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GSAP

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## India Budget 2020 – Top 10 Highlights

### 1. Reduced tax rates for individuals

- Option given to individuals and Hindu Undivided Families (HUF) to opt for reduced tax rates mentioned below on condition of forgoing certain tax deductions.
- No changes in surcharge and cess.

In case of Individual and HUF	Old regime	New regime
Upto 0.25 Million ("Mn")	Nil	Nil
>0.25 Mn to 0.5 Mn	5%	5%
>0.5 Mn to 0.75 Mn	20%	10%
>0.75 Mn to 1 Mn	20%	15%
>1 Mn to 1.25 Mn	30%	20%
>1.25 Mn to 1.5 Mn	30%	25%
>1.5 Mn	30%	30%

## **2. Boost to Start-ups**

- Proposes 100% tax holiday period of 3 years out of 10 (earlier 7) years.
- Turnover threshold for eligible Start-ups proposed to be enhanced to INR 1 Billion from INR 250 Million.
- Proposes to defer tax on ESOPs in the hands of employees of Start-up upto 4 years.

## **3. Benefits to Non-Residents**

- Interest on foreign borrowings enjoy a reduced tax rate of 5% if money is borrowed till July 1, 2020. It is proposed to enhance this timeline to July 1, 2023. Further, tax rate would be reduced to 4% if the long term bonds or Rupee Denominated Bonds are listed on a stock exchange located in IFSC.
- Proposes to extend exemption from filing tax return in India by non-residents to royalty and fees for technical services which has suffered withholding tax. Earlier this exemption was only for dividend and interest income.

## **4. New withholding tax on e-commerce**

- Proposes to introduce withholding at 1% on payment to e-commerce vendors by e-commerce operators.

## **5. Dividend Distribution Tax (DDT) abolished**

- Proposes to abolish DDT in the hands of Indian companies on distribution of dividend, though dividend will be taxed in the hands of shareholder (subject to treaty benefit).

## **6. Transfer Pricing**

- Provisions relating to Safe Harbour Rules and Advanced Pricing Agreement proposed to be amended to include determination of attribution of profits to Permanent Establishment.

## **7. Faceless income-tax proceedings**

- Proposes to extend e-process to proceedings before first appellate authority (i.e., Commissioner-Appeals) and penalty proceedings as well.

## **8. Changes in Residency provisions for individuals**

- An Indian citizen who is not liable to tax in any other country shall be deemed to be resident in India.
- Currently, Indian citizens and Persons of Indian Origin visiting India becomes resident in India if their stay exceeds 181 days. It is proposed to shorten this time to 120 days.
- Earlier an individual could enjoy the status of Not Ordinary Resident (NOR) for 1-2 years. Now, after proposed amendment, he can enjoy NOR status for 3 years.

## **9. Changes in Due dates**

- Time line for submission of transfer pricing report in Form 3CEB has been proposed to pre-pone to 31<sup>st</sup> October from 30<sup>th</sup> November earlier.
- Due date for filing of tax return by companies and taxpayers subject to tax audit extended from 30<sup>th</sup> September to 31<sup>st</sup> October. However, due date for filing of tax audit report, report by SEZ units, etc. remains same as 30<sup>th</sup> September.

## **10. Tightening of leakages in GST**

- A penalty at 100% of tax evaded or input tax credit availed against fake or incorrect invoices is introduced on the recipient of benefit and also on the person on whose instance such transaction is conducted. Further, a person fraudulently claiming input tax credit without invoice could face imprisonment of minimum 3 years.

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