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# Direct Taxes & Indirect Taxes

## Direct Taxes

### 1. Personal Income Tax

Comparison of slab rates under old and new tax regimes:

Taxable Income	Existing Tax Rates	New Tax Rates
Up to 2,50,000	Exempt	Exempt
2,50,000-5,00,000	5%	5%
5,00,000-7,50,000	20%	10%
7,50,000-10,00,000	20%	15%
10,00,000-12,50,000	30%	20%
12,50,000-15,00,000	30%	25%
Above 15,00,000	30%	30%

Notes:

- It is to be noted that the new tax regime is optional.
- If the new tax regime is followed, certain exemptions & deductions are to be forgone.
- Rates of Surcharge & Cess have not been changed.

### 2. Simplification of Taxation

- a. In order to simplify the income tax system, around 70 out of 100+ exemptions have been removed.
- b. Further, the remaining exemptions & deductions will be reviewed.
- c. Direct Tax Charter to be initiated by Central Board of Direct Taxes to facilitate ease of compliance with the provisions of the Income Tax Act.

### **3. Dividend Distribution Tax(DDT)**

- a. DDT has been removed to make India an attractive investment destination.
- b. The dividend so distributed will be taxed in the hands of the recipient.

### **4. Concessional Corporate Tax Rates**

- a. Concessional rates u/s 115BAB of 15% to new companies have been extended to electricity generating companies.

### **5. Tax Concession on returns from Foreign Investments**

- a. 100% tax exemption on the interest, dividend and capital gains income in investment made in infrastructure and priority sectors before 31<sup>st</sup> March 2024 with a minimum lock in period of 3 years.

### **6. Concessional Withholding**

- a. Concessional withholding tax at 5% u/s 194LC for interest payment to non-residents in respect of money borrowed and bonds issued up to 30<sup>th</sup> June, 2023.
- b. Concessional withholding tax at 5% u/s 194LD for interest payment to FPIs and QFIs in respect of bonds issued by Indian companies and Government securities up to 30<sup>th</sup> June, 2023.

### **7. Start-ups**

- a. Payment of tax on perquisite in respect of ESOPs of Start-ups exercised by employees have been deferred to the earliest of the following:
  - i. 5 years from the date of exercising the options.
  - ii. Sale of such share.
  - iii. Date of exit from the organisation.
- b. Start-ups with turnover up to Rs. 100 crore to enjoy 100% deduction for 3 consecutive assessment years out of 10 years.

### **8. Co-operative Society**

- a. Tax rate for Co-operative society has been reduced to 22% (without any exemptions and deductions).
- b. The Alternate Minimum Tax on book profits u/s 115JC has been removed.

### **9. MSME**

- a. Turnover threshold for tax audit has been increased from 1 crore to 5 crore for MSMEs carrying out less than 5% business transactions in cash.

### **10. Affordable Housing**

- a. Tax exemption on profits earned by developers of affordable housing projects approved until 31<sup>st</sup> March, 2021.

### 11. Relaxation for real estate transactions

- a. The tolerance limit for treating the difference between the consideration and circle rate as income in the hands of the purchaser as well as the seller has been increased to 10% from the existing 5%.

### 12. Charity Institutions

- a. 80G/12A registration will be digitised completely.
- b. Further, the details of the donee will be pre-filled in the return of the donor.

### 13. System Simplification Measures

- a. **Face-less proceedings** have been introduced for Appeals before CIT (A).
- b. **Vivadh Se Vishwas Scheme** - Taxpayer would be required to pay only the disputed tax amount by 31-03-2020. In such a case, the interest and penalty will be completely waived off. However, even after 31-03-2020, the option will remain open till 30-06-2020 on payment of some additional amount.
- c. Launch of a system to allot **PAN based on Aadhar**.

## Indirect Taxes

### 1. Goods and Services Tax:

- a. The government intends to incentivise customers to seek invoice by introducing cash reward system.
- b. SMS based filing for nil return and improved input tax credit now to be implemented to facilitate ease of filing returns.
- c. Electronic invoices and Dynamic QR code capturing GST parameters proposed and to be implemented in a phased manner.
- d. Introduction of Aadhar based verification to remove dummy or non-existent units.

### 2. Customs duty:

- a. Government to impose health cess at the rate of 5% on import of medical devices except those exempt from Basic Customs Duty.
- b. Import of footwear and furniture to be dearer on account of hike in customs duty by 5% to 35% and 25% respectively.
- c. Duty on newsprint and light weight quoted paper reduced to 5% from 10%. Further, customs duty rates on electric vehicles and parts of mobiles will be revised.

# Highlights of the Budget

## 1. Smart Cities

- a. Five new smart cities shall be developed with states in private partnership mode.
- b. FM further said that India needs to boost domestic manufacturing & attract investment in electronic manufacturing.

## 2. Transportation

- a. Indian railways will set up “Kisan Rail”, with refrigerated freight trains to transport perishable goods like Milk, fish and meat.
- b. 100 new airports to be opened in India by 2024 and Indian railways to start more Tejas like Trains to connect Iconic places.



## 3. Education

Enrolment ratio of girls at all levels of education higher than that of boys.

Level	Boys	Girls
Elementary	89.28%	94.32%
Secondary	78.00%	81.32%
Higher secondary	57.40%	59.70%

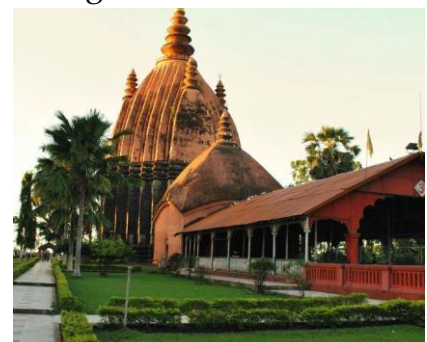
## 4. Deposit Insurance

Deposit insurance in case of bank failure increased to Rs.5,00,000 from Rs.1,00,000 for the first time since 1993.

## 5. Development of Historical Sites

Five historical sites to be developed as iconic archaeological destinations of the country. The list of the historical sites are as under-

- a. Rakhigarhi (Haryana)
- b. Hasthinapur (Uttar Pradesh)
- c. Dholavira (Gujarat)
- d. Shiv Sagar (Assam)
- e. Aadichanallur (Tamil Nadu)



## 6. Estimated GDP

Union Government estimates a nominal growth of the country's GDP at 10% for the year 2020-21.



## 7. Decriminalisation of Offences

“Government doesn't want the laws that treat every business with suspicion”, says Finance Minister. In this regard, civil offences in Companies Act to be decriminalised.

## 8. G-20 Summit

India will be hosting G-20 summit in 2022.



## 9. Disinvestments

- a. Government to disinvest a part of its stake in Life Insurance Corporation of India by way of an Initial Public Offering which is currently managing assets worth \$433 Billion.
- b. Government to sell its balance holding in IDBI to private, retail and institutional investors through stock exchange.

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