

**IMPORTANT AMENDMENTS  
BY FINANCE ACT 2020**

DAHDOTRI AND DAHATRE CHARTERED ACCOUNTANTS  
KNOWLEDGE AND DEVELOPMENT COMMITTEE

Based on – Finance Act 2020  
**Knowledge and Development Committee**

# INTRODUCTION



- The **Finance Act** has received **Presidential assent** on 27 March **2020** in the situations of **Covid – 19 Outbreak** .
- The provisions of the **Finance Act 2020** (FA 2020) will now get incorporated in the **Income-tax Act, 1961 (Act)** from 1 April **2020**.
- Exceptionally, a large number of amendments, about 59, have been incorporated by current Indian Government while passing **FA 2020**.



# IMPORTANT AMENDMENTS MADE TO INCOME TAX ACT, 1961 BY FINANCE ACT 2020

Amendments in Provisions for Defining Residential Status

Amendments in Provisions For Charitable Institutions

Changes in Provisions for Tax Deducted at Source

Optional Tax Slab Schemes for Individuals and HUF's

Other Important Amendments



# AMENDMENTS IN PROVISIONS FOR DETERMINATION OF RESIDENTIAL STATUS – SECTION 6 (AMENDMENT 1)

(Amendment in Red)

An individual is said to be resident in India in any previous year, if he—

In India for 182 days or more

Or

-In India for 60 days or more **and**  
- In Last 4 Years Present in India for 365 Days or more

- 1) Being a citizen of India, who is member of the crew of a ship or the citizen gone for the purposes of employment outside India “60” Days Changed by “182” Days.
- 2) Being a citizen of India, or a person of Indian origin who, being outside India, comes on a visit to India in any previous year, “60” Days Changed to “182” Days **and for a person of Indian origin having total income other than income from foreign sources exceeding Rs. 15,00,000 condition of “60” days changed to “120” days**

*Exceptions*

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# AMENDMENTS IN PROVISIONS FOR DETERMINATION OF RESIDENTIAL STATUS – SECTION 6 (AMENDMENT 2 & 3)



## Clause 1A Inserted

- Individual Being a Citizen of India having total income other than income from foreign sources 15 lakh rupees or more shall be deemed to be resident of India if he is not liable to tax in any other country

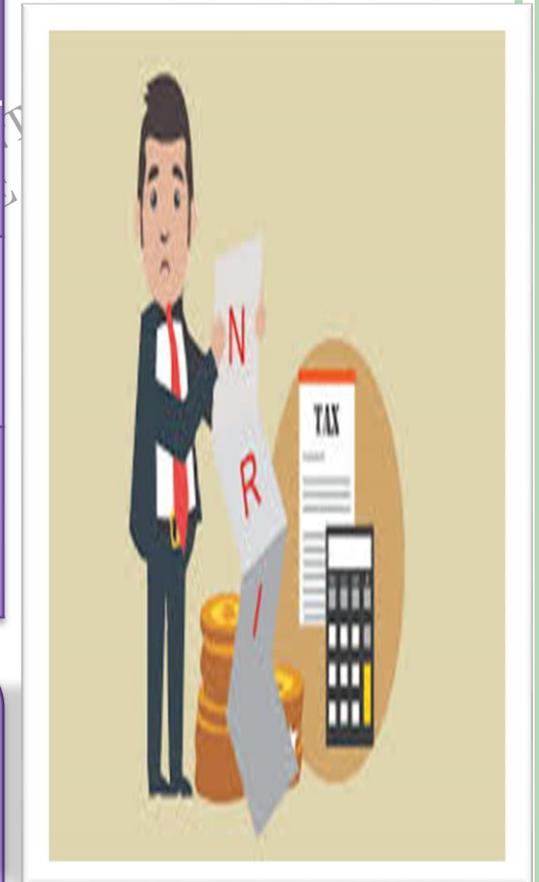
## Changes in Clause 6 for defining ordinary and non ordinary resident

- Individual Being a Citizen of India having total income other than income from foreign sources 15 lakh rupees or more has been in India for more than **120 days** but less than **182 days** shall be considered **resident but not ordinary resident**

# EFFECT OF CHANGES IN PROVISIONS FOR DETERMINATION OF RESIDENTIAL STATUS

Type of Income	Resident	Non Resident
Income accrues or arise in India	Taxable	Taxable
Income accrues or arise outside India	Taxable	<b>Non Taxable</b>
Income deemed to be accrue or arise in India	Taxable	Taxable

Now due to new Residency Rules a person who has total income excluding foreign income more than 15 lakh Rupees or more becomes Resident if he spends 120 days or more in India **and his foreign income also becomes taxable in India**



# AMENDMENTS IN PROVISIONS FOR CHARITABLE INSTITUTIONS

Change in Approval , Registration and Renewal Provisions

Uploading of Donors Detail online

Audit Report Furnishing Date

Amendment with respect to section 12 and Section 10(23C) and 10(46)



## CHANGES IN PROVISIONS FOR REGISTRATION , APPROVAL AND RENEWAL PROCEDURES FOR CHARITABLE INSTITUTIONS

- Fresh Approval to be taken by all existing registered / Approved institutions **within 3 months** starting from 1<sup>st</sup> June 2020 i.e. before of **31<sup>st</sup> August 2020**
- Now on, for Renewal – Application to be made **six months** prior to its expiry
- For any Provisional registration holder new application to be made before which ever is earlier of following



**3 years** Before  
Expiry of  
Provisional  
Registration

**6 Months** from  
Commencement  
of Activity

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## CHANGES IN PROVISIONS FOR REGISTRATION , APPROVAL AND RENEWAL PROCEDURES FOR CHARITABLE INSTITUTIONS

- In case of New charitable institutions application of registrations should be made **one month prior** to commencement of previous year (as per section 3, Previous Year for new source of income starts from the date on which new source is established)
- Approval or renewal will only be given for **5 years** i.e. after every five year registration to be renewed
- New Approval will be given only for **3 years** on provisional registration



# CHANGES IN PROVISIONS FOR REGISTRATION , APPROVAL AND RENEWAL PROCEDURES FOR CHARITABLE INSTITUTIONS

Specified Durations within which the applications for renewal, registration or approval to be answered by principal commissioner or commissioner

- Existing Institution – within 3 Months
- Regular Renewal – within 6 months
- Provisional Registration – within 1 Month



# UPLOADING OF DONORS DETAIL ONLINE

Donors details to be uploaded and certificate to be given by institutions and Donors will get deductions based on such information furnished.

Failure to upload such details will attract fees of Rs. 200 per day during which the failure continues. However it will be limited to the amounts in respect of which the failure continues.

Failure to furnish statement and certificate can also attract the penalties amounting to Rs. 10,000 to Rs.1,00,000

The related amendments are made to section 80G and similar sections



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## AUDIT REPORT FURNISHING DATE FOR CHARITABLE INSTITUTIONS AND OTHER AMENDMENTS

- Audit Report for charitable institutions to be furnished by the date as prescribed in section 44AB
- Pending Applications as on 1<sup>st</sup> June 2020 shall be deemed to be application for new provisional registration.
- Registration u/s 12 will be inoperative on receipt of approval u/s 10(23C) or Section 10(46)



# CHANGES IN PROVISIONS FOR TAX DEDUCTED AT SOURCE

Change in Threshold limit of Applicability

Changes in Various sections of TDS

Major Change in Section 194N

Insertion of Section 194O



# CHANGE IN THRESHOLD LIMIT OF APPLICABILITY FOR TAX DEDUCTED AT SOURCE

- Before these amendments, Monetary Limit for Applicability of most sections of TDS was directly Linked to limits of Audit Applicability Section i.e. 44AB but herein after now the limit of Tax Deduction applicability for sections 194A, 194H, 194I, 194J is

For Business  
Turnover of Rs. 1cr  
or more



For Profession  
Turnover of Rs. 50  
Lac or More

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# CHANGES IN VARIOUS SECTIONS FOR TAX DEDUCTED AT SOURCE

## Section 194 – 194K

- Income From Dividend applicable to TDS @ 10%
- Threshold Limit of Rs. 5000

## Section 194A

- For deducting TDS on interest banks now had to check threshold limit whole bank wise and not each branch wise
- Co-operative societies having turnover more than 50cr Rupees to deduct TDS on Interest

## Section 194C

- Changes in Definition of “work “ now manufacturer will have to deduct tax if he purchases manufacturing material from associate entity to his purchaser



# CHANGES IN VARIOUS SECTIONS FOR TAX DEDUCTED AT SOURCE

## Section 194J

- Now TDS 2% is new rate for Technical Services (not being Professional Services or Royalty for Increase in Sales or exhibition for cinema films)

## Section 194LBA

- TDS to be done by Business Trust on Dividend Given @ following Rate
- For Residents @ 10%
- For Non Residents – on Dividend 10% and on Interest 5%



# MAJOR CHANGE IN SECTION 194N OF TDS

- This Section was Introduced last year Indicating banks to deduct tax in case of cash withdrawal exceeding Rs.1 Crore @ the rate of 2%
- Now new Provisions are added to this section determining that if a person has not filed return of tax for 3 consecutive years then tax shall be deducted by banks at at following slab rates
- Withdrawals from Rs.20 Lac to Rs.1 Crore – 2%
- On Withdrawals Exceeding Rs. 1 Crore – 5%



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# INSERTION OF SECTION 194O FOR TAX DEDUCTED AT SOURCE

Every E- Commerce Operator is liable to Make TDS @ 1% on Gross Amount of Sales to any E Commerce Participants

In case of Non Availability of PAN such Rate will be 5% instead of 1%

No deduction to be done from Individual or HUF if amount of transactions is less than Rs.5 lac and PAN is Available



# OPTIONAL TAX SLAB SCHEMES FOR INDIVIDUALS AND HUF'S



## New Section

- 115 BAC is inserted for providing option to individuals and HUF's

## Rates of Surcharge

- Same as that of old tax regime

## Educational Cess

- 4% (same as that of old tax regime)



# RATES OF INCOME TAX – RESIDENT < 60YRS, ALL HUF'S

- Options to Choose from FY 2020-21,

OPTION 1		OPTION 2	
Old Income Tax Regime		New Income Tax Regime	
Upto Rs. 2,50,000	NIL	Upto Rs. 2,50,000	NIL
Rs. 2,50,000 to Rs. 5,00,000	5%	Rs. 2,50,000 to Rs. 5,00,000	5%
Rs. 5,00,000 to Rs. 10,00,000	20%	Rs. 5,00,000 to Rs. 7,50,000	10%
		Rs. 7,50,000 to Rs. 10,00,000	15%
Above Rs. 10,00,000	30%	Rs. 10,00,001 to Rs. 12,50,000	20%
		Rs. 12,50,001 to Rs. 15,00,000	25%
		Above Rs. 15,00,000	30%



## RATES OF INCOME TAX – RESIDENT 61 TO 79YRS

- Options to Choose from FY 2020-21,

OPTION 1		OPTION 2	
Old Income Tax Regime		New Income Tax Regime	
Upto Rs. 3,00,000	NIL	Upto Rs. 2,50,000	NIL
Rs. 3,00,000 to Rs. 5,00,000	5%	Rs. 2,50,000 to Rs. 5,00,000	5%
Rs. 5,00,001 to Rs. 10,00,000	20%	Rs. 5,00,000 to Rs. 7,50,000	10%
		Rs. 7,50,001 to Rs. 10,00,000	15%
Above Rs. 10,00,000	30%	Rs. 10,00,001 to Rs. 12,50,000	20%
		Rs. 12,50,001 to Rs. 15,00,000	25%
		Above Rs. 15,00,000	30%



# RATES OF INCOME TAX – RESIDENT >80 YRS

- Options to Choose from FY 2020-21,

OPTION 1		OPTION 2	
Old Income Tax Regime		New Income Tax Regime	
Up to Rs. 5,00,000	NIL	Upto Rs. 2,50,000	NIL
		Rs. 2,50,000 to Rs. 5,00,000	5%
Rs. 5,00,001 to Rs. 10,00,000	20%	Rs. 5,00,000 to Rs. 7,50,000	10%
		Rs. 7,50,001 to Rs. 10,00,000	15%
Above Rs. 10,00,000	30%	Rs. 10,00,001 to Rs. 12,50,000	20%
		Rs. 12,50,001 to Rs. 15,00,000	25%
		Above Rs. 15,00,000	30%



# RATES OF INCOME TAX FOR AOP, BOI, ARTIFICIAL JUDICIAL PERSON

- No change as compared to last year,

Net Taxable Income	Rate	Note:
Up to Rs. 2,50,000	NIL	-Health and Education Cess 4%
Rs. 2,50,001 to Rs. 5,00,000	5%	- Rebate under 87A will not be applicable
Rs. 5,00,001 to Rs. 10,00,000	20%	-The rate of surcharge will be
Above Rs. 10,00,000	30%	1. Total Income up to 50L –Nil 2. 50 L to 1 Cr – 10% 3. 1 Cr to 2 Cr – 15% 4. 2 Cr to 5 Cr – 25% 5. Above 5 Cr – 37%

# RATES OF INCOME TAX - CO-OPERATIVE SOCIETY

## Options to Choose from FY 2020-21,

Option 1		Option 2
Old Income Tax Slab		New Tax Regime
Up to Rs. 10,000	10%	-Option to Choose tax rate of an 22% under section 115BAD
Rs. 10,001 to Rs. 20,000	20%	-Shall not be allowed to avail certain exemptions/deductions if section 15BAD opted.
Above Rs. 20,000	30%	

### Note :-

- The concept of AMT no more exists
- Normal Depreciation is allowed
- Additional Depreciation not Allowed

# RATES OF INCOME TAX FOR INDIAN COMPANY

Gross Receipts  
> 400 CRORES  
(FY 2018-19)

- Tax @ 30% + 4% Cess + Surcharge as applicable

Gross Receipts  
< 400 CRORES  
(FY 2018-19)

- Tax @ 25% + 4% Cess + Surcharge as applicable

Note :

1) Domestic companies now can avail reduced tax rates under new sections 115BAA ,115BAB – in Finance bill 2020, this option is also made open for Electricity Generation companies.



# LIST OF MAJOR DEDUCTIONS **NOT** AVAILABLE IF OPTED U/S 115BAD

- Deduction for units established in SEZ (Sec. 10AA)
- Additional Depreciation (Sec. 32(1)(iia))
- Deduction for investment in new plant and machinery in notified backward areas (Sec. 32AD)
- Deduction in tea, coffee or rubber business (Sec.33AB)
- Deduction for Petroleum or natural gas unit (Sec.33ABA)
- Deduction for donation for scientific research to specified entities under Section 35 (1)
- Deduction in respect of certain specified business (35AD)
- Deduction in Respect of certain incomes specified under section 80JJAA



## OTHER IMPORTANT AMENDMENTS – SEC 44AB

In Section 44AB limit of audit applicability is changed for turnover from Rs.1 Cr to Rs. 5 Cr subject to the cash receipts and payments does not exceed 5% of total turnover.

If cash receipts and payments exceeds 5% of turnover then audit limit applicability will be Rs. 1 Cr of turnover

In clause where Due Date of Audit is Furnished , Now Due date is one Month Prior to due date of furnishing return under section 139. (similar amendment in 44ADA)



# OTHER IMPORTANT AMENDMENTS – SEC 43CA, SEC 50C AND SECTION 56



In all above said sections provisions in relation to Valuations of immovable property Variation of **5%** from Stamp duty and Actual Consideration Value was permissible now this **5%** is amended in every section to **10%** , i.e. now consideration if is less than that of **10%** of stamp duty value it is allowable.

# NEW SECTION INSERTED – 271AAD

- Penalty for any false entry or omission of any entry will be equal to the amount of that entry.
- Also any person who causes to make such false entry or omits such entry will also be liable for penalty.
- What is false Entry – Forged or Falsified documents or such as false invoices.
- Supply or Purchase Invoice without actual supply or receipt.
- Entry on accounts of non existing Person.





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