

FINANCE BILL 2020
passed in Lok Sabha
Snapshot of Changes

- **The scope of deduction available under Section 80M to include the dividend received from a foreign company and business trust. Thus, a domestic company can claim deduction under section 80M even in those cases where dividend received from a foreign company or business trust is further distributed to shareholders within one month before the due date of filing of return.**
- **Section 80m deduction to be available from AY 2021-22 to the companies opting for new tax regime**
- **Dividend received on or after 01-04-2020 shall not be taxable if DDT is already paid by the company.**
- **Rate of TDS on Dividend Distributed to a Foreign Company is reduced to 20% from 40% (In Case No DTAA Benefit Is Available).**
- **Following changes in provisions relating to residential status (wef AY 21-22) :-**
 - **120 days to substitute 182 days only if total income exceeds Rs. 15 lakhs**
 - **Provision of 'Deemed Resident' applicable if total income exceeds Rs. 15 lakhs**
 - **Deemed resident to be treated as 'Not Ordinarily Resident'**
- **Scope of equalisation levy extended**

- **Scope of section 194N extended to apply to a new threshold of 20 lakhs as well as on existing 1 crore cash withdrawal threshold in manner as provided**
- **Amendment in TCS provisions to remove certain ambiguities**
- **Central government is empowered to provide for a lower rate of TDS under section 194A**
- **Royalty in respect of exhibition of cinematographic films to attract TDS at the rate of 2% under section 194J**
- **No TDS under section 194K from capital gains arising on transfer of units of mutual funds**
- **Definition of 'e-commerce operator' amended to remove ambiguity under section 194-O**
- **Unit-Holders of Business Trust shall be exempt from paying tax on dividend if SPV opts for Section 115BAA**
- **Amendments made to section 10(23C) to remove conflicting provisions**
 - **Corpus donations received by Section 10(23C) institutions will be exempt from tax**
 - **Corpus donation not to be considered as an application of Income**
 - **No Deduction Of Corpus Donations Made To Section 10(23C) Approved Institutions [Section 11]**

- **Scope Of Exemption Under 10(23FE) Expanded**
- **Meaning Of 'Safe Harbour' For Determination Of ALP Expanded [wef AY 20-21]**
- **Interest income as referred to in section 194LC, Section 194LD and 194LBA(2) shall now be taxable at the rate provided in the respective sections. It was hitherto covered under the purview of 5% taxation u/s 115A.**
- **Taxpayer earning professional income will have no opportunity to opt out of concessional tax regime of section 115BAC.**
- **Amendment in the definition of 'chief commissioner' made under income tax act to include the Director General and Principal Director General of Income-tax within the meaning of 'Chief Commissioner'. Now, the Principal Director General of Income-Tax shall be treated as an authority at par with Director General of Income- tax.**

Good & Services Tax Alert

Indirect Tax Reforms

Goods and Services Tax - Due Date Extension

- The due dates for GSTR-3B for the month of March' 2020, April' 2020 and May' 2020 have been extended upto June 30, 2020:
 - Where annual aggregate turnover is upto Rs 5 crore the Interest liability and penalty has been completely waived off;
 - Whereas turnover exceeding Rs. 5 crore the rate of Interest on delayed payment has been reduced to 9% from 18% [payable from March 20' 2020].
- The due date for filing annual returns is also extended to the last week of June 2020 from 31st March 2020

RNM Analyses

- Extension in GSTR-3B for month of February, March and April' 2020.
- It is yet to be clarified whether in case of further delay in filing the return after June 30' 2020, Interest liability may arise from actual due date or July 01, 2020..

Due date of opting for composition scheme

- **Due date to opt for composition scheme has been extended to June 30'2020 for FY 2020-21.**
- **Due date of payments under Composition Scheme for Quarter ending March'2020 has extended to June 30'2020.**

Issuance of notices, orders etc.

- **Due date for issue of notice, notification, approval order, sanction order, filing of appeal, furnishing of return, statements, applications, reports, any other documents, time limit for any compliance under the GST laws where the time limit is expiring between March 20, 2020 to June 29, 2020 shall be extended to June 30, 2020.**
- **Necessary legal circulars and legislative amendments to give effect to the aforesaid GST relief shall follow with the approval of GST Council.**

Sabka Vishwas Legacy Dispute Resolution Scheme

- **Payment date under Sabka Vishwas Scheme shall be extended to June 30, 2020. No interest for this period shall be charged if paid by June 30, 2020.**

RNM

- **Earlier the payment was to be made within 30 days from date of issue of Statement -3 by the designated Authority, specifying the amount payable. No interest may be charged on the same.**

Developmental & Regulatory Policies

Reserve Bank of India

Liquidity Management

- **RBI to conduct auctions of targeted term repos of up to 3 years tenor of appropriate sizes for a total amount of up to Rs.1,00,000 crore at a floating rate linked to the policy repo rate. Liquidity availed under the scheme by banks has to be deployed in investment grade corporate bonds, commercial paper, and non-convertible debentures over and above the outstanding level of their investments in these bonds as on March 27, 2020. The first Targeted Long Term Repos Operations (TLTROs) auction to be held on March 27, 2020.**
- **Cash Reserve Ratio (w.e.f reporting fortnight beginning March 28, 2020):**
 - **It has been decided to reduce the cash reserve ratio (CRR) of all banks by 100 basis points to 3.0 per cent of net demand and time liabilities (NDTL).**
 - **It has been decided to reduce the requirement of minimum daily CRR balance maintenance from 90% to 80%. This is a one-time dispensation available up to June 26, 2020.**

- **Marginal Standing Facility:** Banks can borrow overnight at their discretion by dipping up to 2% into the Statutory Liquidity Ratio (SLR). It has been decided to increase the limit of 2 per cent to 3 per cent with immediate effect.
- It has been decided to widen the existing policy rate corridor from 50 bps to 65 bps. Under the new corridor, the reverse repo rate under the liquidity adjustment facility (LAF) would be 40 bps lower than the policy repo rate. The marginal standing facility (MSF) rate would continue to be 25 bps above the policy repo rate.

Regulation and Supervision

- All commercial banks, co-operative banks, all-India Financial Institutions, and NBFCs are being permitted to allow a moratorium of 3 months on payment of instalments in respect of all term loans outstanding as on March 1, 2020.

- **In respect of working capital facilities sanctioned in the form of cash credit/overdraft, lending institutions are being permitted to allow a deferment of 3 months on payment of interest in respect of all such facilities outstanding as on March 1, 2020. The accumulated interest for the period will be paid after the expiry of the deferment period.**
- **In respect of working capital facilities sanctioned in the form of cash credit/overdraft, lending institutions may recalculate drawing power by reducing margins and/or by reassessing the working capital cycle for the borrowers. Such changes in credit terms permitted to the borrowers to specifically tide over the economic fallout from COVID-19 will not be treated as concessions granted due to financial difficulties of the borrower, and consequently, will not result in asset classification downgrade.**
- **As per the prescribed timeline, banks in India were required to maintain Net Stable Funding Ratio (NSFR) of 100 per cent from April 1, 2020. It has now been decided to defer the implementation of NSFR by 6 months from April 1, 2020 to October 1, 2020.**

- **The Capital Conservation Buffer (CCB) was to be implemented in tranches of 0.625 per cent and the transition to full CCB of 2.5 per cent was set to be completed by March 31, 2019. It has been decided to defer this implementation to September 30, 2020. Consequently, the pre-specified trigger for loss absorption through conversion/write-down of Additional Tier 1 instruments (PNCPS and PDI) shall remain at 5.5 per cent of risk-weighted assets (RWAs) and will rise to 6.125 per cent of RWAs on September 30, 2020**

Financial Markets

- **It has been decided to permit banks in India which operate International Financial Services Centre (IFSC) Banking Units (IBUs) to participate in the NDF market with effect from June 1, 2020. Banks may participate through their branches in India, their foreign branches or through their IBUs.**