



E-NEWSLETTER

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BHILAI BRANCH OF CIRC OF ICAI

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February 2020 : Seminars and Workshops



Analysis of Union Budget 2020 and Clause by Clause Discussion on Direct Taxes was organized on 7th of February 2020. A host of members were benefitted from the above program. One full day seminar on **Professional Ethics & Code of Conduct** was conducted for the benefit of members and Practical issues related with E-assessment were also discussed. The programme was graced by CA. Kemisha Soni Mam, the Central Council Member.

I would like to hereby inform you that we are going to organise following programmes in the coming months:

Dear Esteemed Members,

At this juncture of my Professional journey, I feel highly gratified and blessed while taking over the charge as Chairman of Bhilai Branch of CIRC of Institute of Chartered Accountants of India. At the outset, I take this opportunity to express my sincere gratitude to all of you for electing me to lead the Branch on its traditional and coveted path of professional excellence, independence and integrity, as torch bearer. I am confident that our collective professional pursuit for excellence will successfully meet the challenges arising out of dynamics of Legislative and environmental changes and their statutory compliance while endeavouring to fulfil the high expectations of cross sections of our Society.

I feel glad while informing you that Bhilai Branch has received Best Branch Award (2019-20) in Central India Small Branch Category and First Best Branch CICASA (2019- 20). I, on behalf of entire Branch fraternity, congratulate CA. Nitin Rungta, the Immediate Past Chairman and CA. Sanjay Khandwe, the Immediate Past Chairperson CICASA for their hard work, dedication and commitment in achieving such a grand success and bringing glories to the Branch as well as Bhilai.

In order to facilitate the members in discharging their professional duties in a better and effective manner and to enable them to understand and resolve the issues and meet the challenges being faced in the implementation & execution, a programme on "The Direct Tax - Vivad Se Vishwas Bill, 2020" will be organized by Bhilai Branch on 5th of March 2020 at Branch Premises between 5.00 pm & 8.00 pm.

Holi Millan program will be organised at Atithi Restaurant, In front of Manish Travels petrol pump, Near Bharti College, Pulgaon Chowk, Potia Road Durg on 07th of March 2020 from 7:30 pm onwards.

"Investor Awareness Program" will be organised on 14th of March 2020 in Bhilai Branch for benefit of the small investors.

Before I conclude my initial write up... I am confident that the year 2020-21 would be an eventful year, of course, with all your support, cooperation and blessings. I would always seek and solicit your valuable suggestions and august advice.

Wish you all a very happy Holi

With Best wishes and warm regards,

CA. AMIT RAI



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UNION BUDGET HIGHLIGHTS 2020

Regulatory

- The policy announcements in the budget have been made in the backdrop of technological developments and the peaking of India's population in the productive age groups, a steady focus on ease of doing business and ease of living for all citizens.
- To tap the potential of electronics manufacturing in terms of investment and jobs, it is proposed to introduce a scheme to boost the manufacture of mobile phones, electronic equipment, semi-conductor packaging and medical devices.
- The new National Education Policy will be announced soon. The Government also proposes to allow FDI and foreign currency loans in the education sector.
- Laws, including the Companies Act, will be examined to remove criminal liability for acts which are civil in nature. Enforcement of contracts is a priority, and the Contracts Act will be strengthened.
- A policy will be announced soon to enable the private sector to build Data Centre parks across the country.

Personal Tax

- Optional tax regime introduced to provide relief to certain taxpayers.
- Residential status to widen tax net and reporting.
- Deferring ESOP income taxability in the hands of employees of eligible start-ups.
- Introduction of combined capping limits for employer's contribution towards PF, NPS and Superannuation.

Corporate Tax

- DDT abolished; Dividend to be taxed in the hands of the shareholders and would be subject to TDS; Non-resident shareholders may seek relief under the relevant tax treaties, as may be applicable; Provision inserted to remove cascading tax on dividend received in certain cases.
 - Concept of faceless proceedings extended to best judgement assessment, penalty proceedings and CIT(A).
 - New section inserted for tax withholding @1% on payments by e-commerce operators to resident sellers of goods or services on digital/ electronic platform.
 - Sunset clause extended up to 1 July 2023 for 5% TDS rate on interest on specified overseas borrowings/ rupee denominated bonds.
 - Scope of TCS provisions expanded to cover specified remittances under the LRS scheme (5%), overseas tour packages (5%), sale of goods by specified sellers (0.1%).
 - Payment of 20% of tax demand/ providing equivalent security for stay of demand before the Tribunal.



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- Applicability of Significant Economic Presence provisions deferred to FY 2021-22; scope of attribution of income to business connection expanded.
- Exemption from filing of tax return extended to non-residents earning royalty or FTS income taxable on gross basis on which TDS has been deducted under the Act.
- Dispute Resolution scheme (Vivad Se Vishwas) announced; detailed framework to be notified.
- Widening of tax holiday provisions for eligible startups; Threshold limit for turnover increased to INR 1bn Block period for tax holiday increased to 10 years.
- Turnover / gross receipts threshold limit for tax audit of businesses increased from INR 10m to INR 50m in certain cases.
- Interest, dividend and long-term capital gains from investment by sovereign wealth funds in specified infrastructure facility or specified business shall be exempt from tax; investment to be made on or before 31 March 2024 and should be held for at least three years; and
- New companies engaged in the business of generation of electricity would be eligible for tax rate of 15%.

Transfer Pricing

- Form 3CEB/transfer pricing report to be furnished by 31 October 2020.
- Safe harbour provision and advance pricing agreement (including rollback) amended to cover attribution of profits to a PE.
- Interest limitation rule amended to exclude interest paid/ payable on loan extended by a PE of a non resident bank (for determining tax deductibility).

Indirect Tax

- Push for “Make in India” initiative of the Government with the following amendments:
 - Increase in rate of customs duty on mobile phones, electric vehicles, electronics, household articles etc.
 - Withdrawal of exemption from levy of social welfare surcharge cess on various goods and removal of concessional duty benefit on several items.
 - “Health Cess” on import of medical devices.



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- To safeguard the interest of domestic manufacturers, the following has been proposed.
 - Empower the Central Government to prohibit import or export of any goods to prevent injury to the economy of the country.
 - Make amendments to safeguard provisions to check surge in imports and prevent serious injury to domestic industry.
 - It is proposed to implement the facility of electronic duty credit ledger in the customs system, which will enable duty credit in place of remission to be given on exports.
 - It is proposed to curb fraudulent availing of ITC by making this a cognisable and nonbailable offence.
 - It is proposed to delink the date of issuance of debit note from the date of issuance of the underlying invoice for purposes of availing ITC.
- Other amendments proposed in GST Act are as follows:
 - Retrospective amendment to include the power to prescribe the time limit to avail transition ITC;
 - Composition scheme to exclude certain categories of taxable persons engaged in supply of services;
 - Increase in period of issuance of removal of difficulty order by two years.

Key Policy Announcements

Manufacturing

- Electronics and medical devices: It is proposed to announce a scheme to boost the manufacture of mobile phones, electronic equipment and semi-conductor packaging. With suitable modifications, this scheme can be adapted for the manufacture of medical devices as well.
- It is proposed that all Ministries, issue technical quality standard orders to promote “Zero Defect-Zero Effect” manufacturing.
- Textiles: A National Technical Textile Mission is proposed with an outlay of INR 14.80bn over four years to cut down imports of technical textiles to India.

Infrastructure

Transport

The budget aims to improve overall transport infrastructure such as railways, inland waterways, roads, highways and airports and provide huge impetus to connectivity while bridging the gap between remote and urban areas. Some announcements include the following:



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- To redevelop four railway station projects under PPP.
- To set up a Kisan Rail through PPP model, with refrigerated coaches in express and freight trains.
- To develop 100 more airports to support the UDAN scheme.
- To monetise 10 lots of highway bundles of over 6000 km before 2024.
- In the proposed 148km Bengaluru Suburban transport project, the Central Government would provide 20% of equity and facilitate external assistance up to 60% of the project cost.

Logistics

- It is proposed to introduce a new National Logistics Policy in order to augment the competitiveness of the domestic movement of goods.
- It is proposed to create warehousing, in line with the Warehouse Development and Regulatory Authority norms. VGF will also be provided for setting up efficient warehouses at the block/ taluk level.

Power

- It is proposed to set-up large solar power capacity alongside rail tracks on railway land.
- It is proposed to allocate INR 220bn for power and renewable energy sector and the Government has urged State Governments to implement smart meters.
- It is proposed to operationalise a scheme to enable farmers to set-up solar power generation capacity on their fallow/ barren lands and to sell it to the grid.
- It is proposed to close power plants that are old and exceeding carbon emission norms. The land could be used for alternative purposes.
- It is proposed to corporatize and list at least one major port on stock exchanges.

Corporate law

- To ensure contract enforcement, it is proposed to strengthen the Contracts Act.
- It is proposed that laws, including the Companies Act, be examined to remove criminal liability for acts that are civil in nature.



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MSME empowerment

- To provide impetus, the RBI proposes to extend the debt restructuring window for MSMEs by a year to 31 March 2021.
- It is proposed to launch an app-based invoice financing loans product. This will obviate the problem of delayed payments and consequential cash flow mismatches for the MSMEs.
- It is proposed to make amendments to the Factor Regulation Act, 2011 to enable NBFCs to extend invoice financing to the MSMEs.
- It is proposed to introduce a scheme to provide subordinate debt for entrepreneurs of MSMEs. This subordinate debt to be provided by banks would count as quasi equity and would be fully guaranteed through the Credit Guarantee Trust for the Medium and Small Entrepreneurs.
- Restructuring of debt by MSME may extend till 31 March 2021.
- Turnover threshold for audit is proposed to be increased from INR 0.01bn to INR 0.05bn for MSME. The increased limit shall apply only to those businesses that carry out less than 5% of their business transactions in cash, thus giving a boost to digital transactions.

Technology sector

- Data Infrastructure: It is proposed that a policy will soon be announced to enable the private sector to build data centre parks across the country.
- It is proposed to promote knowledge-driven enterprises for the creation and better protection of IP through a digital platform.
- It is proposed to set-up knowledge translation clusters across different technology sectors including new and emerging areas. For designing, fabrication and validation of proof of concept and further scaling up of technology clusters, harbouring such test beds and small scale manufacturing facilities would also be established.
- The Government recognises the potential of quantum technologies in computing, communications and cyber security with widespread applications. It is thus proposed to introduce a National mission on Quantum Technology and Computing with an allocated budget of INR 80bn for five years.



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TAX PROPOSALS

Tax rates

Section 1: Companies, LLPs and firms

There are no changes proposed in the tax rates.

Type of entities	Effective tax rates (%) (including surcharge and cess)			
	Up to INR 10m	> INR 10m <= INR 100m	> INR 100m	MAT – whether applicable
A. Domestic companies:				
Not claiming prescribed deductions				
1. Manufacturing Companies set up				
• Post 1 March 2016 – section 115BA (Note 1)	26.00%	27.82%	29.12%	Yes
• Post 1 October 2019 – section 115BAB (Note 2)	17.16%			No
2. Other Domestic Companies – section 115BAA (Note 2)	25.17%			No
Companies other than those covered above that continue to claim deductions/ losses which are not allowed under section 115BAA/115BAB				
1. MSME (turnover < INR 4,000m in FY 18–19) (Note 1)	26.00%	27.82%	29.12%	Yes
2. Other Domestic Cos (Note 1)	31.20%	33.38%	34.94%	Yes
B. Foreign companies (Note 3)	41.60%	42.43%	43.68%	
C. LLPs, firms (Note 4)	31.20%	34.94%	34.94%	



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Note 1: Rate of surcharge for domestic companies not opting / eligible to pay taxes under section 115BAA or section 115BAB of the Act, as the case maybe, are as follows:

Sr. No	Taxable income	% of surcharge
1.	< INR 10m	Nil
2.	> INR 10m and <= INR 100m	7%
3.	> INR 100m	12%

Note 2: Rate of surcharge for domestic companies opting to pay taxes under section 115BAA or section 115BAB of the Act, as the case maybe, is 10%

Note 3: Rate of surcharge for foreign companies is as follows:

Sr. No	Taxable income	% of surcharge
1.	< INR 10m	Nil
2.	=> 10m and <= INR 100m	2%
3.	> 100m	5%

Note 4: Rate of surcharge applicable for LLPs and firms is as follows:

Sr. No	Taxable income	% of surcharge
1.	<INR 10 m	Nil
2.	=>10 m	12%

Alternate minimum tax at 18.5% applies to LLPs, firms



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Section 2 - Individual/HUFs

Section 115BAC is proposed to be inserted wherein an option has been provided to pay tax at the following tax rate subject to the condition that certain exemptions/ losses/ deductions cannot be claimed. In case, the taxpayer intends to claim deductions / exemptions, the existing tax rates and slabs will continue to apply.

Income slabs (INR)	Existing effective tax rate (including surcharge and cess)	Proposed effective tax rate (including surcharge and cess)
Up to 250,000	Nil	Nil
250,001 – 500,000	5.20%	5.20%
500,001 – 750,000	20.80%	10.40%
750,001 – 1,000,000	20.80%	15.60%
1,000,001 – 1,250,000	31.20%	20.80%
1,250,001 – 1,500,000	31.2 %	26.00%
1,500,000 – 5,000,000	31.20%	31.20%
5,000,001 – 10,000,000	34.32%	34.32%
10,000,001 – 20,000,000	35.88%	35.88%
20,000,001 – 50,000,000	39.00%	39.00%
50,000,001 and above	42.74%	42.74%

The rebate under section 87A remains unchanged for residents whose total income does not exceed INR 0.5m.

The proposed amendment will be effective from 1 April 2021 and will accordingly apply from AY 2021–22 onwards.



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Section 3 – Co-operative societies

No change is proposed in the tax rates applicable to co-operative societies. The effective peak tax rate will be 34.94% (including surcharge and cess).

A new section 115BAD is proposed to be introduced, which provides an option to resident co-operative societies to pay corporate tax at a lower rate of 25.17% (including surcharge at 10% and cess at 4%)

The new section also proposes the following conditions for applicability of this section:

- Specified deductions, such as tax holidays, additional depreciation, investment allowances and investment linked deductions, not to be allowed;
- Set off of losses and unabsorbed depreciation in relation to the aforementioned deductions not to be allowed. However, where there is a depreciation allowance in respect of a block of asset which has not been given full affect, prior to AY 2021–2022, a corresponding adjustment shall be made to the written down value of such block of assets as on 1 April 2020 in the prescribed manner if the option is exercised for AY 2021–2022;
- Deduction under section 80JJAA (deduction in respect of additional employment cost) to be allowed; and
- International Financial Services Centre, as referred to in section 80LA of the Act, to be eligible to claim deduction under the said section (section 80LA of the Act) subject to fulfilment of conditions prescribed in that section.

It is proposed that the option to apply this section can be exercised in the return of income filed for AY 2021–22 onwards, provided that, once this option is exercised, it cannot subsequently be withdrawn.

Further, it is proposed that the provisions of AMT, as prescribed in section 115JC of the Act, shall not be applicable to resident co-operative societies opting to pay tax under the proposed section 115BAD. The proposed amendment will take effect from 1 April 2021 and will accordingly apply from AY 2021–22 onwards.