**Quick Analysis of Salient Features of the Budget 2020-2**

1.No change in Tax Rates. Surcharge  and Cess to continue as existing.

2.However a new Section 115 BAC is being introduced where by an individual and HUF can opt to pay tax as per new tax rates and  in that  case it  forgo all exemptions and deductions  which includes deduction under section 80C of PF, LIP etc., Standard deduction, LTC, House Rent Allowance, minor income exemption under section 10(32), interest deduction on Home loan under section 24(b) in respect of self occupied house, deduction under section 57(iia) of 1/3rd of Family Pension and also other deductions available under the act.

This option to be exercised while filing return in case one does not have business income.
For others options required while filing return for A.Y. 2021-22 and once exercised it will be irreversible.

|  |  |  |
| --- | --- | --- |
| Total Income | Exisitng Rate | New Rate |
| Upto ₹ 2,50,000 | Nil | Nil |
| ₹2,50,001- ₹ 5,00,000 | 5% | 5% |
| ₹5,00,001- ₹ 7,50,000 | 20% | 10% |
| ₹7,50,001- ₹ 10,00,000 | 20% | 15% |
| ₹10,00,001- ₹ 12,50,000 | 30% | 20% |
| ₹12,50,001- ₹ 15,00,000 | 30% | 25% |
| Above - ₹ 15,00,000 | 30% | 30% |

3**. Dividend Distribution Tax** being abolished wef 1.4.2020.
Dividend income now to be taxed as normal income in the hands of shareholder.
Benefit of section 80M will be available to a company in respect of dividend income received by it during the previous year and distributed by it, one month before the due date of filing return.

No deduction of expenditure against dividend income will be allowed under section 57 except interest which will not exceed 20% of dividend income.

4. All Indian Citizens to be deemed Resident of India if they are not resident of any other country.
Accordingly if any Indian is holding Indian passport he/she needs to establish Residential status of the other country if he/she claims to be a non-resident.
Such Indian Citizen shall be required to pay tax on Global income**.**

5. Further for the purpose of determining residential status, the number of days for stay in India will be 120 days as against 182 days.
For Resident but not ordinary resident now test will be of non-resident in 7 out of 10 preceding years as against present condition of 9 out of 10 preceding years.

6. TCS at the rate of 0.1% will be applicable on sale of goods if total sales to one person is more than Rs 50 lakhs by a person having turnover of more than Rs 10 crore.

7.Tax Collection at Source (TCS )in foreign remittance under Liberalised Remittance Scheme (LRS) exceeding Rs 7.00 lakh will be at the rate of 5%.

8.Tax Deduction at Source (TDS) on E- Commerce payment to E-Commerce participant at the rate of 1%
TDS on Fees for Technical Services  reduced U/s 194J to 2%

9. Charitable Trust Registration and 80 G exemption to be for 5 years. All existing trust to apply again.
80 G exemption holder to submit annual statement of donation received. For Failure to submit such statement , a fee of Rs. 200 per day for each day of default U/s 271G and penalty of Rs. 10000 to Rs. 1.00 lakh under new section 271J is chargeable

10. Penalty for false entry of invoice or omitted invoice @100% of such transactions under new section 271AAD.

11. **Vivad se Vishwash Scheme**  to reduce litigation. Only tax amount to be paid . Full waiver of interest and penalty
In case of penalty and interest dispute which is not related to income only 25% of such interest and penalty to be paid.

In case payment is made after 31.3.2020 the amount to be paid is 110% of tax in dispute and 30% in case of penalty.

This will help all taxpayers having issues on penny stock, Share capital to pay just tax and get out of the dispute.
This scheme should be applicable to all type of defaults and additions.

12. DRP forum not to be limited to TP issues only but to be allowed to non- residents for all disputes.

13. Circle rate value adjustment for computing capital gain, sale proceeds and income in the hands of buyer allowed up to 10% of amount paid as against 5% at present.

14. Fair market value of immovable property under section 55 as on 1.4.2001 for computing cost of acquisition not to exceed circle rate value.

15. Tax Audit thresholds increased from Rs 1 crore to Rs 5 crore with a rider that total receipts and total payments in cash should not exceed 5% of such total receipts and total payments made during the year.

16. Overall ceiling of exemption in respect of employers contribution to PF, Superannuation fund and National Pension Scheme restricted to Rs 7.50 lakhs.

17. Survey under section 133A now only with the approval of CIT or DIT.

18. E Appeals system for appeal before CIT (A). (Faceless Appeals)

19. E Penalty system before AO.

20. Due date of filing of Tax Audit report de linked from filing of return .

Tax Audit filing by 30th September
Return filing by 31st October.

21. Tax Charter to made and brought into Statute books.