



### Finance Bill, 2020 receive Presidential assent on 27-03-2020

The Finance Bill, 2020 (the Bill) presented as part of the Union Budget on February 1, 2020, was passed by the Lok Sabha with amendments on March 23, 2020. Receiving the assent of the President of India on March 27, 2020, the bill has now become the Finance Act, 2020.

Key highlights of the amendments vis-à-vis the original Bill as presented in February, are summarized hereunder:

Particulars	Proposals in the Original Bill	Amended Provisions – VKC Insights
<b>Section 6: Residential Status</b>	<p>It was proposed :</p> <ul style="list-style-type: none"> <li>that the exception provided in clause (b) of Explanation 1 of sub-section (1) to section 6 (being relaxation to an Indian citizen or a person of Indian origin for visit to India) in that year be decreased to 120 days from existing 182 days.</li> <li>that an Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India.</li> <li>that an individual or an HUF shall be said to be “not ordinarily resident” in India in a previous year, if the individual or the manager of the HUF has been a non-resident in India in 7 out of 10 previous years preceding that year.</li> </ul>	<p>In contrast of the erstwhile bill, defining a monetary threshold in a breather to NRIs, 120 days criteria will now be applicable only in case of the citizens or person of Indian origin having total income, other than the income from foreign sources, <b>exceeding INR 15 lacs</b> during the previous year.</p> <p>This threshold limit of INR 15 lacs has also been provided in the erstwhile proposal for deemed residency in India.</p> <p>Further, an explanation added defines “income from foreign sources” to mean income which accrues or arises outside India, <b>except income derived from a business controlled in or a profession set up in India.</b></p> <p>The earlier proposal of RNOR for an individual or HUF which is NR in 7 out of 10 PYs stands omitted in the Act.</p>

<b>Section 10(23C)</b>	The existing explanation in Section 11(1) provides that any amount credited or paid to a trust or institution registered under section 12AA, being voluntary contribution made with a specific direction that they shall form part of the corpus of the trust or institution, shall not be treated as application of income for religious or charitable purposes.	A 10 <sup>th</sup> proviso has been inserted in section 10(23C) with effect from June 1, 2020, which extends provisions of explanation 2 to Section 11(1) to institutions referred to under the section.  Further, after the third proviso, a new explanation has been inserted to provide that the income of the institution shall not include income in the form of voluntary contributions made with a specific direction that they shall form part of the corpus of such fund or institution.
<b>Section 10(34): Dividends</b>	The bill proposed a proviso to Section 10(34), that provisions of the clause will not apply to any income by way of dividend, received on or after April 01, 2020.	A second proviso to Clause 34 has been inserted, which provides that nothing contained in this clause shall apply to any income by way of dividend received on or after the April 1, 2020, other than the dividend on which tax under section 115-O and section 115BBDA, wherever applicable, has been paid.  Therefore, dividends received by shareholders will be governed by the provisions of Section 10(34) and Section 115BBDA provided the dividend has been declared in accordance with the erstwhile provisions of Section 115-O.
<b>Section 80M: Cascading effect of dividends</b>	The bill had inserted a new section 80M to remove the cascading affect, with a change that set off will be allowed only for dividend distributed by the company one month prior to the due date of filing of return, in place of due date of filing return earlier.	The Act has extended the provisions from domestic companies, to foreign companies and business trusts.
<b>Section 115BAC: Tax Incentive to individuals</b>	The Bill had inserted section 115BAC for tax incentives to individual and HUF having business income and not having business incomes.	The Act has prescribed to bring income from profession (as against only income from business specified earlier).
<b>Section 165A: Charge of equalisation</b>	-	A new Section, 165A has been inserted with effect from April 1, 2020 to provide for charge of a 2% equalization levy on consideration received by an e-commerce operator from e-

<p><b>levy on e-commerce supply of services.</b></p>		<p>commerce supply or services made or provided or facilitated by it</p> <ul style="list-style-type: none"> <li>to a person resident in India; or</li> <li>to a non-resident in the specified circumstances as referred to in sub-section (3); or;</li> <li>to a person who buys such goods or services or both using internet protocol address located in India.</li> </ul> <p>The exceptions to the new section are:</p> <ul style="list-style-type: none"> <li>where the e-commerce operator has a PE in India and such e-commerce supply or services is effectively connected with such PE;</li> <li>where the equalization levy is leviable under section 165; or</li> <li>sales, turnover or gross receipts, of the e-commerce operator is less than INR 2 crores during the previous year.</li> </ul> <p>“Specified circumstances” have been defined to cover:</p> <ul style="list-style-type: none"> <li>sale of advertisement, which targets a customer, resident in India or a customer who accesses the advertisement through internet protocol address located in India; and</li> <li>sale of data, collected from a person who is resident in India or from a person who uses internet protocol address located in India.</li> </ul> <p>The levy collected will be paid quarterly on 7<sup>th</sup> of the month preceding the quarter end.</p>
<p><b>Section 194J: TDS w.r.t FTS</b></p>	<p>With effect from April 1, 2020, the bill had proposed to reduce rate for TDS in section 194J in case of FTS (other than professional services) to 2% from existing 10%. The TDS rate in other cases under section 194J would remain same at 10%.</p>	<p>The reduced rate of tax @ 2% has been extended royalty in the nature of consideration for sale, distribution or exhibition of cinematographic films, in addition to fees for technical services.</p>
<p><b>Section 194K: TDS on MF Incomes</b></p>	<p>The bill had provided deduction of tax at source @ 10% against a threshold limit of INR 5,000 by any person responsible for paying to a resident any income in respect of units of a Mutual Fund specified under clause (23D) of section 10</p>	<p>The Act has clarified that the provisions of this section will not apply if the income is in the nature of capital gains.</p>

<p><b>Substitution of Section 194N: TDS on cash withdrawal</b></p>	<p>-</p>	<p>With effect from July 1, 2020, every person, being:</p> <ul style="list-style-type: none"> <li>● a banking company to which the Banking Regulation Act, 1949 applies</li> <li>● a co-operative society engaged in carrying on the business of banking; or</li> <li>● a post office,</li> </ul> <p>responsible for paying an amount in cash exceeding INR 1 crore during the previous year, to any person from one or more accounts maintained by the recipient with it shall, at the time of payment of such sum, deduct an amount equal to 2% of such sum, as income-tax.</p> <p>It is also provided that in case of a recipient who has not filed the returns of income for all of the 3 AYs relevant to the 3 PYs, immediately preceding the PY in which the payment of the sum is made to him, tax to be deducted at source would be:</p> <ul style="list-style-type: none"> <li>● 2% where withdrawal is more than INR 20 lacs but less than INR 1 crore;</li> <li>● 5% when withdrawal is more than 1 crore</li> </ul>
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<p><b>Section 194O: TDS on E-commerce transactions</b></p>	<p>The section provided for deduction of tax at source @ 1% on e-commerce transactions w.e.f April 1, 2020</p>	<p>The applicability of the section has been deferred to October 1, 2020.</p>
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<p><b>Section 206C: Tax Collected at Source</b></p>	<p>In order to widen and deepen the tax net, it is proposed to amend section 206C to levy TCS on overseas remittance and for sale of overseas tour package</p>	<p>Sub-sections (1G) to section 206C have been inserted to provide for collection of tax from a person purchasing overseas tour package or making foreign remittance exceeding INR 7 lacs. Further, sub-section (1H) has been inserted to provide for TCS on sale of goods exceeding INR 50 lacs to a buyer in a financial year by seller having turnover of more than INR 10 crores. It is proposed that:</p> <ul style="list-style-type: none"> <li>● The provisions shall apply from October 1, 2020.</li> <li>● Similar to section 115BAB, the Board may be authorised to issue guidelines for the purpose of removing difficulty arising regarding interpretation or implantation of these provisions and such guidelines shall be laid before Parliament and shall be binding on income tax authorities and person liable to collect sum.</li> <li>● In case amount remitted is for the purpose of pursuing education through a loan obtained from any financial institution, defined in section 80E, the rate of TCS shall be 0.5% of amount exceeding INR 7 lacs.</li> <li>● The threshold limit for non-collection of TCS of INR 7 lacs on LRS would apply only for remittance other than for purchase of overseas tour package so as to have a level</li> </ul>
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		<p>playing field between domestic and overseas tour operators.</p> <ul style="list-style-type: none"><li>• Further in cases where the threshold of INR 7 lacs applies, the TCS would be on the amount exceeding INR 7 lacs in a financial year.</li><li>• There would be no double collection of TCS under the two provisions (LRS and overseas tour package).</li><li>• The import of goods and export of goods shall be excluded from levy of TCS under said provisions.</li><li>• The provision of TCS on sale of goods would not be applicable if the buyer of goods is liable for TDS on purchase of goods from seller and he has deducted such amount.</li></ul>
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