per cent |

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| Item/ Product | | Tariff Code | Existing Tariff Rate | Proposed Tariff Rate |
|-------------------------------|-------------------------------------------------------------------------------------|--------------------------------------|-------------------------|-------------------------|
| Category | Description | | | |
| | Other fans with a self-contained electric motor not exceeding 125W | 8414 51 90 | 7.5 per cent | 20 per cent |
| | Air Circulator | 8414 59 10 | 7.5 per cent | 10 per cent |
| | Industrial fans blowers and similar blowers | 8414 59 30 | 7.5 per cent | 10 per cent |
| | Other industrial fans | 8414 59 90 | 7.5 per cent | 10 per cent |
| | Compressor of Refrigerator and Air conditioner | 8414 30 00, 8414 80 11 | 10 per cent | 12.5 per cent |
| | Pressure vessels | 8419 89 10 | 7.5 per cent | 10 per cent |
| | Commercial type combined refrigerator freezers, fitted with separate external doors | 8418 10 10 | 7.5 per cent | 15 per cent |
| | Commercial freezer of chest type, not exceeding Eight Hundred litre capacity | 8418 30 10 | 7.5 per cent | 15 per cent |
| | Other chest type freezers | 8418 30 90 | 10 per cent | 15 per cent |
| | Electrical freezers of upright type, not exceeding Eight Hundred litre capacity. | 8418 40 10 | 7.5 per cent | 15 per cent |
| | Other freezers of upright type, not exceeding Eight Hundred litre capacity | 8418 40 90 | 7.5 per cent | 15 per cent |
| | Refrigerating or freezing display counters, cabinets, show-cases and the like | 8418 50 00 | 7.5 per cent | 15 per cent |
| | Heat pumps other than air conditioning machines | 8418 61 00 | 7.5 per cent | 15 per cent |
| | Ice making machinery | 8418 69 10 | 7.5 per cent | 15 per cent |
| | Water cooler | 8418 69 20 | 10 per cent | 15 per cent |
| | Vending machine, other than automatic | 8418 69 30 | 10 per cent | 15 per cent |
| | Refrigerating equipment, devices used in leather industry | 8418 69 40 | 7.5 per cent | 15 per cent |
| | Refrigerated farm tanks, industrial ice cream freezer | 8418 69 50 | 7.5 per cent | 15 per cent |
| | Others [like freezers of capacity Eight Hundred litres and more etc.] | 8418 69 90 | 7.5 per cent | 15 per cent |
| | Welding and Plasma cutting machines | 8515 (except 8515 90 00) | 7.5 per cent | 10 per cent |
| Other Electronic goods | Static Converters | 8504 40 (except 8504 40 21) | 15 per cent | 20 per cent |

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| Item/ Product | | Tariff Code | Existing Tariff Rate | Proposed Tariff Rate |
|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-------------------------|-------------------------|
| Category | Description | | | |
| | Dip bridge rectifier | 8504 40 21 | 10 per cent | 20 per cent |
| | Populated, loaded or stuffed printed circuit boards | 8517 70 10 | 10 per cent | 20 per cent |
| Automobile and automobile parts | Catalytic Converter | 8421 39 20, 8421 39 90 | 10 per cent | 15 per cent |
| Furniture Goods | Seats and parts of seats (other than aircraft seats and their parts) | 9401 | 20 per cent | 25 per cent |
| | Other Furniture and parts thereof | 9403 | 20 per cent | 25 per cent |
| | Mattress supports; Articles of bedding and similar furnishing | 9404 | 20 per cent | 25 per cent |
| | Lamps and lighting fittings including searchlights and spotlights and parts thereof; Illuminated signs, illuminated name plates and the like, having a permanently fixed light source, and parts thereof (except solar lantern and solar lamps). | 9405 | 20 per cent | 25 per cent |
| Toys | Tricycles, scooters, pedal-cars and similar wheeled-toys; dolls' carriages; dolls; other toys; reduced-size ("scale") models and similar recreational models, working or not; puzzles of all kinds | 9503 | 20 per cent | 60 per cent |
| Stationary items | Filing, cabinets, card-index cabinets, paper-trays, paper rests, pen trays, office-stamp stands and similar office or desk equipment, of base metal, other than office furniture of heading 9403 | 8304 00 00 | 10 per cent | 20 per cent |
| | Fittings for loose-leaf binders or files, letter clips, letter corners, paper clips, indexing tags and similar office articles, of base metal; staples in strips (for example, for offices, upholstery, packaging), of base metal | 8305 | 10 per cent | 20 per cent |
| | Sign-plates, name-plates, address-plates and similar plates, numbers, letters and other symbols, of base metal, excluding those of heading 9405 | 8310 | 10 per cent | 20 per cent |
| Miscellaneous | Artificial Flowers | 6702 | 10 per cent | 20 per cent |

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| Item/ Product | | Tariff Code | Existing Tariff Rate | Proposed Tariff Rate |
|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|----------------------|----------------------|
| Category | Description | | | |
| | Glass Beads | 7018 10 20 | 10 per cent | 20 per cent |
| | Bells, gongs, statuettes, trophies and like, non-electric of base metal; statuettes and other ornaments of base metal; photograph, picture or similar frames, of base metal; mirrors of base metal. | 8306 | 10 per cent | 20 per cent |

Addition of New Entries to the Tariff:

| Item/ Product | | Tariff Code | Tariff Rate | Effective Rate |
|---------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|-------------|-------------|----------------|
| Category | Description | | | |
| Table, floor, wall, window, ceiling or roof fans, with a self-contained electric motor of an output not exceeding 125 W: | Wall fans | 8414 51 50 | 20 per cent | 20 per cent |
| Parts of apparatus of heading 8525 to 8528 | Open cell for television set | 8529 90 30 | 15 per cent | 0 per cent |
| Diodes | Solar cells, not assembled | 8541 40 11 | 20 per cent | 0 per cent |
| | Solar cells, assembled in modules or made up in panels | 8541 40 12 | 20 per cent | 0 per cent |

Increase in Basic Customs Duty (BCD): effective from 02 February 2020

| Item/ Product | | Tariff Code | Existing | New |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------|-------------|
| Category | Description | | | |
| Live Animals & Animal Products | Tuna bait | 0303 | NIL | 30 per cent |
| | Goods upto an aggregate of ten thousand metric tonnes of total imports of Milk and cream, in powder, granules or other solid form in a financial year. | 0402 10, 0402 21 00 | 15 per cent | 60 per cent |
| | Whey, concentrated, evaporated or condensed, liquid or semi-solid | 0404 10 1 0 | 30 per cent | 40 per cent |
| | Other Whey | 0404 90 00 | 30 per cent | 40 per cent |
| | Butter Ghee, Butter Oil | 0405 | 30 per cent | 40 per cent |

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| Item/ Product | | Tariff Code | Existing | New |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------|-------------------------------|
| Category | Description | | | |
| | Other cheese | 0406 90 00 | 30 per cent | 40 per cent |
| | Pancreas (Products of animal origin, not elsewhere specified) | Chapter 5 | 5 per cent | 30 per cent |
| | Conch shell | 0508 00 | 5 per cent | 30 per cent |
| Vegetable Products | Bulbs or tubers, other live plants | 0601, 0602 | 5 per cent | 10 per cent |
| | All goods other than meslin or wheat | 1001 | 50 per cent | 100 per cent |
| | Meslin | 1001 | NIL | 100 per cent |
| | Maize upto an aggregate of five lakh metric tonnes of total imports of such goods in a financial year | 1005 90 | NIL | 60 per cent |
| | Sugar beet seeds | 1209 10 00 | 5 per cent | 30 per cent |
| Oil, Fats, etc. | Edible oils | 1508, 1512, 1513, 1514,1515 or 1511 10 | 85 per cent | 100 per cent |
| | Refined vegetable oils of edible grade, in loose or bulk form (other than palm oil) | Chapter 15 | 85 per cent | Applicable Tariff rate of BCD |
| | Vegetable oils of edible grade, in loose or bulk form (other than those specified against S. No. 58 and palm oil), imported for the manufacture of oil commonly known as "Vanaspati" or for refining. <i>Explanation.</i> -The expression "Vegetable oil" means- (a) in the case of cottonseed oil, oil having a free fatty acid content of at least 0.2 per cent; and (b) in the case of any other vegetable oil, oil with free fatty acid content of at least 0.5 per cent. | Chapter 15 | 75 per cent | Applicable Tariff rate of BCD |
| | Crude sunflower seed or safflower oil upto an aggregate of one lakh and fifty thousand metric tonnes of total imports of such goods in a financial year | 1512 11 | 50 per cent | Applicable Tariff rate of BCD |
| | Crude sunflower seed or safflower oil other than those specified against S. No. 68 | 1512 11 | 75 per cent | Applicable Tariff rate of BCD |
| | Refined rape, colza or mustard oil upto an aggregate of one lakh and fifty thousand metric | 1514 19 or 1514 99 | 45 per cent | Applicable Tariff rate of BCD |

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| Item/ Product | | Tariff Code | Existing | New |
|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|---------------|-------------------------------|
| Category | Description | | | |
| | tonnes of total imports of such goods in a financial year | | | |
| | Margarine, animal or vegetable oils of edible grade | 1517 or 1518 | 80 per cent | Applicable Tariff rate of BCD |
| | Glycerol, crude; glycerol waters and glycerol lyes, (other than crude glycerine) | 1520 00 00 | 20 per cent | Applicable Tariff rate of BCD |
| Foods, Beverages, etc. | Raw Sugar upto an aggregate of three lakh metric tonnes of total imports of such goods. Provided that the import of raw sugar in physical form is completed within sixty days from the date of issue of the Tariff Rate Quota Allocation Certificate or license by Directorate General of Foreign Trade (DGFT) to the importer. Provided further that the importer shall convert the raw sugar into white/ refined sugar within a period, not exceeding thirty days, from the date of filing of bill of entry or the date of entry inwards, whichever is later | 1701 | 25 per cent | Applicable Tariff rate of BCD |
| | Dextrose Monohydrate | 1702 | 20 per cent | Applicable Tariff rate of BCD |
| | Molasses resulting from extraction or refining of sugar | 1703 | 10 per cent | Applicable Tariff rate of BCD |
| | Chewing gum whether or not sugar coated | 1704 10 00 | 30 per cent | Applicable Tariff rate of BCD |
| | Food preparations, for infant use and put up for retail sale, of- 1. goods of headings 0401 to 0404, containing cocoa calculated on a totally defatted basis, in a proportion by weight of 5 per cent or more but less than 10 per cent; or 2. flour, meal, starch or malt extract containing cocoa calculated on a totally defatted basis, in a proportion by weight of 40 per cent or more but less than 50 per cent. | 1806 90 | 17.5 per cent | Applicable Tariff rate of BCD |

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| Item/ Product | | Tariff Code | Existing | New |
|---------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|--------------|-------------------------------|
| Category | Description | | | |
| | Preparations for infant use put up for retail sale | 1901 10 | 30 per cent | Applicable Tariff rate of BCD |
| | Preserved Potatoes | 2004 10 00 | 30 per cent | Applicable Tariff rate of BCD |
| | Peanut Butter | 2008 11 00 | 7.5 per cent | Applicable Tariff rate of BCD |
| | Wine, for use as sacramental wine | 2204 | 30 per cent | Applicable Tariff rate of BCD |
| | Angostura bitters | 2208 | 5 per cent | Applicable Tariff rate of BCD |
| | Fin fish feed | 2301 20, 2309 90 32, 2309 90 39 | NIL | Applicable Tariff rate of BCD |
| | Dietary soya fibre | 2304 | 15 per cent | Applicable Tariff rate of BCD |
| Mineral Products | Naphtha, when imported by Ratnagiri Gas and Power Private Limited (RGPPL), for use in generation of electricity in the power plants of Ratnagiri Gas and Power Private Limited (RGPPL) at Dabhol, District Ratnagiri, Maharashtra | 2710 | NIL | Applicable Tariff rate of BCD |
| | Naphtha, when imported for generation of electrical energy by a generating company as defined in section 2(28) of the Electricity Act, 2003 (36 of 2003) to supply electrical energy or to engage in the business of supplying electrical energy | 2701 | NIL | Applicable Tariff rate of BCD |
| | Propane, Butane | 2711 12 00, 2711 13 00 | 5 per cent | Applicable Tariff rate of BCD |
| | Electrical energy | 2716 00 00 | NIL | Applicable Tariff rate of BCD |
| Products of Chemicals or Allied Industries | Colloidal precious metals; compounds of precious metals; amalgams of precious metals | 2843 | 7.5 per cent | 10 per cent |
| | Phosphoric acid, for the manufacture of fertilizers | 28 | 5 per cent | Applicable Tariff rate of BCD |

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| Item/ Product | | Tariff Code | Existing | New |
|-----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------|-------------------------------|
| Category | Description | | | |
| | Butyl Acrylate | 2916 12 10 | 5 per cent | 7.5 per cent |
| | Japanese Encephalitis (JE) vaccine, imported by the Andhra Pradesh Government through UNICEF | 30 | NIL | Applicable Tariff rate of BCD |
| | Kyanite salts, in a form indicative of their use for manurial purpose | 31 | 5 per cent | Applicable Tariff rate of BCD |
| | Isolated soya protein | 3504 | 10 per cent | Applicable Tariff rate of BCD |
| | Colour positive unexposed cinematographic film in jumbo rolls and colour negative unexposed cinematographic film in rolls of four hundred feet and thousand feet | 37 | 5 per cent | Applicable Tariff rate of BCD |
| | Instant print film | 3701 20 00 or 3702 | 5 per cent | Applicable Tariff rate of BCD |
| | Cinematographic films, exposed but not developed | 3704 | NIL | Applicable Tariff rate of BCD |
| Plastic, Rubber & Articles thereof | The following polymers of ethylene, namely: - (i) Low density polyethylene (LOPE), (ii) Linear low-density polyethylene (LLDPE), (iii) High density polyethylene (HOPE), (iv) Linear medium density polyethylene (LMDPE), (v) Linear high-density polyethylene (LHDPE) | 3901 | 7.5 per cent | Applicable Tariff rate of BCD |
| | All goods other than poly iso-butylene | 3902 | 7.5 per cent | Applicable Tariff rate of BCD |
| | All goods | 3903 | 7.5 per cent | Applicable Tariff rate of BCD |
| | Compostable polymer or bio-plastic used in the manufacture of bio degradable agro mulching films, nursery plantation pots and flower pots | 3913 90 90 | NIL | Applicable Tariff rate of BCD |
| | Water blocking tape for use in the manufacture of insulated wires and cables falling under heading 8544 (except sub-heading 8544 11) | 3919 90 90 | 7.5 per cent | Applicable Tariff rate of BCD |

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| Item/ Product | | Tariff Code | Existing | New |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|--------------|-------------------------------|
| Category | Description | | | |
| | Subbed polyester base, imported by M/s Hindustan Photo Films Manufacturing Company Limited, Udthagamandalam for the manufacture of medical or industrial X- ray films and graphic art films | 3920 | NIL | Applicable Tariff rate of BCD |
| Precious Stones and Metals | Gold used in the manufacture of semiconductor devices or light emitting diodes | 7108 | Nil | 12.5 per cent |
| | Rubies, emeralds, sapphires - unset and imported uncut | 7103 | Nil | 0.5 per cent |
| | Rough coloured gemstones | 7103 | Nil | 0.5 per cent |
| | Rough semi-precious stones | 7103 | Nil | 0.5 per cent |
| | Pre-forms of precious and semi-precious stones | 7103 | Nil | 0.5 per cent |
| | Rough synthetic gemstones | 7104 | Nil | 0.5 per cent |
| | Rough cubic zirconia | 7104 | Nil | 0.5 per cent |
| | Polished Cubic Zirconia | 7104 | 5 per cent | 7.5 per cent |
| Articles of Base Metals | Copper and articles thereof used in manufacturing of specified electronic items | 74 | Nil | Applicable BCD |
| | Lead bars, rods, profiles and wire | 7806 | 5 per cent | Applicable Tariff rate of BCD |
| | Zinc tubes , pipes and tube or pipe fittings | 7907 | 7.5 per cent | Applicable Tariff rate of BCD |
| | Tin plates, sheets and strip, of a thickness exceeding 0.2 mm; tin foil (whether or not printed or backed with paper, paperboard, plastics or similar backing materials), of a thickness (excluding any backing) not exceeding 0.2 mm; tin powders and flakes | 8007 | 5 per cent | Applicable Tariff rate of BCD |
| Machinery | Goods specified in List 10 of Notification No. 50/2017 - Customs dated 30 June 2017, required for use in high voltage power transmission project | 84 | 5 per cent | 7.5 per cent |
| | Goods specified in List 14 of Notification No. 50/2017 - Customs dated 30 June 2017, required for construction of road like paver finisher, | 84 or any other Chapter | Nil | Applicable BCD |

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| Item/ Product | | Tariff Code | Existing | New |
|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|----------------|-------------------------------|
| Category | Description | | | |
| | machines for filling up cracks in roads, mobile bridge inspection units etc. | | | |
| | The following goods, namely: - (a) Sprinklers and drip irrigation systems for agricultural and horticultural purposes; (b) Micro Irrigation equipment | 8424 | 5 per cent | Applicable Tariff rate of BCD |
| | Rotary tillers/weeder | 8432 80 20 | 2.5 per cent | 7.5 per cent |
| | Poultry incubators and brooders | 8436 21 00 | 5 per cent | Applicable Tariff rate of BCD |
| | MP 3 or MP4 or MPEG 4 player with or without radio or video reception facility | 85 | 5 per cent | Applicable Tariff rate of BCD |
| | Motors like Single Phase AC motors, Stepper motors, Wiper Motors etc. | 8501 | 7.5 per cent | Applicable Tariff rate of BCD |
| Electronic goods, parts thereof | Specified Chargers and power adapters | 8504 40 | Applicable BCD | 20 per cent |
| | PCBA of Cellular mobile phones (with effect from 01 April 2020) | 8517 70 10 | 10 per cent | 20 per cent |
| | Fingerprint readers/scanner, for use in Cellular mobile phones | 8517 70 90 | Nil | 15 per cent |
| | Vibrator/Ringer of Cellular mobile phones (with effect from 01 April 2020) | 8517 70 90 | Nil | 10 per cent |
| | Display Panel and Touch Assembly of Cellular mobile phones (with effect from 01 October 2020) | 8517 70 90 | Nil | 10 per cent |
| | Headphones and Earphones | 8518 30 00 | Applicable BCD | 15 per cent |
| Automobile and automobile parts | Noble metal solutions and noble metal compounds used in manufacture of catalytic converter and their parts | 2843 | 5 per cent | 10 per cent |
| | Platinum or Palladium used in manufacturing of catalytic converter and their parts | 7110 | 5 per cent | Applicable BCD |
| | (A) Parts of catalytic converter for manufacture of catalytic converters. ' (B) The following goods for use in the manufacture of catalytic converters and its parts, namely: - (i) Raw substrates (ceramics) (ii) Wash coated substrates (ceramics) | 84 or any other Chapter | 5 per cent | 7.5 per cent |

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| Item/ Product | | Tariff Code | Existing | New |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------|-------------|
| Category | Description | | | |
| | (iii) Raw substrates (metal) (iv) Wash coated substrates (metal) (v) Stainless steel wire cloth stripe (vi) Wash coat | | | |
| | Completely Built Units (CBUs) of commercial vehicles (other than electric vehicles) (with effect from 01 April 2020) | 8702,8704 | 30 per cent | 40 per cent |
| | Completely Built Units (CBUs) of commercial electric vehicles (with effect from 01 April 2020) | 8702,8704 | 25 per cent | 40 per cent |
| | Semi Knocked Down (SKD) forms of electric passenger vehicles (with effect from 01 April 2020) | 8703 | 15 per cent | 30 per cent |
| | Semi Knocked Down (SKD) forms of electric vehicles-Bus, Trucks and Two wheelers (with effect from 01 April 2020) | 8702, 8704, 8711 | 15 per cent | 25 per cent |
| | Completely Knocked Down (CKD) forms of electric vehicles - Passenger vehicles, Three wheelers, Two wheelers, Bus and Trucks (with effect from 01 April 2020) | 8702, 8703, 8704,8711 | 10 per cent | 15 per cent |

Decrease in BCD Rate: effective from 02 February 2020

| Item/ Product | | Tariff Code | Existing | New |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------|--------------|
| Category | Description | | | |
| Animals | Pure-bred breeding horses | 0101 21 00 | 30 per cent | Nil |
| Fuels, Chemicals and Plastics | Very low Sulphur fuel oil meeting ISO 8217:2017 RMG380 Viscosity in 220-400 CST standards/Marine Fuel 0.5 per cent (FO), under the same conditions as available to IFO 180 CST and IFO 380 CST under entry at S. No. 139 of notification No. 50/2017-Customs dated 30 June 2017. | 27 | 10 per cent | Nil |
| | Calcined Petroleum Coke | 2713 12 10, 271312 90 | 10 per cent | 7.5 per cent |

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|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------|----------------|
| | Polyester Liquid Crystal Polymers (LCP) for use in manufacture of connectors | 3907 99 90 | 7.5 per cent | Nil |
| | Calendared plastic sheets for use in manufacturing of smart cards | 3920 10 99 | 10 per cent | 5 per cent |
| Paper Industry | a) Newsprint, if the importer, at the time of import is an establishment registered with the Registrar of Newspapers, India (RNI) b) Uncoated paper used for printing newspaper, if the importer, at the time of import is an establishment registered with the Registrar of Newspapers, India (RNI) c) Lightweight coated paper used for printing magazines, subject to end-use conditions | 48 | 10 per cent | 5 per cent |
| Sports Goods | List of items allowed duty free import up to 3 per cent of FOB value of sports goods exported in the preceding financial year is being amended to include Willow | 44 | Applicable rate | Nil |
| Precious Stones and Metals | Platinum or Palladi used in manufacture of-, a) All goods, including Noble Metal Compounds and Noble Metal Solutions [2843] b) Catalyst with precious metal or precious metal compounds as the active substance (3815 12] | 7110 | 12.5 per cent | 7.5 per cent |
| | Spent Catalyst/Ash containing precious metal like gold from which such precious metal is retrieved subject to specified conditions. | 7112 | 12.5 per cent | 11.85 per cent |
| Machinery, Electronic goods, parts thereof | Following parts of Microphone for use in manufacture of Microphone namely, a) microphone cartridge b) microphone holder c) microphone grill d) microphone body | 8518 90 00 | 10 per cent | Nil |
| | Micro-fuse base, sub-miniature fuse base, Micro-fuse Cover and sub-miniature fuse cover for use in manufacture of micro fuse and sub-miniature fuse. | 8538 | 7.5 per cent | Nil |
| Defence sector | Exemption from import duty for specified military equipment, when imported by | 73,84,85,87, 88,89,90,93 | As applicable | Nil |

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| | Defence PSUs and other PSUs for defence forces. | | | |
|--|-------------------------------------------------|--|--|--|

Withdrawal of Exemption / Concessional rate of BCD:

| Item/ Product Description | Tariff Code | Erstwhile Rate | New Rate |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|----------------|-------------------------------|
| Promotional material (like Trailers, making of film etc.) imported in the form of electronic promotion kits (EPK)/ beta cams | Any Chapter | NIL | Applicable Tariff rate of BCD |
| Patent leather | 4114 20 10 | NIL | Applicable Tariff rate of BCD |
| Raw furskins, tanned and dried furskins | 4301,4302 | NIL | Applicable Tariff rate of BCD |
| Parts and components of the goods specified in List 10 required for use in high voltage power transmission project | Any Chapter | 5 per cent | Applicable Tariff rate of BCD |
| All items of equipment including machinery and rolling stock, procured by or on behalf of Delhi Metro Rail Corporation Ltd. for use in- (i) Delhi MRTS Project Phase-I; and (ii) Specified corridors of Delhi MRTS Project Phase-II, comprising of the following, namely: - a) Vishwavidyalaya- Jahangirpuri; b) Central Secretariat-QutabMinar (via All India Institute of Medical Sciences); c) Shahdara- Dilshad Garden; d) Indraprastha-New Ashok Nagar; e) Yamuna Bank-AnandVihar-Inter State Bus Terminus; and f) Kirti Nagar-Mundka (along with operational Link to Shahdara- Rithala corridor) | Any Chapter | NIL | Applicable Tariff rate of BCD |
| Goods specified in List 15 required for construction of roads | 84 or Any other Chapter | NIL | Applicable Tariff rate of BCD |
| The following goods required for manufacture of Optical disk drives (ODD), namely: - (i) Pick up assembly (ii) Digital signature procession integrated circuit (iii) DC motor (iv) LOO voltage regulator | 84 or Any other Chapter | NIL | Applicable Tariff rate of BCD |
| Parts for manufacture of printers falling under sub heading 8443 32 (except 8443 99 51, 8443 99 52, 8443 99 53) | 8443 | NIL | Applicable Tariff rate of BCD |
| CD - Writers | 8471 | NIL | Applicable Tariff rate of BCD |
| One set of pre-recorded cassettes accompanying books for learning languages and essential complement to such books. | 85 | NIL | Applicable Tariff rate of BCD |
| Audio cassettes, if recorded with material from books, newspaper or magazines, for the blind | 85 | NIL | Applicable Tariff rate of BCD |

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| Colour television picture tubes for use in the manufacture of cathode ray televisions | 8540 11 | NIL | Applicable Tariff rate of BCD |
|---------------------------------------------------------------------------------------|---------|-----|-------------------------------|

Withdrawal of Exemption from BCD which is ceased to relevant

| Notification No. | Description |
|---------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Notification No. 13/2010-Customs dated 19 February 2010 | Exemption to import of goods in relation to Commonwealth Games, 2010 |
| Notification No. 79/1999-Customs dated 08 June 1999 | Exemption to import by Power Grid Corporation of India for the setting up of Rihand- Sasaram-Biharshariff HV DC Link Back to Back Station Project. |
| Notification No. 205/1992-Customs dated 19 May 1992 | Exemption to imports under Advance Customs Clearance Permit |
| Notification No. 105/1999-Customs dated 10 August 1999 | Exemption under SAARC Preferential Trade Agreement |
| Notification No. 56/2006-Customs dated 07 June 2006 | Exemption from Special additional duty to specified goods produced in Nepal |
| Notification No. 22/2003-Customs dated 04 February 2003 | This notification provides exemption to wool or woolen fabrics by Red Cross and Paper Money. [The entry related to Red Cross has been merged in notification No. 148/1994 - Customs dated 13 July 1994 and exemption to paper money will now be granted through notification No. 50/2017-Customs dated 30 June 2017. Accordingly, the notification No. 22/2003-Customs is being rescinded.] |
| Notification No. 22/2007-Customs dated 01 March 2007 | Preferential rates on certain tariff items |
| Notification No. 14/2004-Customs dated 08 January 2004 | Water supply projects for industrial use exempted under Project Imports. This exemption will now be available through notification No. 50/2017 - Customs dated 30 June 2017 |

Exemption of Social Welfare Surcharge:

| Description | Tariff Code |
|-------------------------------------------------------------------|-------------|
| Whey, concentrated, evaporated or condensed, liquid or semi solid | 0404 10 10 |
| Cheese, Other | 0406 90 00 |
| Bulbs or tubers, other live plants | 0601, 0602 |
| Almonds, Shelled | 0802 12 00 |
| Walnuts, in shell | 0802 31 00 |
| Walnuts, shelled | 0802 32 00 |

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| Wheat and Meslin | 1001 11 00, 1001 91 00, 1001 99 20 |
| Maize | 1005 90 |
| Chewing Gum, whether or not sugar coated | 1704 10 00 |
| Preparations suitable for infant or young children, put up for retail sale. | 1901 10 |
| Orange Juice, Frozen | 2009 11 00 |
| Orange Juice, not frozen, or a Brix value not exceeding 20 | 200912 00 |
| Orange Juice, Other | 2009 19 00 |
| Marble and travertine slabs | 2515 12 20 |
| Tiles, cubes and similar articles, whether or not rectangular (including square), the largest surface area of which is capable of being enclosed in a square the side of which is less than 7 cm; artificially coloured granules, chippings and powder, other monumental or building stone and articles thereof, simply cut sawn with a flat even surface | 6802 10 00 |
| Marble blocks/tiles | 6802 21 10 |
| Marble monumental stone | 6802 21 20 |
| Other tiles, cubes and similar articles | 6802 21 90 |
| Marble, travertine and alabaster | 6802 91 00 |
| Other calcareous stone | 6802 92 00 |
| All commercial vehicles (including electric vehicles), if imported as completely built unit (CBU). (Applicable from 01 April 2020) | 8702 or 8704 |

Withdrawal of Exemption of Social Welfare Surcharge:

Goods falling under Chapter 84, 85 and 90 which are covered under Sl. No. 1, 9 to 49 and 51 of Notification No. 11/2018-Customs dated 02 February 2018

Additional Levy of Safeguard Duty:

| Item/ Product | | Existing | Proposed |
|---------------|--------------------------------------------------------|----------|----------------------------------------------------------|
| Category | Description | | |
| Solar Cells | Solar cells, assembled in modules or made up in panels | NIL | 15 per cent minus ADD payable if any (till 29 July 2020) |

Revocation of Anti-Dumping Duty:

“Purified Terephthalic Acid” including its variants “Medium Quality Terephthalic Acid” and “Qualified Terephthalic Acid”, falling under tariff item 2917 36 00 of the First Schedule to the said Act, originating in or exported from the People’s Republic of China, Iran, Indonesia, Malaysia, Taiwan, Korea RP and Thailand, and imported into India.

| Rescinded Notifications |
|----------------------------------------------|
| 28/2016-Customs(ADD), dated the 5 July 2016 |
| 28/2019-Customs(ADD), dated the 24 July 2019 |

Rödl & Partner

As attorneys, tax advisers, management and IT consultants and auditors, we are present with 109 own offices in 49 countries. Worldwide, our clients trust our 5.120 colleagues

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