VERENDRA KALRA & CO
CHARTERED ACCOUNTANTS

INDIA budget statement 2020

CONTENTS

Foreword

The Hon'ble FM, Smt. Nirmala Sitharaman, had to present the Union Budget 2020 in a very challenging backdrop of slowing economy, falling aggregate demand, decline in exports and lack luster credit flows, all resulting in the GDP standing at its lowest at 4.5%. On the eve of this budget, the question uppermost on everyone's' mind was whether the worst is behind us, whether can we see any green offshoots of recovery and most importantly, and whether Budget 2020 does enough to nurture and propel India back to its high growth path.

The **theme of VKC India Budget Statement 2020** has therefore been dedicated to the innate spirit of the Budget 2020 as we see it i.e. its aim of ***'Revival, Regeneration and Rekindling'*** of the Indian Economy.

The budget chose to focus on 3 major themes - Aspirational India; Economic Development for all and a Caring Society. The Budget allocates funds and proposes new schemes for every sector under these three themes. There is a significant capital outlay earmarked for agriculture. There is also a detailed 16-point plan to invigorate the agriculture sector. These steps include economic reforms and deregulation, connecting the farm to fork through supply chains, addressing water stress, and reducing price distortions.

The FM has aimed to pave the course for a vibrant India, riding high on inclusive growth and wealth creation with the focus on youth and technology on the one hand, and a governance structure underpinned by mutual trust and a recapitalized financial system on the other. Budget also has a clear eye on the future and signals a willingness to embrace the new economy. The budgetary allocation for disruptive tech and the announcement of a National mission for Quantum Technology, is a modest first step and indicate a desire to compete with economic superpowers on the frontiers that matter.

'Minimum government, maximum governance' slogan of the government rests on the twin measures of gradual withdrawal of the government from running businesses as well as the need for increasing participation of the private sector in nation building. The budget acknowledges this as it aims to raise through disinvestment, more than INR 2 lac crore (INR 2 trillion), particularly in LIC, IDBI and privatizing one major port. This not only helps bridge the fiscal deficit, but more importantly, signals the government's determination to let private sector have a greater play in the economy.

On the infrastructure front, the tax exemption to sovereign and other funds for long-term investment in infrastructure will go a long way in encouraging funds inflows. The budget also makes significant provisions to the ambitious National Infrastructure Pipeline

initiative announced recently. In the medium-term, infrastructure spending will be a crucial driver of economic growth for the Indian economy.

On the direct tax front, widely expected relief for the common man by way of reduction in income tax slabs, comes as a mixed bag, wherein those eligible for the relief would stand to qualify only if they do not seek any exemptions, and indulge in a bit of struggle with the math to decide whether they really stand to gain. On the whole, it should put more disposable money in the hands of tax payers and can help to boost consumption. The abolition of DDT is aimed largely to make India's tax regime more attractive from FDI perspective and in the process, only the smaller resident tax payers will stand to gain. The dispute resolution scheme, though less attractive than the one recently brought out for indirect taxes, sends just the right signals to boost business sentiment and cut down litigation in the spirit of '***vivaad se vishwas***'. Tax exemptions for startups with over up to INR 100 crore (INR 1 billion) is a benefit directly aimed at the youth of this country. On the flip side, the expected abolition of long term capital gain however failed to materialize. The significant changes in the definition of residents to tax rich Indians going abroad to save tax, may instead induce them to give up Indian citizenship.

On the indirect tax front, the budget points out to certain anomalies in our free trade agreements with partner nations, which have led to a surge in imports, to the detriment of domestic industry. Hence some much-needed protectionist measures have been put in place, though many economists would advocate to go for the more progressive measures of enhancing export competitiveness rather than reducing import dependence.

An important highlight in the budget was the enshrinement of the "Taxpayer Charter" in the

statutes of the tax laws. Coupled with other measures like faceless appeals, removing provisions for criminal liabilities from Companies Act and the proposal to increase deposit insurance limit from INR1 Lac (INR 0.1 million) to INR 5 lac (INR 0.5 million), will not only bridge the trust deficit in line with the slogan ***'sabka sath, sabka vikas, sabka vishwas"***, but will also enhance ease of doing business.

The downside of this budget is that it has not touched upon the sorely needed major structural reforms such as labor and financial market reforms. The current struggle to access credit from the banking sector remains largely unaddressed.

Despite the huge expectations, but given the limited room for maneuverability in view of the prevailing economic situation, the budget looks more realistic. The fiscal deficit of 3.8% for the current year, though higher than what the fiscal diesoline road map allows, is on expected lines. A deficit target of 3.5% for FY 2020-21, though looks challenging to attain given the domestic sluggishness and global economic headwinds. Despite the interventions announced in Budget 2020, it looks like that the budget implicitly underpins its hopes on a global recovery.

It looks like the worst is behind us. Tackling slowdown should not be what we should look forward from this budget. The larger concern remains on touching the USD 5 trillion economy target by FY 2024-25, especially keeping in view the current slippages. ***India's emergence into a higher growth orbit is not only what the citizens of this country want but it is something that the world awaits***.

Verendra Kalra
Managing Partner

Budget at a glance

Where the money comes from

Borrowing and other liabilities	20%
Corporate Tax	18%
Income Tax	17%
GST and other taxes	18%
Non-tax revenues	10%
Excise	7%
Customs	4%
Non-debt capital receipts	6%

Where the money goes

States' share of taxes & duties	20%	
Interest Payments	18%	
Central Sector Scheme	13%	
Other expenditure	10%	
Finance Commission & Other Transfers	10%	
Centrally Sponsored Scheme	9%	
Defence	8%	
Subsidies	6%	
Pensions	6%	

Budget Financials

(Amount in INR billion)

	Particulars	2018-19 Actuals	2019-20 BE	2019-20 RE	2020-21 BE
1	**Revenue Receipts (2+3)**	**15,529**	**19,628**	**18,501**	**20,210**
2	Tax Revenue(Net to Centre)	13,172	16,496	15,046	16,359
3	Non-tax revenue	2,357	3,132	3,455	3,851
4	**Capital Receipts(5+6+7)**	**7,622**	**8,236**	**8,485**	**10,213**
5	Recoveries of loans	181	148	166	150
6	Other receipts	947	1,050	650	2,100
7	Borrowings & other liabilities	6,494	7,038	7,668	7,963
8	**Total Receipts (1+4)**	**23,151**	**27,863**	**26,986**	**30,423**
9	**Total Expenditure (10+13)**	**23,151**	**27,863**	**26,986**	**30,422**
10	On Revenue account	20,074	24,478	23,496	26,301
11	Interest Payments	5,826	6,605	6,251	7,082
12	Grants in aid for creation of capital assets	1,918	2,073	1,917	2,065
13	On Capital account	3,077	3,386	3,489	4,121
14	**Revenue deficit (10-1)**	**4,545**	**4,850**	**4,995**	**6,092**
		(2.40)	**(2.30)**	**(2.40)**	**(2.70)**
15	**Effective Revenue deficit (14-12)**	**2,627**	**2,777**	**3,078**	**4,027**
		(1.40)	**(1.30)**	**(1.50)**	**(1.80)**
16	**Fiscal deficit {9-(1+5+6)}**	**6,494**	**7,038**	**7,668**	**7,963**
		(3.40)	**(3.30)**	**(3.80)**	**(3.50)**
17	**Primary deficit (16-11)**	**668**	**433**	**1,417**	**881**
		(0.40)	**(0.20)**	**(0.70)**	**(0.40)**

Capital receipts = (Recoveries of loans + Disinvestment Receipts + Borrowings and other liabilities)
Revenue Deficit = (Revenue Receipts – Revenue Expenditure)
Effective Revenue Deficit = (Capital Expnediture – Grants of creation of capital assets)
Fiscal deficit = (Total Receipts – Borrowings and other liabilities – Total Expenditure)
Primary Deficit = (Fiscal Deficit – Interest Payments)

GDP for BE 2020-2021 has been projected at INR 2,24,89,420 crore (INR 2,24,894.20 billion) assuming 10.0% growth over the estimated GDP of INR 2,04,42,233 crore (INR 2,04,422.33 billion) for 2019-2020 (RE)

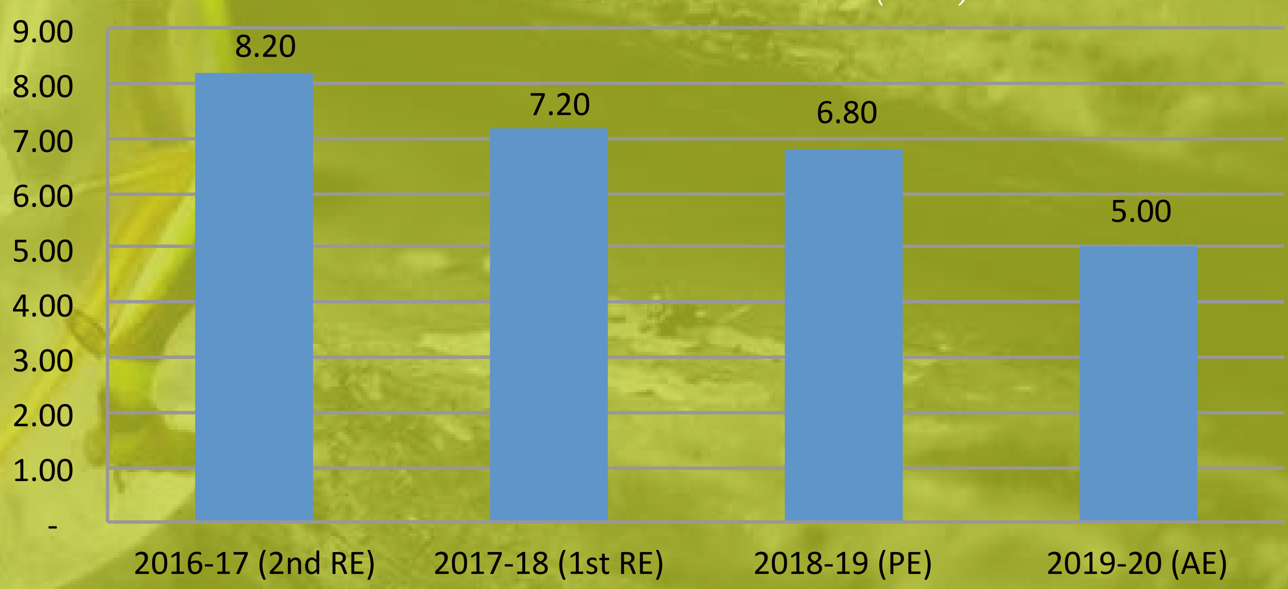
Individual items in this document may not sum up to the totals due to rounding off

Figures in parenthesis are as a%age of GDP

Economic Indicators

GDP Growth (Market prices, 2011-12 as base year)

Year	%
2016-17 (2nd RE)	*8.20*
2017-18 (1st RE)	*7.20*
2018-19 (PE)	*6.80*
2019-20 (1st AE)	*5.00*



RE: Revised Estimates | PE: Provisional Estimates | AE: Advance Estimates

Growth in GVA

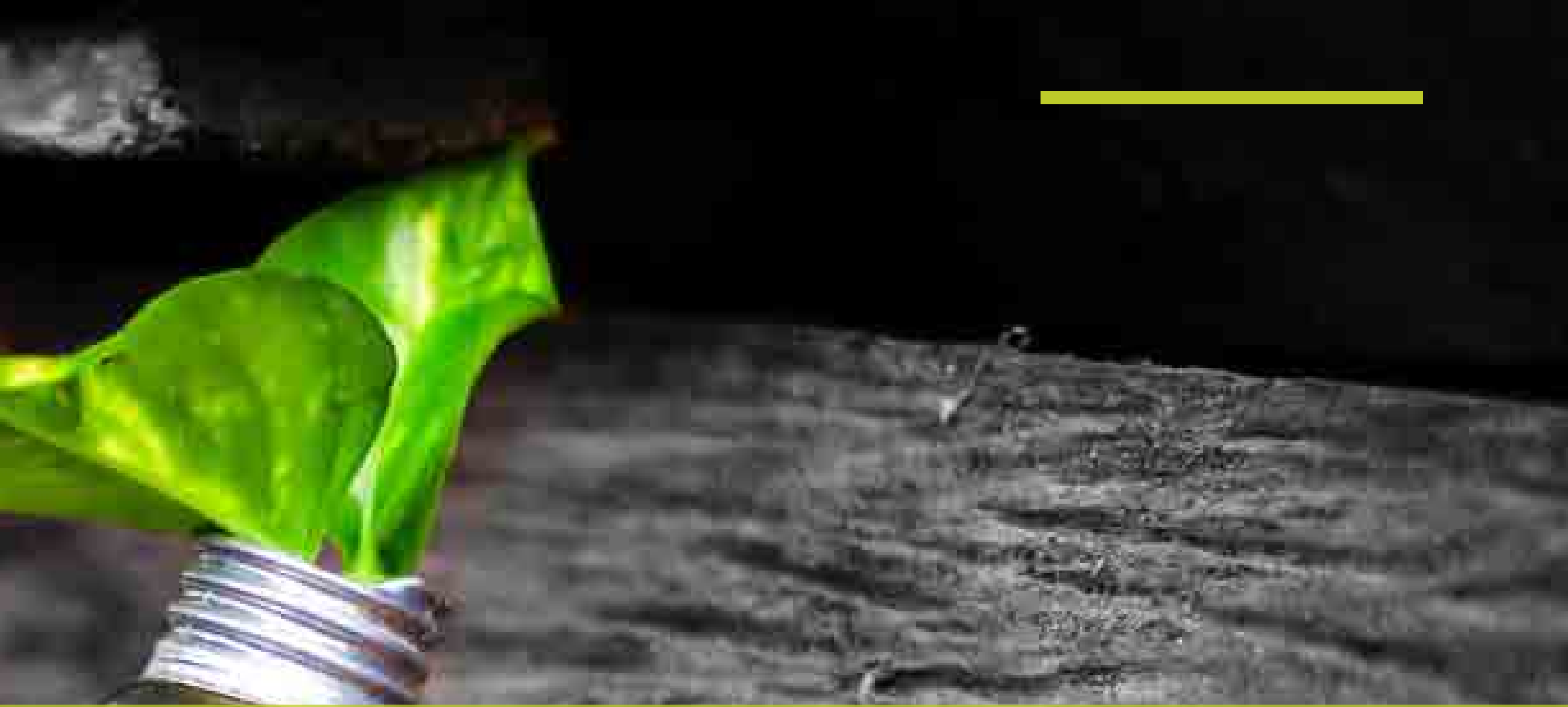
(Market prices, 2011-12 as base year)

Year	*Agriculture & Allied*	*Industry*	*Services*	*GVA*
2016-17 (2nd RE)	*6.30*	*7.70*	*8.40*	*7.90*
2017-18 (1st RE)	*5.00*	*5.90*	*8.10*	*6.90*
2018-19 (PE)	*2.90*	*6.90*	*7.50*	*6.60*
2019-20 (AE)	*2.80*	*2.50*	*6.90*	*4.90*

PE: Provisional Estimates

RE: Revised Estimates

AE: Advance Estimates



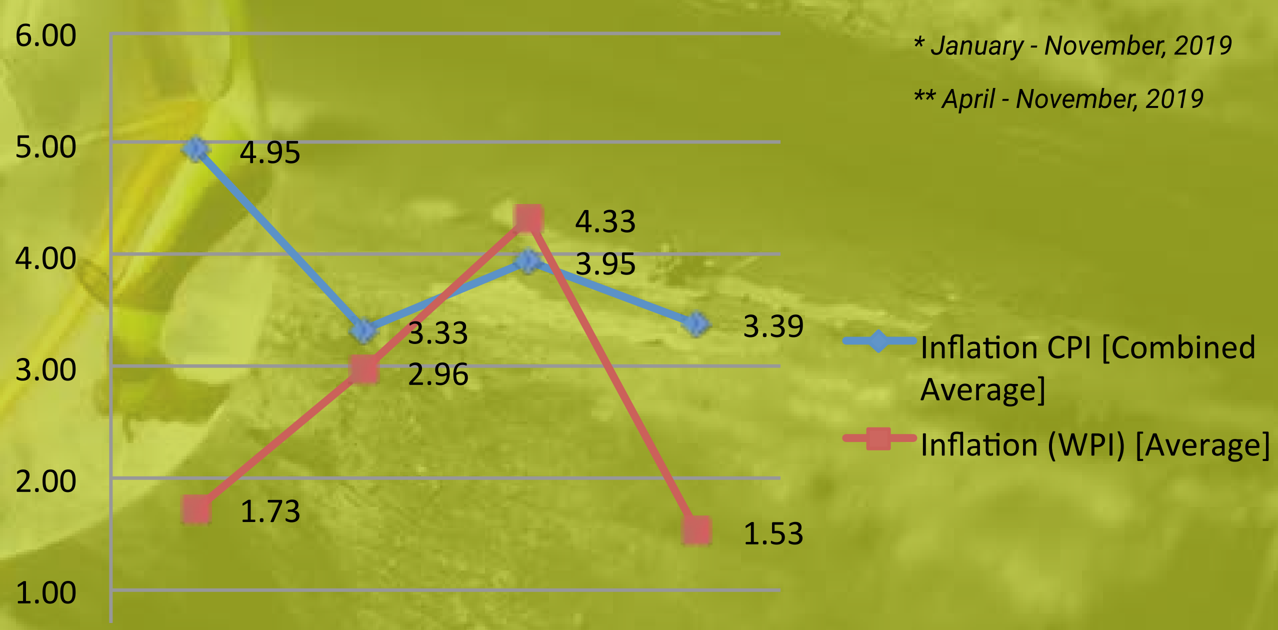
Inflation CPI and WPI

[Average]%

Year	Inflation CPI* [Average]	Inflation (WPI**) [Average]
2016-17	*4.95*	*1.73*
2017-18	*3.33*	*2.96*
2018-19	*3.95*	*4.33*
2019-20 (PE)	*3.39*	*1.53*

** January - November, 2019*

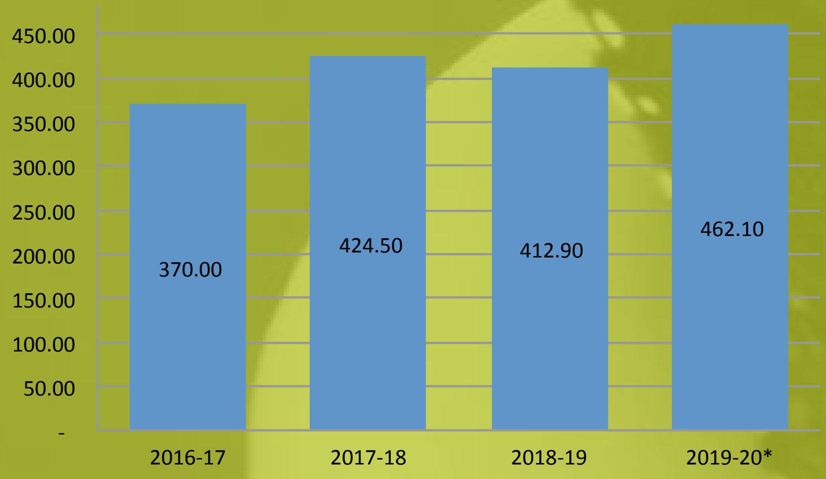
*** April - November, 2019*



Growth in Foreign Trade [Average]%

Year	*Exports Growth*	*Imports Growth*
2016-17	*5.2*	*0.9*
2017-18	*9.8*	*19.6*
2018-19	*9.1*	*9.0*
*2019-20**	*(2.0)*	*(8.9)*

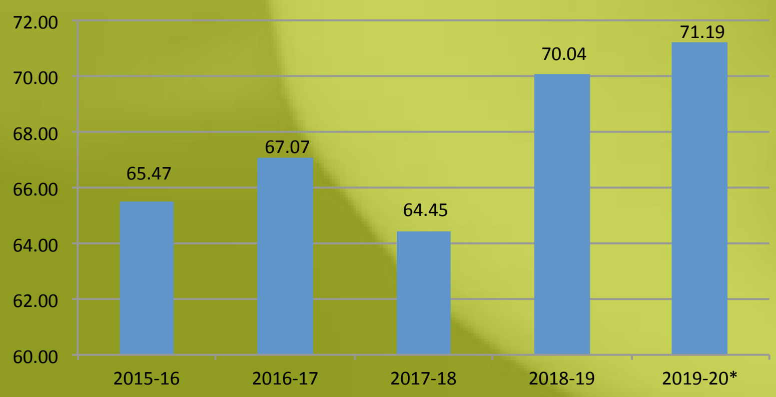
*April to November



Forex Reserves

Year	*In USD billion*
2016-17	*370.00*
2017-18	*424.50*
2018-19	*412.90*
*2019-20**	*462.10*

*January 17, 2020

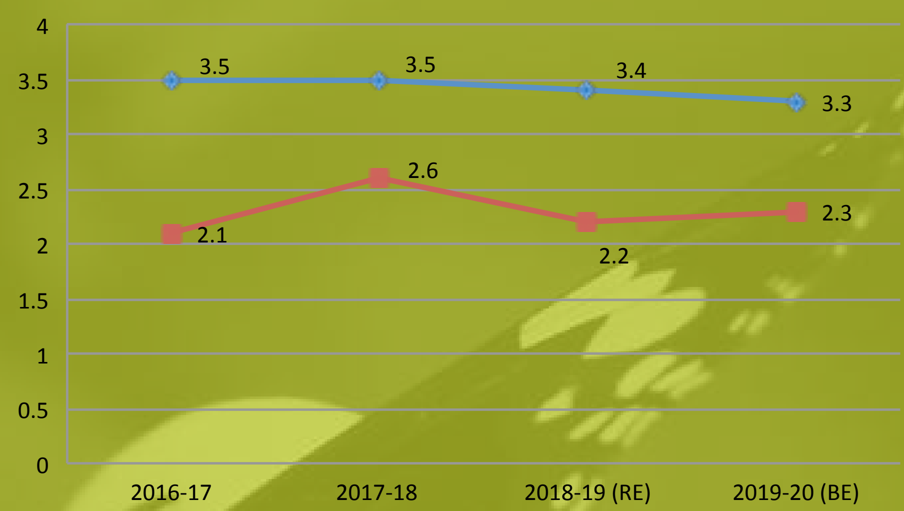


Exchange Rate

Year	*Exchange Rate (INR per USD)*
2015-16	*65.47*
2016-17	*67.07*
2017-18	*64.45*
2018-19	*70.04*
*2019-20**	*71.19*

*December, 2019

Deficit Trends (% of GDP)

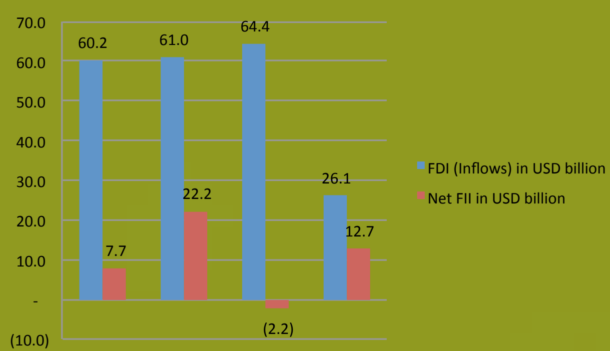


Year	*Gross Fiscal Deficit*	*Revenue Deficit*
2016-17	*3.5*	*2.1*
2017-18	*3.5*	*2.6*
2018-19 (RE)	*3.4*	*2.2*
2019-20 (BE)	*3.3*	*2.3*

RE: Revised Estimates | BE: Budget Estimates

Foreign Investment ***in USD billion***

Year	***FDI* (Inflows)***	***Net FII *****
2016-17	*60.2*	*7.7*
2017-18	*61.0*	*22.2*
2018-19	*64.4*	*(2.2)*
*2019-20**	*26.1*	*12.7*



**April to September, 2019 (equity component only)*
*** April to November, 2019*

ECONOMIC SURVEY

The Economic Survey 2019-20 builds on India's aspiration of the USD 5 trillion economy with its theme of **Wealth Creation**. The Survey identifies two key pillars for furthering wealth creation in the economy- **the invisible hands of the markets supported by the hand of trust**. Specifically, the invisible hand of markets, as reflected in openness in economic transactions combined with the hand of trust by referring to ethical and philosophical dimensions.

Volume I of the Survey captures the approach of the government to develop new ideas for policymaking. **Volume II** serves as a ready reckoner for the existing status and policies in a sector and is supported by relevant statistical tables and data.

The Survey explains that the invisible hand needs to be strengthened by promoting pro-business policies to:

(i) provide equal opportunities for new entrants, enable fair competition and ease doing business,

(ii) eliminate policies that undermine markets through government intervention even where it is not necessary,

(iii) enable trade for job creation, and

(iv) efficiently scale up the banking sector to be proportionate to the size of the Indian economy.

Introducing the idea of "trust as a public good that gets enhanced with greater use", the Survey suggests that policies must empower transparency and effective enforcement using data and technology to enhance this public good.

The "Startup India" campaign of the Government of India recognizes **entrepreneurship** as an increasingly important strategy to fuel productivity growth and wealth creation in India. Given this initiative, the second chapter of the Volume-1 of the Survey examines the content and drivers of entrepreneurial activity at the bottom of the administrative pyramid – over 500 districts in India.

India's aspiration to become a USD 5 trillion economy depends critically on **promoting "pro-business" policy** that unleashes the power of competitive markets to generate wealth, on the one hand, and weaning away from "pro-crony" policy that may favor specific private interests, especially powerful incumbents, on the other hand. Economic events since 1991 provide powerful evidence supporting this crucial distinction.

Indian economy is replete with examples where **Government intervenes and thereby undermines markets unnecessarily**, i.e. even in areas where there are no "market failures". Though there are many such instances, the relevant chapter of the Survey highlights examples to show that Government intervention leads to outcomes opposite to what it actually intended to achieve. The chapter makes the case that each department and ministry in the Government must systematically examine areas where the Government needlessly intervenes and undermines markets.

The current environment for **international trade** presents India an unprecedented opportunity to chart a China-like, labor intensive, export trajectory and thereby create unparalleled job opportunities for our burgeoning youth. By integrating "Assemble in India for the world" into Make in India, India can raise its export market share to about 3.5% by 2025 and 6% by 2030. This will create 4 crore well-paid jobs by 2025 and 8 crore by 2030.

India has jumped up 79 positions in World Bank's Doing Business rankings, improving from 142 in 2014 to 63 in 2019. However, it continues to trail in parameters such as Ease of Starting Business (rank 136), Registering Property (rank 154), Paying Taxes (rank 115), and Enforcing Contracts (rank 163). The simplification of the **Ease of Doing Business** landscape of individual sectors such as tourism or manufacturing, however, requires a more targeted approach that maps out the regulatory and process bottlenecks for each segment. Once the process map has been done, the correction can be done at the appropriate level of government - central, state or municipal.

In 2019, India completed the 50th anniversary of **bank nationalization**. Since 1969, India has grown leaps and bounds to become the 5th largest economy in the world. Yet, India's banking sector is disproportionately under-developed given the size of its economy. As PSBs account for 70% of the market share in Indian banking, the onus of supporting the Indian economy and fostering its economic development falls on them. Yet, on every performance parameter, PSBs are inefficient compared to their peer groups. With the cleaning up of the banking system and the necessary legal framework such as the Insolvency and Bankruptcy Code (IBC), the banking system must focus on scaling up efficiently to support the economy.

Motivated by the current liquidity crunch the **NBFC sector**, the relevant chapter of the Survey investigates the key drivers of Rollover Risk of the shadow banking system in India. The key drivers of Rollover Risk are: ALM Risk, Interconnectedness Risk and Financial and Operating Resilience of an NBFC. The over-dependence on short-term wholesale funding exacerbates Rollover Risk. Policy makers intending to revive the shadow banking channel of growth can use the analysis of the Chapter to efficiently allocate liquidity enhancements across firms (with different Health Scores) in the NBFC sector, thereby arresting financial fragility in a capital-efficient manner.

The analysis in the chapter of **"Privatization and Wealth Creation"** affirms that disinvestment (through the strategic sale) of CPSEs unlocks their potential of these enterprises to create wealth evinced by the improved performance after privatization. Aggressive disinvestment should be undertaken to bring in higher profitability, promote efficiency, increase competitiveness and to promote professionalism in management in the selected CPSEs for which the Cabinet has given in-principle approval.

GDP growth is a critical variable for decision-making by investors as well as policymakers. Therefore, the recent debate about whether India's GDP is correctly estimated following the revision in estimation methodology in 2011 is extremely significant. As countries differ in several observed and unobserved ways, cross-country comparisons have to be undertaken with care to separate out the effect of other confounding factors and isolate the effect of the methodology revision alone on GDP growth estimates.

Thalinomics is an attempt to quantify what a common person pays for a Thali across India. 2015-16 can be considered as a year when there was a shift in the dynamics of Thali prices. Many reform measures were introduced since 2014-15 to enhance the productivity of the agricultural sector as well as efficiency and effectiveness of agricultural markets for better and more transparent price discovery.

GDP and GVA at a glance:

Real GDP or GDP at Constant Prices (2011-12) in the year 2019-20 is likely to attain a level of INR 147.79 lakh crore (INR 147.79 trillion), as against the Provisional Estimate of GDP for the year 2018-19 of INR 140.78 lakh crore (INR 140.78 trillion), released on May 31, 2019. The growth in real GDP during 2019-20 is estimated at 5.0% as compared to the growth rate of 6.8% in 2018-19.

Real GVA at Basic Prices is estimated to increase from INR 129.07 lakh crore (INR 129.07 trillion), in 2018-19 to INR 135.40 lakh crore (INR 135.40 trillion) in 2019-20. Estimated growth of real GVA in 2019-20 is 4.9% as against 6.6% in 2018-19.

The sectors which registered growth rate of over 4.9% are, 'Electricity, Gas, Water Supply and Other Utility Services', 'Trade, Hotels, Transport, Communication and Services related to Broadcasting', 'Financial, Real Estate and Professional Services' and 'Public Administration, Defence and Other Services' at 5.4%, 5.9%, 6.4% and 9.1% respectively. The growth in the 'Agriculture, Forestry and Fishing', 'Mining and Quarrying', 'Manufacturing' and 'Construction' is estimated to be 2.8%, 1.5%, 2.0% and 3.2% respectively.

AGRICULTURE

GVA at Basic Prices for 2019-20 from 'Agriculture, Forestry and Fishing' sector is estimated to grow by 2.8% as compared to growth of 2.9% in 2018-19. The GVA estimates of this sector are based on 1st advance estimates of agricultural production during Kharif season of 2019-20 obtained from the Ministry of Agriculture & Farmer Welfare. For Livestock sector, estimates of production of major livestock products (i.e. Milk, Egg, Meat and Wool) obtained from the Department of Animal Husbandry & Dairying and Fish production data obtained from Department of Fisheries have been used. The crops including fruits and vegetables account for about 56%, the livestock products 30% and forestry & fisheries 14% share of GVA in total GVA of 'Agriculture, Forestry and Fishing' sector.

INDUSTRY AND INFRASTRUCTURE

GVA at Basic Prices for 2019-20 from 'Mining and Quarrying' sector is estimated to grow by 1.5% as compared to growth of 1.3% in 2018-19. The key indicators of Mining sector, namely, production of Coal, Crude Oil and Natural Gas registered growth rates of (-) 5.3%, (-) 5.9% and (-) 2.6%, during April-November, 2019-20 as compared to 9.0%, (-) 3.6% and (-) 0.7% respectively, during April-November, 2018-19. IIP of metallic minerals grew at 13.7% during April-October, 2019-20 as compared to 2.6% during same period in 2018-19.

GVA at Basic Prices for 2019-20 from 'Manufacturing' sector is estimated to grow by 2.0% as compared to growth of 6.9% in 2018-19. The Private Corporate sector growth in the Manufacturing sector for 2019-20 is estimated using latest available information on major Listed Companies during first half of FY 2019-20. The Private Corporate sector growth (which has a share of over 75% in the Manufacturing sector) was estimated from available data of Listed Companies with BSE and NSE. The Quasi - Corporate and Unorganized segment (which has a share of over 20% in the Manufacturing sector) has been estimated using IIP of Manufacturing which registered a growth of 0.6% during April-October, 2019-20.

GVA at Basic Prices for 2019-20 from 'Electricity, Gas, Water Supply and Other Utility Services' sector is expected to grow by 5.4% as compared to growth of 7.0% in 2018- 19. Estimate of IIP of Electricity compiled for 2019-20 has been used for compilation. IIP of Electricity registered a growth rate of 1.6% during April-October, 2019-20.

GVA at Basic Prices for 2019-20 from 'Construction' sector is expected to grow by 3.2% as compared to growth of 8.7% in 2018-19. Key indicators of Construction sector, namely, Production of Cement and Consumption of Finished Steel registered growth rates of (-) 0.02% and 3.5% respectively during April-November, 2019-20.

SERVICES SECTOR

The estimated growth in GVA for the Trade, Hotels, Transport and Communication and Services related to Broadcasting services during 2019-20 is placed at 5.9% as against growth of 6.9% in the previous year. GVA from Trade sector is estimated using an index of turnover based on Sales Tax. With introduction of GST, Sales Tax data is now subsumed under GST. Therefore, a comparable estimate of turnover based on Sales Tax has been estimated. Methodology of estimation is as explained in the Annexure to the Press Note on estimates of GDP for the second quarter (July-September) of 2017-18 released on November 30, 2017.

The key indicators of Railways, namely, the Net Tonne Kilometres and Passenger Kilometres have shown growth rate of (-)4.1% and (-)0.9% respectively during April-November, 2019-20. Among the other transport service sectors, Cargo handled at major Sea Ports, Cargo handled by the Civil Aviation, Passengers handled by the Civil Aviation and Sales of Commercial Vehicles registered a growth of 0.2%, (-)7.9%, 1.8% and (-) 22.1% respectively during April-November, 2019-20.

The estimated growth in GVA for this sector during 2019-20 is placed at 6.4% as compared to growth of 7.4% in 2018-19. Major component of this industry is the Real Estate and Professional Services which has a share of over 75%. The key indicators of this sector are the growth of Corporate Sector for Real Estate sector and Computer related activities which are estimated using latest available information on Listed Companies for the first half of FY 2019-20. Aggregate Bank Deposits and Bank Credits have shown growth rates of 10.3% and 8.9% respectively as on October, 2019.

GVA at Basic Prices for 2019-20 from this sector is expected to grow by 9.1% as compared to growth of 8.6% in 2018-19. The key indicator of this sector namely, Union Government Expenditure Net of Interest Payments grew by 17.8% during April-November, 2019-20.

Growth in Gross Value Added at constant (2011-12) Basic Prices (%):

Industry	**2015-16**	**2016-17 (2nd RE)**	**2017-18 (1st RE)**	**2018-19 (PE)**	**2019-20 (PE)**
Agricultural & Allied	0.6	6.3	5.0	2.9	2.8
Industry	9.6	7.7	5.9	6.9	2.5
Mining & Quarrying	10.1	9.5	5.1	1.3	1.5
Manufacturing	13.1	7.9	5.9	6.9	2.0
Electricity, gas & water supply & other utility services	4.7	10.0	8.6	7.0	5.4
Construction	3.6	6.1	5.6	8.7	3.2
Services	9.4	8.4	8.1	7.5	6.9
GVA at Basic Prices	8.0	7.9	6.9	6.6	4.9

RE: Revised Estimates, PE: Provisional Estimate

Source: Central Statistics Office

PRICES AND INFLATION

The Wholesale Price Index (WPI), in respect of the groups - Food Articles, Manufactured Products, Electricity and all Commodities, has risen by 8.0%, 0.3%, (-) 0.3% and 1.4%, respectively during April-November, 2019-20. The Consumer Price Index (CPI) has shown a rise of 3.7% during April-November, 2019-20.

Food index which declined on an annual basis between 2017-18 and 2018-19, saw an uptick during the current financial year (April-December, 2019). Since July 2018, CPI-Urban inflation has been consistently higher than CPI-Rural inflation, which is in contrast to earlier trend where rural inflation was higher than urban inflation.

Since 2012, there has been a change in inflation dynamics. There is evidence for a strong reversion of headline inflation to core inflation. However, transmission of inflation from non-core components to core components is minimal. Therefore, there may be a case for monetary policy to not respond to transitory shocks in non-core components of inflation. Inflation in fifteen States/Union Territories (UTs) was below 4% in FY 2019-20 (April- December). Comparing FY 2018-19 (April- December) with FY 2019-20 (April-December), inflation has actually decreased in eight states.

EXTERNAL SECTOR

India's external sector gained further stability in the first half of 2019-20, witnessing improvement in Balance of Payments (BoP) position. India's foreign reserves are comfortably placed at USD 462.1 billion as on January 17, 2020. The improvement in BoP was anchored by narrowing of CAD from 2.1% in 2018-19 to 1.5% of GDP in first half of 2019-20. The contraction of CAD has emanated from easing of crude prices.

Export growth remains subdued with external demand weakened by slowdown in global investment, output and heightened trade tensions, notwithstanding resilient service exports. Increase in service imports is inevitable with increasing FDI and 'Make in India'. Petroleum products, precious stones, drug formulations & biologicals, gold and other precious metals continue to be top exported commodities, with fastest growth seen in drug formulations & biologicals in 2019-20 (April to November). Crude petroleum, gold, petroleum products, coal, coke & briquettes constitute top import items, with fastest growth seen in electronics in 2019-20 (April to November).

Under trade facilitation, India has improved its ranking from 143 in 2016 to 68 in 2019 under the indicator, "Trading across Borders", monitored by World Bank in determining the overall ranking of around 190 countries in its Ease of Doing Business Report.

The Indian Rupee traded in the range of 65-73 per USD in 2018-19 but depreciated to a range of 68-72 in 2019-20.

India's top five trading partners continue to be USA, China, UAE, Saudi Arabia and Hong Kong. Further improvement in BoP was contributed by easing of external financial conditions, impressive FDI, rebounding of portfolio flows and receipt of robust remittances. Net FDI inflows have continued to be buoyant in 2019-20 attracting USD 24.4 billion in the first 8 months, higher than the corresponding period of 2018-19. Net FPI in the first eight months of 2019-20 stood at USD 12.6 billion. This reflects a global sentiment that increasingly believes in India's growth story and reform measures being undertaken by the government.

External debt as at end September, 2019 remains low at 20.1% of GDP. India's Net International Investment Position (NIIP) to GDP ratio has also improved compared to 2018-19.

After witnessing significant decline since 2014-15, India's external liabilities (debt and equity) to GDP has increased at the end of June, 2019 primarily driven by increase in FDI, portfolio flows and external commercial borrowings (ECBs).

FISCAL DEVELOPMENTS

The year 2019-20 has been challenging for the Indian economy owing to the decelerating growth rate experienced in the first half of the year. Amongst the various reforms introduced during the year to promote growth and investment, reduction in corporate income tax rate was a major structural reform. The fiscal policy 2019-20 was characterized by sluggish growth in Tax revenue relative to the budget estimates. The Non-Tax revenue registered a considerably higher growth in the first eight months of this financial year compared to the same period last year. On the expenditure side, total Expenditure has increased at a considerable pace during April to November 2019-20 with Capital Expenditure growing at roughly three times the growth registered during the same period last year.

During 2019-20 (upto December 2019), the gross GST monthly collections has crossed the mark of INR 100,000 crore (INR 1 trillion) for a total of five times.

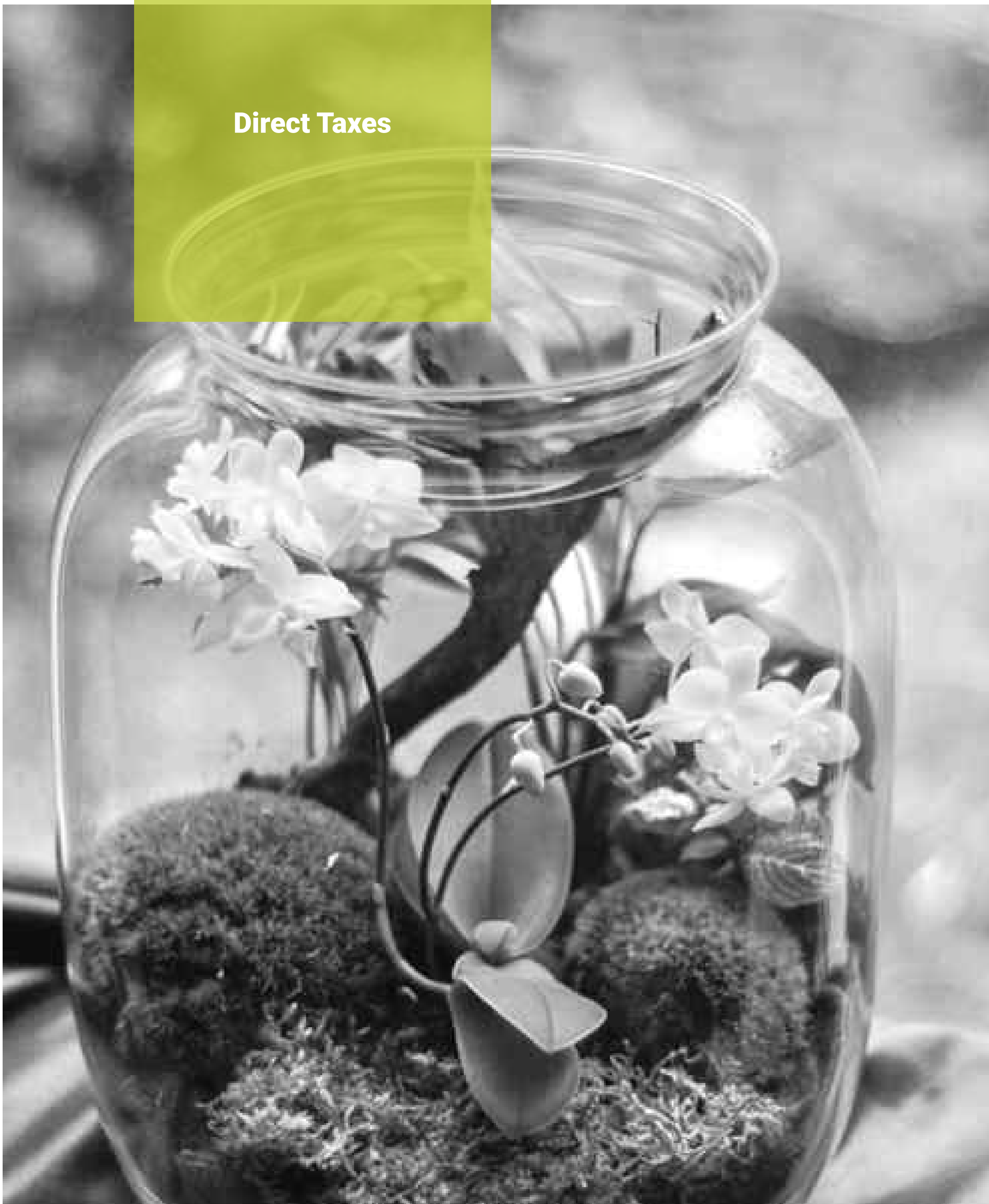
The fiscal deficit as a% of Budget Estimate during the first 8 months of this financial year was at a similar level as that in the corresponding period last year. Going forward, considering the urgent priority of the Government to revive growth in the economy, the fiscal deficit target may have to be relaxed for the current year.

The Union Budget 2019-20 sought to contain the fiscal deficit, which is reflective of the total borrowing requirements of Government, at INR 7,03,760 crore (INR 7,037.60 billion) i.e. 3.3% of the GDP, as against 3.4% of GDP in 2018-19

Provisional Actuals. The ratio of revenue deficit to fiscal deficit broadly measures the extent of borrowings used for financing current expenditure of the Government. In 2019-20 BE, it was pegged at 2.3% from 2.2% as in 2018-19.

Going forward, considering the urgent priority of the Government to revive growth in the economy, the fiscal deficit target may have to be relaxed for the current year.

Direct Taxes



A. RATES OF INCOME-TAX

Individual Income-tax Rates

The rates of income tax are the same as those specified for AY 2020-21. Comparative chart of tax rates as applicable to individual are as follows:

Total Income	Proposed (AY 2021-22)	Existing tax rate (AY 2020-21)
Up to INR 2.50 lac (INR 0.25 million)	Nil	Nil
INR 2.50 lac to INR 5.00 lac (INR 0.25 to INR 0.50 million) if TI < 5 lac	5%	5%
INR 5.00 lac to INR 10.00 lac (INR 0.50 to INR 1 million)	20%	20%
Above INR 10.00 lac (INR 1 million)	30%	30%

Rebate under section 87A to INR 12,500 resulting in no tax for total incomes below INR 5 lac (INR 0.50 million) remains unaltered.

Basic exemption limit remains unchanged for

- resident individuals above 60 years but less than 80 years of age at any time during the FY of INR 3.00 lac (INR 0.30 million), and
- resident individuals 80 years of age or more of INR 5,00,000 (INR 0.50 million)

Tax Incentives to Individual and HUF

It is proposed to provide a tax incentive scheme for individuals and HUFs. New section 115BAC is proposed to be inserted in the Act. The key features are as under:

- On satisfaction of certain conditions, an individual or HUF shall, from AY 2021-22 onwards, have the option to pay tax in respect at the following rates:

Total Income	Rate
Up to INR 2,50,000 (INR 0.25 million)	Nil
INR 2,50,001 to INR 5,00,000 (INR 0.25 million to INR 0.50 million)	05%
INR 5,00,001 to INR 7,50,000 (INR 0.50 million to INR 0.75 million)	10%
INR 7,50,001 to INR 10,00,000 (INR 0.75 million to INR 1.00 million)	15%
INR 10,00,001 to INR 12,50,000 (INR 1.00 million to INR 1.25 million)	20%
INR 12,50,001 to INR 15,00,000 (INR 1.25 million to INR 1.50 million)	25%
Above INR 15,00,000 (INR 1.50 million & above)	30%

- For an Individual or HUF having no business income, the option shall be exercised for every PY.
- In other cases, the option once exercised for a PY shall be valid for that PY and all subsequent years.
- The conditions for concessional rate to apply is where TI is computed:
  - Without the prescribed exemptions or deductions;
  - Without set off of any carried forward loss or unabsorbed depreciation from any earlier AY, if such loss or depreciation is attributable to any of the deductions above;
  - Without set off of any loss under the head house property with any other head of income;
  - By claiming the depreciation, if any, under section 32, except clause (iia) of sub-section (1); and
  - Without any exemption or deduction for allowances or perquisite, provided under any other law for the time being in force.
- The option shall become invalid for a PY or PYs, as the case may be, if the Individual or HUF fails to satisfy the abovementioned conditions and then other provisions of the Act shall apply.
- The concessional rate shall not apply unless option is exercised by the individual or HUF in the form and manner as may be prescribed:
  - where such individual or HUF has no business income, option is exercised along with the return of income to be furnished under sub-section (1) of section 139 of the Act; and
  - in any other case, option is exercised on or before the due date specified under sub-section (1) of section 139 of the Act for furnishing the return of income for any PY relevant to the AY commencing on or after April 1, 2021 and such option once exercised shall apply to subsequent AYs.
- Option exercised by the individual or HUF having business income, can be withdrawn only once for a PY (other than the year in which it was

exercised). Once opted-out, the individual or HUF shall never be eligible to exercise option under this section. One exception to this restriction is where such individual or HUF ceases to have any business income.

Section 115JC and 115JD of the Act are proposed to be amended so as to provide that the provisions relating to AMT shall not apply to such individual or HUF having business income. Further, limited allowances viz. Transport, Conveyance, Daily and any other allowance granted to meet the cost of travel on tour or on transfer only are proposed to be available under the option. No exemption for free food and beverage is to be provided.

Rates of Surcharge

Rates of surcharge applicable and effective rates are enumerated as under:

Total Income	Proposed (AY 2021-22)	Existing tax rate (AY 2020-21)
Exceeding INR 2 crore (INR 20 million) to INR 5 Crore (INR 50 million)	10%	10%
For AY 2021-2022: Excluding capital gains on specified securities	15%	15%
Exceeding INR 5 Crore (INR 50 million)	25%	25%
For AY 2021-2022: Excluding capital gains on specified securities	37%	37%
Exceeding INR 2 crore (INR 20 million) Including capital gains on specified securities but is not covered under III and IV above. Provided surcharge not to exceed 15% in case of capital gains on specified securities included in such total income	15%	-

Corporate Tax Rates

The effective tax rates, including surcharge and cess, applicable in case of companies are as under:

Type of Company	TI < INR 1 crore (10 million)	TI INR 1 to 10 crore (INR 10 to 100 million)	TI> INR 10 crore (INR 100 million)
Domestic Company (Turnover not exceeding INR 400 crores (INR 4 billion)	26.00%	28.93%	30.28%
Domestic Company (Compliant with conditions of section 115BA)	26.00%	28.93%	30.28%
Company opting for tax under Section 115BAA	17.16%	17.16%	17.16%
Company opting for tax under Section 115BAB	25.17%	25.17%	25.17%
Domestic Company (Others)	31.20%	33.38%	34.94%
Foreign Company	41.60%	42.43%	43.68%

Incentives to resident co-operative societies

In lines with section 115BAA which provided tax at 22% for an existing domestic company, a concessional rate of tax in case of resident co-operative society has been proposed. The new section 115BAD proposed provides:

- A resident co-operative society shall have the option to pay tax at 22% for AY 2021-22 onwards.
- TI will be computed without the prescribed deductions, carried forward losses or unabsorbed depreciation attributable to any of the prescribed deductions and by claiming the depreciation, if any, under section 32.
- The concessional rate shall apply only where option is exercised by the co-operative society in the prescribed manner on or before the due date for furnishing the returns of income for the AY commencing on or after April 1, 2021.
- The option so exercised cannot be withdrawn.
- Surcharge at 10% shall be applicable.

Modification of concessional tax schemes for domestic companies under section 115BAA and 115BAB

Granting effect to the Taxation Laws (Amendment) Ordinance, 2019, it is proposed to amend the provisions of section 115BAA and section 115BAB to not allow deduction under any provisions of Chapter VI-A other than section 80JJAA or section 80M, in case of domestic companies opt for taxation under these sections.

These amendments will take effect from April 1, 2020 and will, accordingly, apply in relation to the AY 2020-21 and subsequent AYs.

Withdrawal of exemption on certain perquisites or allowances provided to UPSC Chairman and members and Chief Election Commissioner and Election Commissioners

It is proposed to delete cause (45) of section 10 (which provides exemption for any allowance or perquisite as may be notified by the Central Government, paid to the serving/ retired Chairman or Members of UPSC). Further proposed to amend section 8 of the Election Commission (Conditions of Service of Election Commissioners and Transaction of Business) Act, 1991, so as to delete the exemption from Income-tax on value of rent-free residence, conveyance facilities, sumptuary allowance, medical facilities and other such conditions of service as are applicable to a Judge of the Supreme Court, paid to Chief Election Commissioner and other Election Commissioners.

B. TAX INCENTIVES

Exemption in respect of certain income of wholly owned subsidiary of Abu Dhabi Investment Authority and Sovereign Wealth Fund

In order to promote investment of sovereign wealth fund, including the wholly owned subsidiary of Abu Dhabi Investment Authority (ADIA), it is proposed to insert a new clause in section 10 so as to provide exemption to any income of a specified person in the nature of dividend, interest or LTCG arising from an investment made by it in India, whether in the form of debt or equity, in a company or enterprise carrying on the business of developing, or operating and maintaining, or developing, operating or maintaining any infrastructure facility as defined in explanation to clause (i) of sub-section (4) of section 80-IA of the Act or such other business as may be notified by the Central Government in this behalf. In order to be eligible for exemption, the investment is required to be made on or before March 31, 2024 and is required to be held for at least three years. Definition of "specified person" has been separately provided in the proposal.

Exemption in respect of certain income of Indian Strategic Petroleum Reserves Limited

It is proposed to provide exemption (by inserting a new clause in section 10) to any income accruing or arising to Indian Strategic Petroleum Reserves Limited (ISPRL), being a wholly owned subsidiary of Oil Industry Development Board under the Ministry of Petroleum and Natural Gas, as a result of an arrangement for replenishment of crude oil stored in its storage facility in pursuance to directions of the Central Government in this behalf. This exemption shall be subject to the condition that the crude oil is replenished in the storage facility within three years from the end of the FY in which the crude oil was removed from the storage facility for the first time.

This amendment will take effect from April 1, 2020 and will, accordingly, apply in relation to the AY 2020-21 and subsequent AYs.

Rationalization of provisions of start-ups

In order to further rationalise the provisions relating to start-ups, it is proposed to amend section 80-IAC of the Act granting 100% deduction to start-ups, so as to provide that:

- The deduction under the said section 80-IAC shall be available to an eligible start-up for a period of three consecutive AYs out of ten years (from the existing provision of seven years) beginning from the year in which it is incorporated;
- The deduction under the said section shall be available to an eligible start-up, if the total turnover of its business does not exceed INR 100 crore (INR 1 billion) [from existing provision of INR 25 core (INR 250 million)] in any of the PYs beginning from the year in which it is incorporated.

Section 80IBA - Extending time limit for approval of affordable housing project

In order to incentivize building affordable housing to boost the supply of such houses, the period of approval of the project by the competent authority under section 80-IBA (providing for 100% deduction for affordable housing projects undertaken) is proposed to be extended to March 31, 2021.

Section 80EEA - Extending time limit for sanctioning of loan for affordable housing

In order to continue promoting purchase of affordable housing under existing provisions of 80EEA granting deduction up to INR 1.5 lac (INR 0.15 million), the period of sanctioning of loan by the financial institution is proposed to be extended to March 31, 2021.

Modification in conditions for offshore funds' exemption from "business connection"

Section 9A of the Act provides for a special regime in respect of offshore funds by providing them exemption from creating a "business connection" in India on fulfilment of certain conditions. Addressing to the grievances received, it is proposed to amend section 9A of the Act to relax the below two conditions so as to provide that,-

- For the purpose of calculation of the aggregate participation or investment in the fund, directly or indirectly, by Indian resident, contribution of the eligible fund manager during first three years up to INR 25 crore (INR 250 million) shall not be accounted for (restricted to 5% of the corpus of the fund at present); and
- If the fund has been established or incorporated in the PY, the condition of monthly average of the corpus of the fund to be at INR 100 crore (INR 1 billion) shall be fulfilled within twelve months from the last day of the month of its establishment or incorporation (as enhanced from the period of six months from the last day of the month of its establishment or incorporation, or at the end of such PY, whichever is later).

This amendment will take effect from April 1, 2020 and will, accordingly, apply in relation to the AY 2020-21 and subsequent AYs.

Section 115BAB to include generation of electricity as manufacturing

It is proposed that for the purposes of section 115BAB, manufacturing or production of an article or thing shall include generation of electricity.

This amendment will take effect from April 1, 2020 and will, accordingly, apply in relation to the AY 2020-21 and subsequent AYs.

Amendment of section 194LC to extend the period of concessional rate of withholding tax and also to provide for the concessional rate to bonds listed in stock exchanges in IFSC

In order to attract fresh investment, create jobs and stimulate the economy, it is proposed to:

- Extend the period of concessional rate of TDS of 5% under section 194LC to July 1, 2023 from July 1, 2020;
- Provide that the rate of TDS shall be 4% on the interest payable to an NR, in respect of monies borrowed in foreign currency from a source outside India, by way of issue of any long term bond or RDB on or after April 1, 2020 but before July 1, 2023 and which is listed only on a recognised stock exchange located in any IFSC.

This amendment will take effect from April 1, 2020.

Amendment of section 194LD of the Act to extend the period of concessional rate of withholding tax and also to extend this concessional rate to municipal debt securities.

In order to attract fresh investment, create jobs and stimulate the economy, it has been proposed to amend section 194LD to:

- Extend the period of rate of TDS of 5% under the said section to July 1, 2023 from the existing July 1, 2020;
- Provide that the concessional rate of TDS of 5% under the said section shall also apply on the interest payable, on or after April 1, 2020 but before July 1, 2023, to a FII or QFI in respect of the investment made in municipal debt security.

This amendment will take effect from April 1, 2020.

C. REMOVING DIFFICULTIES FACED BY TAXPAYERS

Excluding interest paid or payable to PE of an NR Bank for the purpose of disallowance of interest under section 94B

To carve out interest paid or payable in respect of debt issued by a PE of an NR in India, being a person engaged in the business of banking for the reason that as per the existing provisions a branch of the foreign company in India is NR in India and to avoid interest paid or payable in respect of loan from the branch of a foreign bank from attracting provisions of interest limitation provided for under Section 94B, It is, proposed to provide that provisions of interest limitation would not apply to interest paid in respect of a debt issued by a lender which is a PE of an NR, being a person engaged in the business of banking, in India.

Increase in safe harbour limit to 10% under section 43CA, 50C and 56 of the Act

The existing acceptable differences of 5% between consideration and the circle rate (while taxing income from capital gains, business profits and other sources in respect of transactions in real estate), is proposed to be increased to 10% to minimize hardship faced by taxpayers.

Deduction under section 35AD made optional

Since under sub-section (1) of section 35AD (providing deduction of 100% capital expenditure), no deduction is allowable under any other section, a domestic company opting for concessional tax rate under section 115BAA or section 115BAB, which does not claim deduction under section 35AD, would also be denied normal depreciation under section 32. Therefore, it is proposed to amend sub-section (1) of section 35AD to make the deduction thereunder optional.

This amendment will take effect from April 1, 2020 and will, accordingly, apply in relation to the AY 2020-21 and subsequent AYs.

Exempting NR from filing of Income-tax return in certain conditions

It is proposed to amend section 115A of the Act in order to provide that an NR, shall not be required to file return of income under sub-section (1) of section 139 of the Act if:

- TI consists of only dividend or interest income (as referred to in clause a), or royalty or FTS income of the nature (specified in clause b); and
- The TDS on such income has been deducted under the provisions of Chapter XVII-B of the Act as prescribed.

Deferring TDS or tax payment in respect of income pertaining to ESOP of start- ups

In order to ease the burden of payment of taxes by the employees of the eligible start-ups or TDS by the start-up employer, it is proposed to amend section 192 of the Act, and insert sub-section (1C) therein to clarify that for the purpose of deducting or paying tax under sub-section (1) or (1A) thereof, as the case may be, a person, being an eligible start-up referred to in section 80-IAC, responsible for paying any income to the assessee being perquisite of the nature specified in clause (vi) of sub-section (2) of section 17 of the Act, in any PY relevant to the AY 2021-22 or subsequent AY, deduct or pay, as the case may be, tax on such income within fourteen days:

- After the expiry of 48 months from the end of the relevant AY; or
- From the date of the sale of such specified security or sweat equity share by the assessee; or
- From the date of which the assessee ceases to be the employee of the person;

whichever is the earliest on the basis of rates in force of the FY in which the said specified security or sweat equity share is allotted or transferred.

Similar amendments have been carried out in section 191 (for assessee to pay the tax direct in case of no TDS) and in section 156 (for notice of demand) and in section 140A (for calculating self-assessment).

These amendments will take effect from April 1, 2020.

Allowing carry forward of losses or depreciation in certain amalgamations

In order to address the issue faced by the amalgamated public sector banks and public sector General Insurance Companies, it is proposed to extend the benefit of section 72AA of the Act (which provides for carry forward of accumulated losses and unabsorbed depreciation allowance in the case of amalgamation of banking company) to amalgamation of:

- one or more corresponding new bank or banks with any other corresponding new bank under a scheme brought into force by the Central Government under section 9 of the BC (ATU) Act, 70 or under section 9 of the BC (ATU) Act, 80, or both, or
- One or more Government Company or companies with any other Government company under a scheme sanctioned and brought into force by the Central Government under section 16 of the GIB Act.

It is further proposed to provide an Explanation to the said section to define the expressions "accumulated loss", "banking company", "banking institution", "corresponding new bank", "general insurance business", "Government company" and "unabsorbed depreciation".

This amendment will take effect from April 1, 2020 and will, accordingly, apply in relation to the AY 2020-21 and subsequent AYs.

D. MEASURES TO PROVIDE TAX CERTAINTY

Amendment for providing attribution of profit to PE in SHR under section 92CB and in APA under section 92CC.

Section 92CB of the Income-tax Act relating to power of Board to make safe harbour rules is proposed to be amended. Sub-section (1) of the said section provides that the determination of ALP under section 92C or section 92CA shall be subject to safe harbour rules. It is proposed to substitute the said sub-section (1) so as to provide that the determination of the income referred to in clause (i) of sub-section (1) of section 9 shall also be subject to safe harbour rules.

With respect to section 92CC, the amendment will take effect from April 1, 2020 and therefore will apply to an APA entered into on or after April 1, 2020.

Deduction for amount previously disallowed under section 43B, to insurance companies on payment basis

Rule 5 of the First Schedule provides for computation of profits and gains of other insurance business. However, there is no specific provision, in this Rule, in the case of other insurance companies, to allow deduction for any payment of certain expenses specified in section 43B if they are paid in subsequent PY.

Therefore, it is proposed to insert a proviso after clause (c) of the said Rule 5 to provide that any sum payable by the assessee which is added back under section 43B in accordance with clause (a) of the said Rule shall be allowed as deduction in computing the income under the Rule in the PY in which such sum is actually paid.

This amendment will take effect from April 1, 2020 and will, accordingly, apply in relation to the AY 2020-21 and subsequent AYs.

Withholding tax on FTS (other than professional services) reduced

For persons, responsible for paying to a resident any sum under sub-section (1) of section 194J, it is proposed that withholding tax equal to 2% of such sum (as aopposed to 10% at present) will be applicable in case of FTS (not being professional services) and 10% in any other case.

These amendments will take effect from April 1, 2020.

VKC Insight

Pertinent to note that for the purpose of provision governing withholding tax, wherever immunity from compliance had previously been granted in case of an individual or HUF, not subjected to audit under section 44AB, it is proposed to provide that liability to deduct tax in case of an individual or an HUF, will apply where total sales, gross receipts or turnover from the business or profession carried on by him exceed INR 1 core (INR10 million) in case of business or INR 50 lac (INR 5 million) in case of profession during the FY immediately preceding the FY in which such interest is credited or paid. The reference to Section 44AB in all such sections has been omitted with effect from April 1, 2020.

E. WIDENING AND DEEPENENING OF TAX BASE

Scope of TDS under section 194A enlarged

Scope of section 194A of the Act is proposed to be extended to interest paid by large co-operative society, which now shall be liable to deduct Income-tax if:

- the total sales, gross receipts or turnover of the co-operative society exceeds INR 50 crore (INR 500 million), and
- the amount of interest, or the aggregate of the amount of such interest, credited or paid, or is likely to be credited or paid, during the FY is more than:
  * INR 50,000 in case of payee being a senior citizen and
  * INR 40,000 in any other case.

These amendments will take effect from April 1, 2020.

New section 194-O for TDS on E-commerce transactions

A new section 194-O is proposed to be inserted in the Income-tax Act relating to payment of certain sums by e-commerce operator to e-commerce participants. The key provisions of the proposed section are as under:

- TDS @ 1% is to be paid by e-commerce operator for sale of goods or provision of service facilitated by it through its digital or electronic facility or platform.
- E-commerce operator is required to deduct tax at the time of credit of amount of sale or service or at the time of payment, whichever is earlier.
- Provision will not be applicable if the gross amount of sales or services or both, through e-commerce operator, during the PY does not exceed INR 1lac (INR 0.1 million) and e-commerce participant has furnished his PAN or Aadhaar number to the e-commerce operator.
- This is to provide clarity so that same transaction is not subjected to TDS more than once.

The section also provides for the definitions of the expressions “electronic commerce”, “e-commerce operator”, “e-commerce participant” and “service”. Consequential amendments are being proposed in section 197 (for lower TDS), in section 204 (to define person responsible for paying any sum) and in section 206AA (to provide for tax deduction at 5% in non-PAN/ Aadhaar cases).

This amendment will take effect from April 1, 2020.

Widening the scope of section 206C to include TCS on foreign remittance through Liberalised Remittance Scheme (LRS) and on selling of overseas tour package as well as TCS on sale of goods over a limit

It is proposed to amend and widen the scope of section 206C of the Income-tax Act, relating to collection of tax at source to levy TCS on overseas remittance and for sale of overseas tour package. The key proposals are as under:

- An authorised dealer receiving an amount (or an aggregate of amounts) from a buyer being a person remitting such amount out of India of INR 7 lac (INR 0.7 million) or more in an FY, for remittance out of India under the LRS of RBI, shall be liable to collect TCS at the rate of 5%.

- A seller of an overseas tour program package who receives any amount from any buyer, being a person who purchases such package, shall be liable to collect TCS at the rate of 5%.

Pl. note for both the above proposed amendments, in non-PAN/Aadhaar cases, the rate shall be 10%.

Further, the above TCS provision shall not apply if the buyer is:

* liable to deduct tax at source under any other provision of the Act and he has deducted such amount.
* the Central Government, a State Government , an embassy, a High Commission, legation, commission, consulate, the trade representation of a foreign State, a local authority as defined in Explanation to clause (20) of section 10 or any other person notified by the Central Government in the Official Gazette for this purpose subject to such conditions as specified in that notification.

For the purposes of the said sub-section, the expressions “authorised dealer” and “overseas tour package” have been defined separately.

Further, in order to widen and deepen the tax net, it is proposed to amend section 206C to levy TCS on sale of goods above specified limit, as under:

- A seller of goods is liable to collect TCS at the rate of 0.1% on consideration received from a buyer in a PY in excess of INR 50 pac (INR 5 million). Pl. note in non-PAN/ Aadhaar cases the rate shall be 1%.
- Only those seller whose total sales, gross receipts or turnover from the business carried on by it exceed INR 10 crore (INR 100 million) during the FY immediately preceding the FY, shall be liable to collect such TCS.
- Central Government may notify person, subject to conditions contained in such notification, who shall not be liable to collect such TCS.
- No such TCS is to be collected, if the seller is liable to collect TCS under other provision of section 206C or the buyer is liable to deduct TDS under any provision of the Act and has deducted such amount.

These amendments will take effect from April 1, 2020.

F. REVENUE MOBILISATION MEASURES

Capping deduction for employer’s contribution to RPF, SAF and NPS.

To avoid undue benefit to employees earning high salary income, the Bill proposes to provide a combined upper limit of INR 7.5 lac (INR 0.75 million) in respect of employer’s contribution in a year to NPS, SAF and RPF and any excess contribution is proposed to be taxable. Consequently, it is also proposed that any annual accretion by way of interest, dividend or any other amount of similar nature during the PY to the balance at the credit of the fund or scheme may be treated as perquisite to the extent it relates to the employer’s contribution which is included in TI.

VKC Insight

Contribution by employer to employee’s account for RPF, SAF and NPS more than INR 7.5 lac (INR 0.75 million) is taxable in hands of the employee.

G. IMPROVING EFFECTIVENESS OF TAX ADMINISTRATION

Scope of E-assessment scheme expanded.

The Bill proposes to amend the E-assessment Scheme, 2019 under sub-section (3A) of section 143 of the Act to:

- expand the scope so as to include the reference of section 144 of the Act relating to best judgement assessment in the said sub-section;
- provide that Central Government may issue any direction under sub-section (3B) of the said section upto March 31, 2022.

This amendment will take effect from April 1, 2020.

Amendment in DRP.

section 144C of the Act provides for reference to DRP where TP adjustments have been made under sub-section (3) of section 92CA of the Act. The provisions of the section is proposed to be amended as under:

- to include cases, where the AO proposes to make any variation which is prejudicial to the interest of the assessee, within the ambit of section 144C;
- expand the scope of the said section by defining eligible assessee as an NR, not being a company, or a foreign company.

This amendment will take effect from April 1, 2020. Thus, if the AO proposes to make any variation after this date, in case of eligible assessee, which is prejudicial to the interest of the assessee, the above provision shall be applicable.

Provision for e-appeal.

The bill proposes to insert new sub-sections (6B), (6C) and (6D) in section 250 to facilitate e-appeals. Provisions are proposed as under:

- Empowering Central Government to notify an e-appeal scheme for disposal of appeal so as to impart greater efficiency, transparency and accountability.
- Eliminating the interface between the Commissioner (Appeals) and the appellant in the course of appellate proceedings to the extent technologically feasible.
- Optimizing utilization of the resources through economies of scale and functional specialisation.

- Introducing an appellate system with dynamic jurisdiction in which appeal shall be disposed of by one or more Commissioner (Appeals).

It is also proposed to empower the Central Government, for the purpose of giving effect to the scheme made under the proposed sub-section, to issue any suitable directions on or before March 31, 2022 to be laid before each House of Parliament.

This amendment will take effect from April 1, 2020.

Prior approval for survey operations under section 133A.

Sub-section (6) of section 133A provides for power of survey at business premises of an assessee. The Bill proposes to substitute provisions of sub-section (6) of the section to provide that:

- In a case where the information has been received from the prescribed authority, no Income-tax authority below the rank of JDIT or JCIT, shall conduct any survey under the said section without prior approval of the JDIT or JCIT, as the case may be; and
- In any other case, no Income-tax authority below the rank of Commissioner or Director, shall conduct any survey under the said section without prior approval of the Commissioner or the Director, as the case may be.

This amendment will take effect from April 1, 2020.

Power of ITAT to grant of stay of demand curtailed.

Restricting the powers of grant of stay against recovery of demand by ITAT, the Bill proposes as under:

- Amendment of first proviso to sub-section (2A) for grant of stay subject to the condition that the assessee deposits not less than 20% of the amount of tax, interest, fee, penalty, or any other sum payable under the provisions of this Act, or furnish security of equal amount in respect thereof.
- Substitute the second proviso to said sub-section so as to provide that no extension of stay shall be granted where such appeal is not so disposed of within the said period of stay as specified in the order of stay, on an application made in this

behalf by the assessee, unless the assessee has complied with the condition referred to in the first proviso and the Tribunal is satisfied that the delay in disposing of the appeal is not attributable to the assessee

- That the total stay granted by ITAT cannot exceed 365 days.

This amendment will take effect from April 1, 2020.

Provision for e-penalty.

A new sub-section (2A) in section 274 is proposed to be inserted to provide that the Central Government may notify an e-scheme for the purposes of imposing penalty so as to impart greater efficiency, transparency and accountability by:

- Eliminating the interface between the AO and the assessee in the course of proceedings to the extent technologically feasible;
- Optimising utilisation of the resources through economies of scale and functional specialisation;
- Introducing a mechanism for imposing of penalty with dynamic jurisdiction in which penalty shall be imposed by one or more Income-tax authorities.

It is also proposed to empower the Central Government, for the purpose of giving effect to the scheme made under the proposed sub-section, to issue any suitable directions on or before March 31, 2022 to be laid before each House of Parliament.

This amendment will take effect from April 1, 2020.

Taxpayer's Charter inserted.

It is proposed to insert a new section 119A in the Act to empower the Board to adopt and declare a Taxpayer's Charter and issue such orders, instructions, directions or guidelines to other Income-tax authorities as it may deem fit for the administration of Charter.

This amendment will take effect from April 1, 2020.

New Direct Tax dispute resolution scheme 'Vivaad se Vishwaas'

The Finance Minister proposed a new Direct Tax dispute resolution scheme 'Vivaad se Vishwaas' on the lines of Sabka Vishwaas scheme providing for waiver of interest & penalty provided the disputed tax amount paid by March, 2020. The scheme is to remain open upto June 30, 2020. If paid after March 31, 2020, an additional amount would have to paid to be prescribed later.

H. PREVENTING TAX ABUSE

Modification of residency provisions.

To avoid the possibility of high net worth individuals and other individuals, who may be Indian citizen, to not to be liable for tax anywhere in the world, it is proposed:

- The exception provided in clause (b) of Explanation 1 of sub-section (1) to section 6 for visiting India in that year be decreased to 120 days from existing 182 days.
- An individual or an HUF shall be said to be “not ordinarily resident” in India in a PY, if the individual or the manager of the HUF has been an NR in India in seven out of 10 PYs preceding that year. This new condition to replace the existing conditions in clauses (a) and (b) of sub-section (6) of section 6.
- An Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India.

VKC Insight

The budget also proposes to tighten the concept of residence in order to enable the government to tax stateless persons. The amendment is in line with the DTC task force recommendations.

Raw material provided by Associate to fall under “work” in section 194C.

To plug the leakage and escape clause in section 194C exempting manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from a person, other than such customer where such transactions are entered into with associate concerns, it is proposed to amend the definition of “work” under the section to provide that in a contract manufacturing, the raw material provided by the assessee or its associate shall fall within the purview of the “work” under section 194C. Associate is proposed to be defined to mean a person who is placed similarly in relation to the customer as is the person placed in relation to the assessee under the provisions contained in clause (b) of sub-section (2) of section 40A of the Act.

This amendment will take effect from April 1, 2020.

Penalty for fake invoice.

In view of fraudulent ITC claims under GST, it is proposed to introduce a new provision in the Act to provide for levy of penalty on a person, if it is found during any proceeding under the Act that in the books of accounts maintained by him there is a

- false entry, or
- any entry relevant for computation of TI of such person has been omitted to evade tax liability.

The penalty payable by such person shall be equal to the aggregate amount of false entries or omitted entry. It is also propose to provide that any other person, who causes in any manner a person to make or cause to make a false entry or omits or causes to omit any entry, shall also pay by way of penalty a sum which is equal to the aggregate amounts of such false entries or omitted entry. The false entries is proposed to include use or intention to use:

- forged or falsified documents such as a false invoice or, in general, a false piece of documentary evidence; or
- invoice in respect of supply or receipt of goods or services or both issued by the person or any other person without actual supply or receipt of such goods or services or both; or
- invoice in respect of supply or receipt of goods or services or both to or from a person who do not exist.

This amendment will take effect from April 1, 2020.

I. RATIONALISATION OF PROVISIONS OF THE ACT

Amendments in Section 90 and 90A

Clause (b) of sub-section (1) of Section 90 provides that the Central Government may enter into an agreement with the Government of any country outside India or specified territory outside India for the avoidance of double taxation of income under this Act and under the corresponding law in force in that country or specified territory, as the case may be. It is proposed to amend said clause so as to provide that the Central Government shall enter into said agreement for the avoidance of double taxation without creating opportunities for non-taxation or reduced taxation through tax

evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in the said agreement for the indirect benefit to residents of any other country or territory).

It is also proposed to make similar amendment in clause (b) of sub-section (1) of section 90A of the Act.

Proposal to abolish DDT

The Bill proposes to abolish DDT. The dividend income will now be added to the TI of the recipient and taxes at the applicable rate. It is also proposed to provide that the deduction for expense under section 57 of the Act shall be maximum 20% of the dividend or income from units. Consequential amendments have been made to 19 sections of the Act.

Rationalization of provisions of section 55 of the Act to compute COA.

The existing provisions of section 55 of the Act provide that for computation of capital gains, an assessee shall be allowed deduction for COA of the asset and also COI, if any. However, for computing capital gains in respect of an asset acquired before April 1, 2001, the assessee has been allowed an option of either to take the fair market value of the asset as on April 1, 2001 or the actual cost of the asset as COA.

It is proposed to rationalise the provision and to insert a proviso below sub-clause (ii) of clause (b) of Explanation under clause (ac) of sub-section (2) of the said section to provide that in case of a capital asset, being land or building or both, the fair market value of such an asset on April 1, 2001 shall not exceed the stamp duty value of such asset as on April 1, 2001 where such stamp duty value is available.

It is also proposed to insert an Explanation so as to provide that for the purposes of sub-clause (i) and (ii), "stamp duty value" shall mean the value adopted or assessed or assessable by any authority of the Central Government or a State Government for the purpose of payment of stamp duty in respect of an immovable property.

Rationalisation of provisions relating to trust, institution and funds.

Fixing a cap on grant of registration of trusts, institutions etc.

The Bill proposes that approval or registration or notification for exemption, granted to trusts, institutions, funds, university, hospital etc under section 12AA or under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10, should also be for a limited period, say for a period not exceeding five years at one time. This new process will be provided for both existing and new exempt entities.

Filing of statement of donation by donee to cross-check claim of donation by donor

To ensure entities receiving donations/ sum furnish a statement in respect thereof, and to issue a certificate to the donor/ payer and the claim for deduction to the donor/ payer is allowed on that basis only, it is proposed:

- Similar to exemptions under clauses (1) and (23C), exemption under clause (46) of section 10 shall be allowed to an entity even if it is registered under section 12AA subject to the condition that the registration shall become inoperative. If the entity wishes to make it operative in the future, it will have to file an application and then it would not be entitled for deduction under clause (46) from the date on which the registration becomes operative.

- The registration under section 12AA would also become inoperative in case of an entity exempt under clause (23C) of section 10 as well, to have uniformity. The condition about making it operative again would also be similar to what is proposed for clause (46) of section 10.

- An entity approved, registered or notified under clause (23C) of section 10, section 12AA or section 35 of the Act, as the case may be, shall be required to apply for approval or registration or intimate regarding it being approved, as the case may be, and on doing so, the approval, registration or notification in respect of the entity shall be valid for a period not exceeding five PYs at one time calculated from April 1, 2020.

- An entity already approved under section 80G shall also be required to apply for approval and on doing so, the approval, registration or notification in respect of the entity shall be valid for a period not exceeding five years at one time.

- Application for approval under section 80G shall be made to Principal Commissioner or Commissioner.

- An entity making fresh application for approval under clause (23C) of section 10, for registration under section 12AA, for approval under section 80G shall be provisionally approved or registered for three years on the basis of application without detailed enquiry even in the cases where activities of the entity are yet to begin and then it has to apply again for approval or registration which, if granted, shall be valid from the date of such provisional registration. The application of registration subsequent to provisional registration should be at least six months prior to expiry of provisional registration or within six months of start of activities, whichever is earlier.

- The application pending for approval, registration, as the case may be, shall be treated as application in accordance with the new provisions, wherever they are being provided for.

- Deduction under section 80G/

80GGA to a donor shall be allowed only if a statement is furnished by the donee who shall be required to furnish a statement in respect of donations received and in the event of failure to do so, fee and penalty shall be levied.

- Similar to section 80G of the Act, deduction of cash donation under section 80GGA shall be restricted to INR 2,000 only.

These amendments will take effect from June 1, 2020.

VKC Insight

Restricting the perpetual benefit granted to 12A, 10(23C) and 80G enities and proposal for renewal every 5 years is bound to increase compliances.

Expanding the eligibility criteria for appointment of member of Adjudicating Authority under the Prohibition of Benami Property Transaction Act, 1988.

The existing provisions of section 9 of the PBPT Act, inter-alia, provides that, a member of the IRS who has held the post of CIT or equivalent post in that Service; or a member of the Indian Legal Service who has held the post of Joint Secretary or equivalent post in that Service is qualified for appointment as a Member of the Adjudicating Authority.

It is proposed to amend the said section so as to provide that a person who is qualified for appointment as District Judge shall also be eligible for the appointment as a Member of the Adjudicating Authority.

This amendment will take effect from April 1, 2020.

Rationalisation of provisions relating to tax audit in certain cases.

Under section 44AB of the Act, in order to reduce compliance burden on small and medium enterprises, it is proposed to increase the threshold limit for a person carrying on business from INR 1 crore to INR 5 crore (INR 10 million to INR 50 million) in cases where:

- Aggregate of all receipts in cash during the PY does not exceed 5% of such receipt; and

- Aggregate of all payments in cash during the PY does not exceed 5% of such payment.

Further, to enable pre-filling of returns in case of persons having income from business or profession, it is required that the tax audit report may be furnished by the said assessees at least one month prior to the due date of filing of return of income. This requires amendments in all the sections of the Act which mandates filing of audit report along with the return of income or by the due date of filing of return of income. Thus, provisions of section 10, section 10A, section 12A, section 32AB, section 33AB, section 33ABA, section 35D, section 35E, section 44AB, section 44DA, section 50B, section 80-IA, section 80-IB, section 80JJAA, section 92F, section 115JB, section 115JC and section 115VW of the Act are proposed to be amended accordingly.

Further, the due date for filing return of income under sub-section (1) of section 139 is proposed to be amended by:

- Providing October 31 of the AY (as against September 30) as the due date for an assessee referred to in clause (a) of Explanation 2 of sub-section (1) of section 139 of the Act;

- Removing the distinction between a working and a non-working partner of a firm with respect to the due date

as mentioned in sub-clause (iii) of clause (a) of Explanation 2 of sub-section (1) of section 139 of the Act.

These amendments will take effect from April 1, 2020 and will, accordingly, apply in relation to the AY 2020-21 and subsequent AYs.

The amendment relating to extending threshold for getting books of accounts audited will have consequential effect on TDS/TCS provisions contained in sections 194A, 194C, 194H, 194I, 194J and 206C as these provisions fasten liability of TDS/TCS on certain categories of person, if the gross receipt or turnover from the business or profession carried on by them exceed the monetary limit specified in clause (a) or clause (b) of section 44AB.

Therefore, it is proposed to amend these sections so that reference to the monetary limit specified in clause (a) or clause (b) of section 44AB of the Act is substituted with INR 1 crore (INR 10 million) in case of the business or INR 50 lac (INR 5 million) in case of the profession, as the case may be.

These amendments will take effect from April 1, 2020.

Rationalisation of provision relating to Form 26AS

It is proposed that multiple information in respect of a person such as sale/purchase of immovable property, share transactions etc. are being captured or proposed to be captured, be intimated to the assessee in Form 26AS. In future, it is envisaged that in order to facilitate compliance, this information will be provided to the assessee by uploading the same in the registered account of the assessee on the designated portal of the Income-tax Department, so that the same can be used by the assessee for filing of the return of income and calculating his correct tax liability.

As the mandate of Form 26AS would be required to be extended beyond the information about tax deducted, it is proposed to introduce a new section 285BB in the Act regarding annual financial statement. This section proposes to mandate the prescribed Income-tax authority or the person authorised by such authority to upload in the registered account of the assessee a statement in such form and manner and setting forth such information, which is in the possession of an Income-tax authority, and within such time, as may be prescribed.

Consequently, section 203AA (requires the prescribed Income-tax authority to deliver a statement in Form 26AS) is proposed to be deleted.

These amendments will take effect from June 1, 2020.

Amendment in the provisions of Act relating to verification of the return of income and appearance of authorized representative.

It is proposed to amend section 140 of the Act so as to enable any other person, as may be prescribed by the Board to verify the return of income in the cases of a company and a limited liability partnership.

It is also proposed to amend sub-section (2) of section 288 to enable any other person, as may be prescribed by the Board, to appear as an authorised representative.

These amendments will take effect from April 1, 2020.

Indirect Taxes

INDIRECT TAXES

Amendments carried out in the Finance Bill, 2020 will come into effect from the date when the same will be notified, concurrently with the corresponding amendments to the Acts passed earlier by the States & Union Territories with legislature.

GOODS AND SERVICE TAX (GST)

Amendments in the CGST Act, 2017

- Clause (114) of section 2 "Union Territory" of the CGST Act, 2017 is being amended so as to align the definition of "Union Territory", in line with the Jammu and Kashmir Reorganization Act, 2019 and the Dadra and Nagar Haveli and Daman and Diu (Merger of Union Territories), Act, 2019.
- Sub-section (2) of section 10 "Composition Scheme" of the CGST Act, 2017 is being amended so as to exclude from the ambit of the composition scheme certain categories of the taxable persons, engaged in making:
    * Supply of services not leviable to tax under CGST Act, or
    * Interstate outward supply of services.
    * Outward supply of services through an e-commerce operator.
- Sub-section (4) of section 16 "Eligibility and conditions for taking input tax credit" of the CGST Act, 2017 is being amended to delink the date of issuance of debit note from the date of issuance of the underlying invoice for purposes of availing input tax credit.
- Sub section (1) of section 29 "cancellation or suspension of registration" of CGST Act, 2017 is being amended to provide for cancellation of registration which has been obtained voluntarily under sub-section (3) of section 25 which outlines "procedure for registration".
- A new proviso is being inserted to sub-section (1) of section 30 "Revocation of cancellation of registration" of the CGST Act, 2017 to empower the jurisdictional tax authorities to extend the date for application of revocation of cancellation of registration in deserving cases.
- Section 31 "Tax Invoice" of the CGST Act, 2017 is being amended to provide enabling provisions to prescribe the manner of issuance of invoices in case of supply of taxable services.
- Section 51 "Tax deduction at source" of the CGST Act, 2017 is being amended to remove the requirement of issuance of TDS certificate by the deductor and to omit the corresponding provisions of late fees for delay in issuance of TDS certificate. Government to make rules to provide for the form and manner in which a certificate of tax deduction at source shall be issued.
- Section 109 "Constitution of appellate tribunal and benches thereof" of the CGST Act, 2017 is being amended to bring the provision for Appellate Tribunal under the CGST Act in the Union Territory of Jammu and Kashmir and Ladakh.
- A new sub-section (1A) is being inserted in section 122 "Penalty for certain offences" of the CGST Act, 2017 to make the beneficiary of transactions, of passing on or availing fraudulent

input tax credit, liable for penalty similar to the penalty leviable on the person who commit such specified offences.

- .Section 132 “Punishment for certain offences” of the CGST Act, 2017 is being amended to make the offence of fraudulent availment of input tax credit without invoice or bill a cognizable and non-bailable offence and to make any person who commits, or cause the commission, or retains the benefit of transactions arising out of specified offences liable for punishment.
- Section 140 “Transitional arrangements for input tax credit” of the CGST Act, 2017 is being amended w.e.f. July 1, 2017 to prescribe the manner and time limit for taking transitional credit.
- Section 168 “Power to issue instructions or direction” of the CGST Act, 2017 is being amended to make provisions for enabling the jurisdictional commissioners to exercise powers under sub-section (5) of section 66 and also under second proviso to sub-section (1) of section 143.
- Section 172 “Removal of difficulties” of the CGST Act, 2017 is being amended to make provisions for enabling issuance of removal of difficulties order for another 2 years, i.e. till five years from the date of commencement of the said Act.
- Entries at 4(a) & 4(b) in Schedule II to the CGST Act, 2017 are being amended w.e.f. July 1, 2017 to make provision for omission of supplies relating to transfer of business assets made without any considerations from schedule II of the said Act.
- A retrospective exemption is being made from central tax on supply of fishmeal, during the period from the July 1, 2017 up to September 30, 2019 (both days inclusive).

It further seeks to retrospectively levy of central tax at the reduced rate of six% on supply of pulley, wheels and other parts (falling under heading 8483) and used as parts of agricultural machinery of headings 8432, 8433 and 8436 during the period from the July 1, 2017 up to December 31, 2018 (both days inclusive).

It also seeks to provide that no refund shall be made of the tax which has already been collected.

- A retrospective effect is being made to the notification of the Government of India in the Ministry of Finance (Department of Revenue) number G.S.R. 708(E), dated the September 30, 2019 with effect from July 1, 2017.

Amendments in the IGST Act, 2017

- Section 25 “Removal of difficulties” of the IGST Act, 2017 is being amended to make provision for enabling the issuance of removal of difficulties order for another 2 years i.e. till five years from the date of commencement of the said Act.
- A retrospective exemption is being made from

integrated tax on supply of fishmeal, during the period from the July 1, 2017 up to September 30, 2019 (both days inclusive).

It further seeks to retrospectively levy integrated tax at the reduced rate of twelve%. on supply of pulley, wheels and other parts (falling under heading 8483) and used as parts of agricultural machinery of headings 8432, 8433 and 8436, during the period from the July 1, 2017 up to December 31, 2018 (both days inclusive).

It also seeks to provide that no refund shall be made of the tax which has already been collected.

Amendments in the UTGST Act, 2017

- Section 1 of the UTGST Act, 2017 is being amended to give effect to the change in the status of Union territory of Dadra and Nagar Haveli and Union territory of Daman and Diu and to make the said Act applicable to the Union territory of Ladakh.
- Section 2 "Definitions" of the UTGST Act, 2017 is being amended to align the definition of "Union territory" in line with the Jammu and Kashmir Reorganization Act, 2019 and the Dadra and Nagar Haveli and Daman and Diu (Merger of Union Territories), Act, 2019.
- Section 26 "Removal of difficulties" of the UTGST Act, 2017 is being amended to make provision for enabling issuance of removal of difficulties order for another 2 years, i.e. till five years from the date of commencement of the said Act.
- A retrospective exemption is being made from union territory tax on supply of fishmeal, during the period from the July 1, 2017 up to September 30, 2019 (both days inclusive).

It further seeks to retrospectively levy Union territory tax at the reduced rate of six%. on supply of pulley, wheels and other parts (falling under heading 8483) and used as parts of agricultural machinery of headings 8432,8433 and 8436, during the period from the July 1, 2017 up to December 31, 2018 (both days inclusive).

It also seeks to provide that no refund shall be made of the tax which has already been collected.

Amendments in the GST (Compensation to States) Act, 2017

- Section 14 "Removal of difficulties" of the GST (Compensation to States) Act, 2017 is being amended to make provision for enabling issuance of removal of difficulties order for another 2 years, i.e. till five years from the date of commencement of the said Act.

CUSTOMS

Amendments in the Customs Act, 1962:

- Clause (f) of the Section 11(2) empowers the Central Government to prevent injury to the economy of the country by the uncontrolled import or export of gold or silver. This clause is being amended to include "gold, silver or any other goods" in its ambit.
- An explanation is being inserted in section 28 to explicitly clarify that any notice issued under the said section, prior to the enactment of the Finance Act, 2018, shall continue to be governed by section 28 as it existed before the said enactment, notwithstanding order of any Appellate Authority, Appellate Tribunal, Court or any other law to the contrary.
- A new Chapter VAA (a new section 28DA) is being incorporated in the Customs Act to provide enabling provision for administering the preferential tax treatment regime under Trade Agreements. The proposed new section seeks to specifically provide for certain obligation on importer and prescribe for time bound verification from exporting country in case of doubt. Pending verification preferential benefit shall be suspended and goods shall be cleared only on furnishing security equal to differential duty. In certain cases, the preferential rate of tax may be denied without further verification.
- A new section 51B is being inserted so as to provide for creation of an Electronic Duty Credit Ledger in the customs system. This will enable duty credit in lieu of duty remission to be given in respect of exports or other such benefit in electronic form for its usage, transfer etc. The provision for recovery of duties provided under Section 28AAA of Customs Act, 1962 are also being expanded to include such electronic credit of duties.
- Section 111 is being amended to insert a new clause (q), to prescribe that goods imported on claim of preferential rate, and in relation to which any provision of Chapter VAA or of any rule made

under this Act have been contravened shall be liable to confiscation.

- Section 156 is being amended to insert a new clause (i) in sub-section (2) to empower the Central Government to make rules for the purpose of prescribing the manner, procedures, conditions, restriction and other issue to carry out the purposes of newly inserted Chapter VAA.
- Section 157 (2) is being amended to empower the Central Government to make regulations for the purpose of prescribing the manner, procedures, conditions, restriction and other issue to carry out the purposes of newly inserted section 51B.

Amendment in the Customs Tariff Act, 1975

- Section 8B is being substituted with a new section to empower the Central Government to apply safeguard measures, in case any article is imported into India in such increased quantities and under such conditions so as to cause or threatening to cause serious injury to domestic industry. Safeguard measure shall include imposition of a safeguard duty or application of a tariff rate quota or any other measure that the Central Government may consider appropriate as safeguard measure.

Changes in Anti - Dumping Duty /Countervailing duty:

- Anti-Dumping Rules provides for manner and procedure for investigation into dumping of goods that cause injury to domestic industry. These rules also provide for investigation into cases of circumvention of antidumping duty by the exporters of subject goods to India. Changes are being made in the rules to strengthen the anticircumvention measures by making them more comprehensive and wider in scope to take care of all types of circumventions of antidumping duty in line with best international practice. Certain other changes are being made in these rules for bringing clarity in the scope of these rules.

- The Countervailing Duty rules provide for manner and procedure for causing investigation into the cases of imports of subsidized goods that cause injury to domestic industry. Currently, the countervailing duty rules do not have any mechanism for imposition of countervailing duty in case of circumvention of these measures. A provision is being incorporated in the countervailing duty rules to enable investigation into the case of circumvention of countervailing duty for enabling imposition of such duty. Certain other changes are being made for bringing clarity in the rules.
- Revocation of Anti-dumping duty on import of Purified Terephthalic Acid originating in or exported from:
  * South Korea and Thailand imposed vide notification No. 28/2019-Customs (ADD) dated 24.7.2019
  * China, Iran, Indonesia, Malaysia and Taiwan imposed vide notification No. 28/2016-Customs (ADD) dated 5.7.2016

Other changes (including certain clarifications/ technical changes):

- Health Cess is being proposed to be imposed on the import of medical devices falling under headings 9018 to 9022, at the rate of 5% ad valorem on the import value of such goods as determined under section 14 of the Customs Act, 1962. This Health Cess shall be a duty of Customs. Any Export Promotion scrips shall not be used for payment of said Cess. Health Cess shall not be imposed on medical devices which are exempt from BCD. Further, inputs/parts used in the manufacture of medical devices will also be exempt from Health Cess. The proceeds of Health Cess shall be used by the Union for funding of health infrastructure in the Country.
- BCD on dyed woven fabric of yarn containing 85% or more by weight of textured polyester filaments, under tariff sub-heading "5407 52" has been prescribed by S.Nos. 47 and 48 of notification No. 14/2006-Customs dated March 1, 2006. S.no. 31A of notification No. 82/2017-Customs dated October 27, 2017 also prescribes rate on this item. This entry is being omitted.
- Technical changes of clarificatory nature are being made in condition no. 78 so as to make it consistent with entry at S. No. 539 of notification no. 50/2017-Customs dated June 30, 2017. The said S. No. 539 deals with export of ground equipment imported for testing the satellite or payload, within a period of six months.

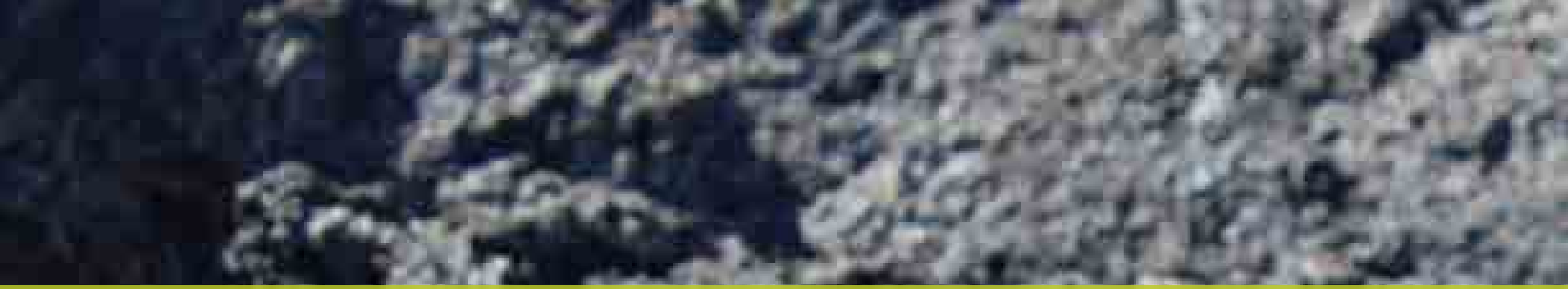
A separate new condition (No. 107) is being

incorporated for S.No. 539A, which deals with scientific and technical instruments, apparatus, equipment's for launch of vehicle and satellite and payloads.

- Entry at S.No. 28 of notification No. 50/2017-Customs dated June 30, 2017 is being amended to retain only tariff item 0802 90 00 in it. The other goods hitherto covered in this entry have the same tariff hence do not require inclusion in this entry.
- Import of Bamboo for use in the manufacture of Agarbatti attracts concessional rate of 10% under Entry at S.No. 28 of notification No. 50/2017-Customs dated June 30, 2017. This concession shall henceforth be subject to actual user condition.
- S.No. 57 of notification No. 50/2017-Customs dated June 30, 2017 (prescribing effective rate on certain edible oils) is redundant as these goods are covered in certain other entries with lower applicable rates. Hence this entry is being omitted.
- Goods falling under heading 2801, 2802, 2803, 2804, 2805 and 2814 attracts 5% BCD by Tariff. However, S.No. 169 of notification No. 50/2017-Customs dated June 30, 2017 prescribes a BCD rate of 7.5%. This entry is being amended to remove this inconsistency.
- Phosphoric acid attracts 5% BCD vide S.Nos. 170 (a conditional exemption) and 177 of notification No. 50/2017-Customs dated June 30, 2017. S.No. 170 is being omitted, being redundant.
- S.No. 266 of notification No. 50/2017-Customs dated June 30, 2017 provides 7.5% BCD for goods falling under heading 3903. S. No. 262 is being amended to include heading 3903 so as to provide 7.5% BCD on goods of heading 3903. Accordingly, the redundant entry at S.No. 266 is being omitted.
- S.No. 578 of the notification No. 50/2017-Customs, dated the June 30, 2017 provides BCD exemption on assistive devices, rehabilitation aids and other goods for disabled as mentioned in List 30 to the said notification. The item at S. No. E (9) in this list is being amended to remove ambiguity about its scope. The intention has been to cover only such items which are for use of the disabled.
- S.no. 408 (and Condition 51) of the notification No. 50/2017-Customs, dated the June 30, 2017 provides concessional BCD rate of 5% on item for renovation and modernization of Fertilizer plants. It requires a techno-economic clearance from Department of Fertilizer. The Condition No. 51 is being amended so as to remove this requirement

AMENDMENTS					
A.	Tariff rate changes for Basic Customs Duty [to be effective from 02.02.2020]		Rate of Duty		
SN	HSN Code	Commodity	From	To	Change
	Food processing				
1	0802 32 00	Walnuts, shelled	30%	100%	70%
	Chemicals				
2	3824 99 00	Other Chemical products and preparations of the chemical or allied industries, not elsewhere specified	10%	17.5%	7.5%
	Footwear				
3	6401,6402, 6403, 6404, 6405	Friction material and articles thereof (for example, sheets, rolls, strips, segments, discs, washers, pads), not mounted, for brakes, for clutches or the like, with a basis of asbestos, of other mineral substances or of cellulose, whether or not combined with textile or other materials.	10%	15%	5%
4	6406	Parts of footwear	15%	20%	5%
	Household Items				
5	6911 10 6911 90 20 6911 90 90	Tableware, kitchenware, water filters (of a capacity not exceeding 40 litres) and other household articles, of porcelain or china.	10%	20%	10%
6	6912 00 10 6912 00 20 6912 00 40 6912 00 90	Ceramic table- ware, kitchen-ware, clay articles and other household articles	10%	20%	10%
7	7013	Glassware of a kind used for table, kitchen, toilet, office, indoor decoration or similar purposes (other than that of heading 7010 or 7018)	10%	20%	10%
8	7323	Table kitchen or other household articles and parts thereof, of iron or steel, iron or steel wool; pot scourers and scouring or polishing pads, gloves and the like, of iron or steel, including pressure cookers pans utensils, misc articles such as iron & steel wool, polishing pads, gloves etc.	10%	20%	10%
9	741810	Table, kitchen or other household articles and parts thereof, of copper; pot scourers and scouring or polishing pads, gloves and the like, of copper.	10%	20%	10%
10	761510	Table, kitchen or other household articles and parts thereof, of aluminum; pot scourer and scouring or polishing pads, gloves and the like, of aluminum.	10%	20%	10%
11	8301	Padlocks and locks (key, combination or electrically operated) of base metal; clasps and frames with clasps, incorporating locks of base metals; keys for any of the foregoing articles, of base metals (other than lock of a kind used for automobiles.)	10%	20%	10%

12	9603	Brooms, brushes, hand operated mechanical floor sweepers, not motorized, mops and feather dusters; prepared knots and tufts for broom or brush making; paint pads and rollers; Squeegees (other than roller squeegees).	10%	20%	10%
13	9604 00 00	Hand sieves and hand riddles.	10%	20%	10%
14	9615	Combs, hair-slides and the like, hairpins curling pins, curling grips, hair curlers and the like, other than those of heading 8516 and parts thereof.	10%	20%	10%
15	9617	Vacuum flasks and other vacuum vessels, complete with cases; parts thereof other than glass inners	10%	20%	10%
	Household appliances				
16	8414 51 10	Table Fans	10%	20%	10%
17	8414 51 20	Ceiling Fans	10%	20%	10%
18	8414 51 30	Pedestal Fans	10%	20%	10%
19	8414 59 20	Blowers, Portable	10%	20%	10%
20	8509 40 10	Food Grinders	10%	20%	10%
21	8509 40 90	Other grinders and Mixer	10%	20%	10%
22	8509 80 00	Other Appliances	10%	20%	10%
23	8510 10 00	Shavers	10%	20%	10%
24	8510 20 00	Hair Clippers	10%	20%	10%
25	8510 30 00	Hair-removing appliances	10%	20%	10%
26	8516 10 00	Water heaters and immersion heaters	10%	20%	10%
27	8516 21 00	Storage heating radiators	10%	20%	10%
28	8516 29 00	Other electrical space heating apparatus	10%	20%	10%
29	8516 31 00	Hair Dryers	10%	20%	10%
30	8516 32 00	Other hair dressing apparatus	10%	20%	10%
31	8516 33 00	Hand Drying apparatus	10%	20%	10%
32	8516 40 00	Electric smoothing irons	10%	20%	10%
33	8516 60 00	Other ovens, cookers, cooking plates, boiling rings, grillers and roasters	10%	20%	10%
34	8516 71 00	Coffee and Tea Makers	10%	20%	10%
35	8516 72 00	Toasters	10%	20%	10%
36	8516 79 10	Electro-thermic fluid heaters	10%	20%	10%
37	8516 79 20	Electrical or electronic devices for repelling insects	10%	20%	10%
38	8516 79 90	Other electro-thermic appliances used for domestic purposes	10%	20%	10%
39	8516 80 00	Electric heating resistors	10%	20%	10%



	Precious Metals				
40	7118	Coin (of precious metal)	10%	12.5%	2.5%
	Machinery				
41	8414 51 40	Railway Carriage fans	7.5%	10%	2.5%
42	8414 51 90	Other fans with a self-contained electric motor not exceeding 125W	7.5%	20%	12.50%
43	8414 59 10	Air Circulator	7.5%	10%	2.5%
44	8414 59 30	Industrial fans blowers and similar blowers	7.5%	10%	2.5%
45	8414 59 90	Other industrial fans	7.5%	10%	2.5%
46	8414 30 00, 8414 80 11	Compressor of Refrigerator and Air conditioner	10%	12.5%	2.50%
47	8419 89 10	Pressure vessels	7.5%	10%	2.5%
48	2380935	Commercial type combined refrigerator freezers, fitted with separate external doors	7.5%	15%	7.50%
49	8418 30 10	Commercial freezer of chest type, not exceeding 800lt capacity	7.5%	15%	7.50%
50	8418 30 90	Other chest type freezers	10%	15%	5%
51	8418 40 10	Electrical freezers of upright type, not exceeding 800 litre capacity	7.5%	15%	7.50%
52	8418 40 90	Other freezers of upright type, not exceeding 800 litre capacity	7.5%	15%	7.50%
53	8418 50 00	Refrigerating or freezing display counters, cabinets, show- cases and the like	7.5%	15%	7.50%
54	8418 61 00	Heat pumps other than ac machines	7.5%	15%	7.50%
55	8418 69 10	Ice making machinery	7.5%	15%	7.50%
56	8418 69 20	Water cooler	10%	15%	5%
57	8418 69 30	Vending machine, other than automatic	10%	15%	5%
58	8418 69 40	Refrigerating equipment/devices used in leather industry	7.5%	15%	7.50%
59	8418 69 50	Refrigerated farm tanks, industrial ice cream freezer	7.5%	15%	7.50%
60	8418 69 90	Others [like freezers of capacity 800 litres and more etc.]	7.5%	15%	7.50%
61	8515 except 8515 90 00)	Welding and Plasma cutting machines	7.5%	10%	2.50%
	Other Electronic goods				
62	8504 40 (except 8504 40 21)	Static Converters	15%	20%	5%
63	8504 40 21	Dip bridge rectifier	10%	20%	10%

64	8517 70 10	Populated, loaded or stuffed printed circuit boards	10%	20%	10%
		Automobile and automobile parts			
65	8421 39 20, 8421 39 90	Catalytic Convertor	10%	15%	5%
	Furniture Goods				
66	9401	Seats and parts of seats (other than aircraft seats and their parts)	20%	25%	5%
67	9403	Other Furniture and parts	20%	25%	5%
68	9404	Mattress supports; Articles of bedding and similar furnishing	20%	25%	5%
69	9405	Lamps and lighting fittings including searchlights and spotlights and parts thereof; Illuminated signs, illuminated name plates and the like, having a permanently fixed light source, and parts thereof except solar lantern and solar lamps.	20%	25%	5%
	Toys				
70	9503	Tricycles, scooters, pedal-cars and similar wheeled-toys; dolls' carriages; dolls; other toys; reduced-size ("scale") models and similar recreational models, working or not; puzzles of all kinds	20%	60%	40%
	Stationary items				
71	8304 00 00	Filing, cabinets, card-index cabinets, paper-trays, paper rests, pen trays, office-stamp stands and similar office or desk equipment, of base metal, other than office furniture of heading 9403	10%	20%	10%
72	8305	Fittings for loose-leaf binders or files, letter clips, letter corners, paper clips, indexing tags and similar office articles, of base metal; staples in strips (for example, for offices, upholstery, packaging), of base metal	10%	20%	10%
73	8310	Sign-plates, name-plates, address-plates and similar plates, numbers, letters and other symbols, of base metal, excluding those of heading 9405	10%	20%	10%
	Miscellaneous				
74	6702	Artificial Flowers	10%	20%	10%
75	70181020	Glass Beads	10%	20%	10%
76	8306	Bells, gongs, statuettes, trophies and like, non-electric of base metal; statuettes and other ornaments of base metal; photograph, picture or similar frames, of base metal; mirrors of base metal.	10%	20%	10%

B. NEW ENTRIES ADDED TO THE FIRST SCHEDULE [TO BE EFFECTIVE FROM XX.XX.2020]*					
SN	HSN Code	Commodity	From	To	Change
1	8414 51 50	Wall fans	20%	20%	0%
2	8529 90 30	Open cell for television set	15%	0%	(15%)
3	8541 40 11	Solar cells not assembled	20%	0%	(20%)
4	8541 40 12	Solar cells assembled in modules or made up in panels	20%	0%	(20%)

*Will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.

Other Proposals involving changes in BCD rates in respective notifications:

SN	HSN Code	Commodity	From	To	Change
		Animals			
1	0101 21 00	Pure-bred breeding horses	30%	NIL	(30%)
		Fuels, Chemicals and Plastics			
2	27	Fuels, Chemicals and Plastics	10%	NIL	(10%)
3	2713 12 10, 2713 12 90	Calcined Petroleum Coke	10%	7.5%	(2.5%)
4	2843	Colloidal precious metals; compounds of precious metals; amalgams of precious metals	7.5%	10%	2.5%
5	2916 12 10	Butyl Acrylate	5%	7.5%	2.5%
6	3907 99 90	Polyester Liquid Crystal Polymers (LCP) for use in manufacture of connectors	7.5%	NIL	(7.5%)
7	3920 10 99	Calendared plastic sheets for use in manufacturing of smart cards	10%	5%	(5%)
	Paper Industry				
8	48	a) Newsprint, if the importer, at the time of import is an establishment registered with the Registrar of Newspapers, India (RNI) b) Uncoated paper used for printing newspaper , if the importer, at the time of import is an establishment registered with the Registrar of Newspapers, India (RNI) c) Lightweight coated used for printing magazines, subject to end-use conditions	10%	5%	(5%)

	Sports Goods				
9	44	List of items allowed duty free import up to 3% of FOB value of sports goods exported in the preceding financial year is amended to include Willow	Applicable Rate	NIL	-
	Precious Stones and Metals				
10	7108	Gold used in the manufacture of semiconductor devices or light emitting diodes	NIL	12.5%	12.5%
11	7103	Rubies, emeralds, sapphires – unset and imported uncut	NIL	0.50%	0.50%
12	7103	Rough coloured gemstones	NIL	0.50%	0.50%
13	7103	Rough semi-precious stones	NIL	0.50%	0.50%
14	7103	Pre-forms of precious and semi-precious stones	NIL	0.50%	0.50%
15	7104	Rough synthetic gemstones	NIL	0.50%	0.50%
16	7104	Rough cubic zircon	NIL	0.50%	0.50%
17	7104	Polished Cubic Zirconia	5%	7.50%	2.5%
18	7110	Platinum or Palladium used in manufacture of-, a) All goods, including Noble Metal Compounds and Noble Metal Solutions [2843] b) Catalyst with precious metal or precious metal compounds as the active substance [3815 12]	12.5%	7.50%	(5%)
19	7112	Spent Catalyst/Ash containing precious metal like gold from which such precious metal is retrieved subject to specified conditions	12.5%	11.85%	(0.65%)
	Machinery				
20	84	Goods specified in List 10 of Notification No. 50/2017 – Customs dated 30.6.2017, required for use in high voltage power transmission project	5%	7.50%	2.5%
21	8432 80 20	Rotary tillers/weeder	2.5%	7.50%	5%
22	84 or any other Chapter	Goods specified in List 14 of Notification No. 50/2017 – Customs dated 30.6.2017, required for construction of road like paver finisher, machines for filling up cracks in roads, mobile bridge inspection units etc.	NIL	Applicable BCD	-
23	8501	Motors like Single Phase AC motors, Stepper motors, Wiper Motors etc.	7.50%	10%	2.5%
	Electronic goods, parts thereof				
24	74	Electronic goods, parts thereof	NIL	Applicable BCD	-
25	8504 40	Specified Chargers and power adapters	Applicable BCD	20%	-
26	8517 70 10	PCBA of Cellular mobile phones (with effect from 01.04.2020)	10%	20%	10%

27	8517 70 90	Fingerprint readers for use in Cellular mobile phones	NIL	15%	15%
28	8517 70 90	Vibrator/Ringer of Cellular mobile phones (with effect from 01.04.2020)	NIL	10%	10%
29	8517 70 90	Display Panel and Touch Assembly of Cellular mobile phones (with effect from 01.10.2020)	NIL	10%	10%
30	8518 30 00	Headphones and Earphones	Applicable BCD	15%	-
31	8518 90 00	Following parts of Microphone for use in manufacture of Microphone namely, a) microphone cartridge b) microphone holder c) microphone grill d) microphone body etc	10%	NIL	(10%)
32	8538	Micro-fuse base, sub-miniature fuse base, Micro-fuse Cover and sub-miniature fuse cover for use in manufacture of micro fuse and sub-miniature fuse.	7.50%	NIL	(7.5%)
		Automobile and automobile parts			
33	2843	Noble metal solutions and noble metal compounds used in manufacture of catalytic converter and their parts	5%	Applicable BCD	-
34	7110	Platinum or Palladium used in manufacturing of catalytic converter and their parts	5%	Applicable BCD	-
35	84 or any other Chapter	(A) Parts of catalytic converter for manufacture of catalytic converteINR			
36	8702, 8704	Completely Built Units (CBUs) of commercial vehicles (other than electric vehicles) (w.e.f. 01.04.2020)	30%	40%	10%
37	8702, 8704	Completely Built Units (CBUs) of commercial electric vehicles (w.e.f. 01.04.2020)	25%	40%	15%
38	8703	Semi Knocked Down (SKD) forms of electric passenger vehicles (w.e.f. 01.04.2020)	15%	30%	15%
39	8702, 8704, 8711	Semi Knocked Down (SKD) forms of electric vehicles- Bus, Trucks and Two wheelers (w.e.f. 01.04.2020)	15%	25%	10%
40	8702, 8703, 8704, 8711	Completely Knocked Down (CKD) forms of electric vehicles - Passenger vehicles, Three wheelers, Two wheelers, Bus and Trucks (w.e.f. 01.04.2020)	10%	15%	5%
	Defence sector				
41	73,84,85,87, 88,89,90,93	Exemption from import duty for specified military equipment, when imported by Defense PSUs andother PSUs for defence forces	As applicable	NIL	-

Pruning and review of customs duty concessions/ exemptions:

Review of concessional rates of BCD prescribed in notification no. 50/2017 – customs dated June 30, 2017: The BCD exemption hitherto available on certain goods are being withdrawn by omitting following entries of notification No. 50/2017-Customs dated June 30, 2017.

S.No.	S. No. of Notification No 50/2017-Customs	Description
1	5	Tuna bait [0303]
2	7	Goods upto an aggregate of ten thousand metric tonnes of total imports of Milk and cream, in powder, granules or other solid form in a financial year. [040210, 04022100]
3	7A	Whey, concentrated, evaporated or condensed, liquid or semi-solid [0404 10 10]
4	7B	Other Whey [0404 90 00]
5	8	Butter Ghee, Butter Oil [0405]
6	9	Other cheese [0406 90 00]
7	10	Pancreas (Products of animal origin, not elsewhere specified) [Chapter 5]
8	11	Conch shell [0508 00]
9	18	Bulbs or tubers, other live plants [0601 or 0602
10	36	All goods other than meslin or wheat [1001]
11	38	Meslin [1001]
12	40	Maize upto an aggregate of five lakh metric tonnes of total imports of such goods in a financial year [1005 90 00]
13	47	Sugar beet seeds [1209 10 00]
14	56	Edible oils [1508, 1512, 1513, 1514,1515 or 1511 10]
15	58	Refined vegetable oils of edible grade, in loose or bulk form (other than palm oil) [chapter 15]
16	59	Vegetable oils of edible grade, in loose or bulk form (other than those specified against S. No. 58 and palm oil), imported for the manufacture of oil commonly known as "Vanaspati" or for refining. Explanation. -The expression "Vegetable oil" means- (a) in the case of cottonseed oil, oil having a free fatty acid content of at least 0.2%; and (b) in the case of any other vegetable oil, oil with free fatty acid content of at least 0.5%. [15]
17	68	Crude sunflower seed or safflower oil upto an aggregate of one lakh and fifty thousand metric tonnes of total imports of such goods in a financial year [1512 11]
18	69	Crude sunflower seed or safflower oil other than those specified against S. No. 68 [1512 11]
19	72	Refined rape, colza or mustard oil upto an aggregate of one lakh and fifty thousand metric tonnes of total imports of such goods in a financial year [1514 19 or 1514 99]
20	78	Margarine, animal or vegetable oilsof edible grade [1517 or 1518]
21	83	Glycerol, crude; glycerol waters and glycerol lyes, (other than crude glycerin) [1520 00 00]
22	88A	Raw Sugar upto an aggregate of three lakh metric tonnes of total imports of such goods. Provided that the import of raw sugar in physical form is completed within sixty (60) days from the date of issue of the Tariff Rate Quota Allocation Certificate or license by Directorate General of Foreign Trade (DGFT) to the importer. Provided further that the importer shall convert the raw sugar into white/ refined sugar within a period, not exceeding thirty (30) days, from the date of filing of bill of entry or the date of entry inwards, whichever is later [1701]
23	89	Dextrose Monohydrate [1702]
24	92	Molasses resulting from extraction or refining of sugar [1703]
25	93	Chewing gum whether or not sugar coated [1704 10 00]
26	94	Food preparations, for infant use and put up for retail sale, of- (i) goods of headings 0401 to 0404, containing cocoa calculated on a totally defatted basis, in a proportion by weight of 5% or more but less than 10%; or (ii) flour, meal, starch or malt extract containing cocoa calculated on a totally defatted basis, in a proportion by weight of 40% or more but less than 50%. [1806 90]

27	95	Preparations for infant use put up for retail sale [1901 10]
28	98	preserved potatoes [2004 10 00]
29	99	Peanut Butter [2008 11 00]
30	105	Wine, for use as sacramental wine [2204]
31	108	Angostura bitters [2208]
32	113	Fin fish feed [2301 20, 2309 90 32, 2309 90 39]
33	115	Dietary soya fibre [2304]
34	148	Naphtha, when imported by Ratnagiri Gas and Power Private Limited (RGPPL), for use in generation of electricity in the power plants of Ratnagiri Gas and Power Private Limited (RGPPL) at Dabhol, District Ratnagiri, Maharashtra [2710]
35	149	Naphtha, when imported for generation of electrical energy by a generating company as defined in section 2(28) of the Electricity Act, 2003 (36 of 2003) to supply electrical energy or to engage in the business of supplying electrical energy [2701]
36	152	Propane, Butane [27111200, 27111300]
37	160	Electrical energy [2716 00 00]
38	170	Phosphoric acid, for the manufacture of fertilizers[28]
39	212	Japanese Encephalitis (JE) vaccine, imported by the Andhra Pradesh Government through UNICEF [30]
40	220	Kyanite salts, in a form indicative of their use for manurial purpose [31]
41	243	Isolated soya protein [3504]
42	244	Colour positive unexposed cinematographic film in jumbo rolls and colour negative unexposed cinematographic film in rolls of 400 feet and 1000 feet [37]
43	245	Instant print film [3701 20 00 or 3702]
44	246	Cinematographic films, exposed but not developed [3704]
45	247	Promotional material (like Trailers, making of film etc.) imported in the form of electronic promotion kits (EPK)/ beta cams (Any Chapter)
46	263	The following polymers of ethylene, namely: - (i) Low density polyethylene (LDPE), (ii) Linear low-density polyethylene (LLDPE), (iii) High density polyethylene (HDPE), (iv) Linear medium density polyethylene (LMDPE), (v) Linear high-density polyethylene (LHDPE) [3901]
47	264	All goods other than poly iso-butylene [3902]
48	266	All goods [3903]
49	274	Compostable polymer or bio-plastic used in the manufacture of bio degradable agro mulching films, nursery plantation pots and flower pots [39139090]
50	275	Water blocking tape for use in the manufacture of insulated wires and cables falling under heading 8544 (except sub-heading 8544 11) [3919 90 90)]
51	278	Subbed polyester base, imported by M/s Hindustan Photo Films Manufacturing Company Limited, Udhagamandalam for the manufacture of medical or industrial Xray films and graphic art films [3920]


52	286	Patent leather [4114 2010]
53	287	Raw furskins [4301], tanned and dried furskins [4302]
54	386	Lead bars, rods, profiles and wire [7806]
55	388	Zinc tubes, pipes and tube or pipe fittings [7907]
56	389	Tin plates, sheets and strip, of a thickness exceeding 0.2 mm; tin foil (whether or not printed or backed with paper, paperboard, plastics or similar backing materials), of a thickness (excluding any backing) not exceeding 0.2 mm; tin powders and flakes [8007]
57	398	Parts and components of the goods specified in List 10 required for use in high voltage power transmission project [Any chapter]
58	401	All items of equipment including machinery and rolling stock, procured by or on behalf of Delhi Metro Rail Corporation Ltd. for use in- (i) Delhi MRTS Project Phase-I; and (ii) Specified corridors of Delhi MRTS Project Phase-II, comprising of the following, namely: - a) Vishwavidyalaya- Jahangirpuri; b) Central Secretariat-QutabMinar (via All India Institute of Medical Sciences); c) Shahdara- Dilshad Garden; d) Indraprastha-New Ashok Nagar; e) Yamuna Bank-AnandVihar-Inter State Bus Terminus; and f) Kirti Nagar-Mundka (along with operational Link to Shahdara- Rithala corridor) (Any Chapter) 59
59	412	Goods specified in List 15 required for construction of roads [84 or any other chapter]
60	447	The following goods required for manufacture of Optical disk drives (ODD), namely: - (i) Pick up assembly (ii) Digital signature procession integrated circuit (iii) DC motor (iv) LDO voltage regulator [84 or Any other Chapter]
61	456	The following goods, namely: - (a) Sprinklers and drip irrigation systems for agricultural and horticultural purposes; (b) Micro Irrigation equipment [8424] 62
62	457	Disc harrows [8436 21 00]

63	459	Parts for manufacture of printers fallingunder sub heading 8443 32 (except 8443 99 51, 8443 99 52, 8443 99 53) [8443]
64	465	CD –Writers [8471]
65	474	MP3 or MP4 or MPEG 4 player with or without radio or video reception facility [85]
66	483	One set of pre-recorded cassettes accompanying books for learning languages and essential complement to such books/. [85]
67	484	Audio cassettes, if recorded with material from books, newspaper or magazines, for the blind [85]
68	515	Colour television picture tubes for use in the manufacture of cathode ray televisions [8540 11]

Custom Duty exemptions withdrawn:

Customs duty exemptions which have been granted through certain other stand-alone notifications have also been reviewed. The following notifications, which have ceased to be relevant, are being withdrawn:

S.No.	Notification No.	Notification Subject
1.	13/2010-Customs dated 19.2.2010	Exemption to import of goods in relation to Commonwealth Games, 2010
2.	73/1999-Customs dated 8.6.1999	Exemption to import by Power Grid Corporation of India for the setting up of Rihand- Sasaram-Biharshariff HV DC Link Back to Back Station Project.
3.	205/1992-Customs dated 19.5.1992	Exemption to imports under Advance Customs Clearance Permit
4.	105/1999-Customs dated 10.8.1999	Exemption under SAARC Preferential Trade Agreement
5.	56/2006-Customs dated 7.6.2006	Exemption from Special additional duty to specified goods produced in Nepal
6.	22/2003-Customs dated 4.2.2003	This notification provides exemption to wool or woolen fabrics by Red Cross and Paper Money. [The entry related to Red Cross has been merged in notification No. 148/1994 – Customs dated 13.7.1994 and exemption to paper money will now be granted through notification No. 50/2017-Customs dated 30.6.2017. Accordingly, the notification No. 22/2003-Customs is being rescinded.
7.	22/2007-Customs dated 1.3.2007	Preferential rates on certain CTH
8.	14/2004-Customs dated 8.1.2004	Water supply projects for industrial use exempted under Project Imports. This exemption will now be available through notification No. 50/2017 – Customs dated 30.6.2017

EXCISE

Amendments in the Seventh Schedule to the Finance Act, 2001:

S.No	Tariff item	Description of goods	Unit	From	To	Change
1	2402 20 10	Other than filter cigarettes, of length not exceeding 65 millimetres	Tu	INR 90 per thousand	INR 200 per thousand	INR 110 per thousand

2	2402 20 20	Other than filter cigarettes, of length exceeding 65 millimetres but not exceeding 70 millimetres	Tu	INR 145 per thousand	INR 250 per thousand	INR 105 per thousand
3	2402 20 30	Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimetres or its actual length, whichever is more) not exceeding 65 millimetres	Tu	INR 90 per thousand	INR 440 per thousand	INR 350 per thousand
4	2402 20 40	Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimetres or its actual length, whichever is more) exceeding 65 millimetres but not exceeding 70 millimetres	Tu	INR 90 per thousand	INR 440 per thousand	INR 350 per thousand
5	2402 20 50	Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimetres or its actual length, whichever is more) exceeding 70 millimetres but not exceeding 75 millimetres	Tu	INR 145 per thousand	INR 545 per thousand	INR 400 per thousand
6	2402 20 90	Other (Cigarettes containing tobacco)	Tu	INR 235 per thousand	INR 735 per thousand	INR 500 per thousand
7	2402 90 10	Cigarettes of tobacco substitutes	Tu	INR 150 per thousand	INR 600 per thousand	INR 450 per thousand
8	2403 11 10	Hookah or gudaku tobacco	Kg.	10%	25%	15%
9	2403 19 10	Smoking mixtures for pipes and cigarettes	Kg.	45%	60%	15%
10	2403 19 90	Other smoking tobacco	Kg.	10%	25%	15%
11	2403 91 00	“Homogenised” or “reconstituted” tobacco	Kg.	10%	25%	15%
12	2403 99 10	Chewing tobacco	Kg.	10%	25%	15%
13	2403 99 20	Preparations containing chewing tobacco	Kg.	10%	25%	15%
14	2403 99 30	Jarda scented tobacco	Kg.	10%	25%	15%
15	2403 99 40	Snuff	Kg.	10%	25%	15%
16	2403 99 50	Preparations containing snuff	Kg.	10%	25%	15%
17	2403 99 60	Tobacco extracts and essence	Kg.	10%	25%	15%
18	2403 99 90	Other (manufactured tobacco and substitutes)	Kg.	10%	25%	15%

SECTOR WISE IMPACT

AGRICULTURE SECTOR

- Total allocation of INR 2.83 lac crore (INR 2.83 trillion) for agriculture, irrigation, allied activities and rural development for FY 2020-21.
- PM KUSUM scheme expanded to 20 lac farmer, government to help them for setting up solar pumps. Farm market to be liberalized. 15 lac farmer to be helped to solarize their grid-connected pump sets.
- Krishi UDAN scheme for agricultural exports on international and national routes.
- Railways to set up Kisan Rail through PPP arrangement for transportation of perishable goods.
- Jaivik Kheti Portal – online national organic products market to be strengthened.
- Milk processing capacity to be doubled to 108 tonnes from 53 tonnes by 2025.
- Artificial insemination to be increased to 70% from the present 30%.
- Fish production raised to 200 lac tonnes by 2022-23.
- Youth and fishery extension work to be enabled by rural youth as Sagar Mitras, forming 500 fish farmer producing organizations.
- Agriculture credit target for the year 2020-21 set at INR 15 lac crore (INR 15 trillion). All eligible beneficiaries of PM-KISAN covered under the KCC scheme.

INFRASTRUCTURE SECTOR

- 5 new Smart cities to be set up via PPP model.
- INR 1.7 lac crore (INR 1.7 trillion) allocated to transportation.
- 100 more airports to be set up by 2024 to support UDAN scheme.
- Accelerated development of highways to be undertaken; Delhi-Mumbai expressway and two other projects to be completed by 2023. Chennai-Bengaluru Expressway to be started.
- NHAI to monetize 12 lots of highway bundles of over 6,000 km before 2024.
- Young engineers and management graduates to be roped in for infrastructure projects under Project Preparation Facility.
- INR 22,000 crore (INR 220 billion) provided for supporting National Infrastructure Pipeline.
- National Logistics Policy to be released, creating single window e-logistics market.
- Allocation of INR 6,000 crore (INR 60 billion) for BharatNet programme.
- New policy for private sector to build Data Centre Parks.
- The Jal Vikas Marg on National Waterway-1 to be completed. 890 Km of Dhubri-Sadiya connectivity to be done by 2022.
- Expansion of the national gas grid from the present 16200 km to 27000 km.
- An outlay of INR 8,000 crore (INR 80 billion) allocated over a period five years for the National Mission on Quantum Technologies and Applications.
- 5 measures for Railways: Large solar power capacity

to be set up alongside rail tracks, on land owned by Railways; More Tejas-like trains for tourists; 150 new train to be introduced on PPP basis; Four stations to be redeveloped with the help of PPP; INR 18,600 crore (INR 186 billion) worth Bengaluru suburban transport project launched; 20% equity to be provided by the Centre.

CULTURE & TOURISM SECTOR

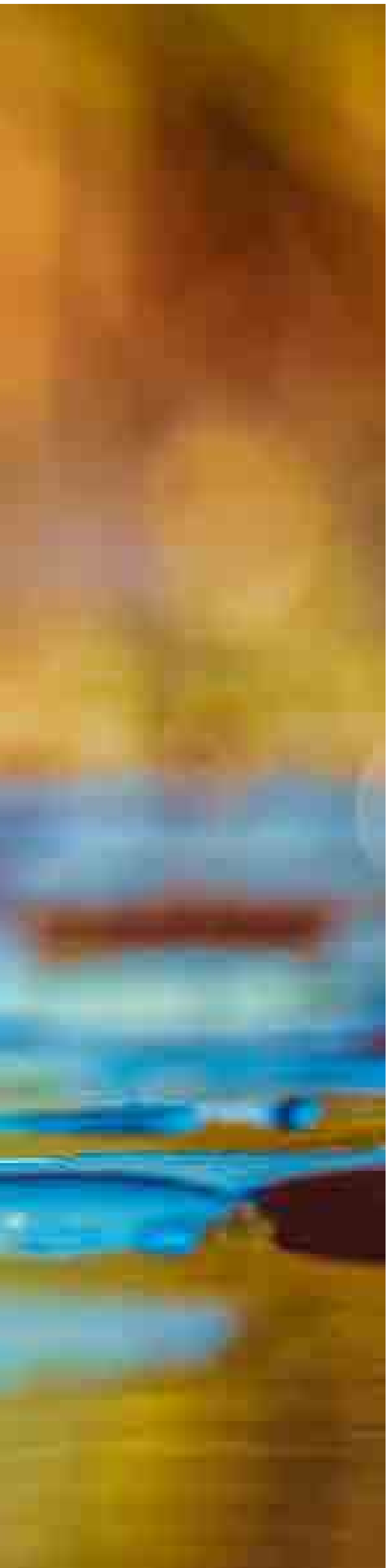
- INR 3,150 crore (INR 31.5 billion) allocated for Ministry of Culture for 2020-21.
- India has moved up from rank 65 in 2014 to 34 in 2019 in the Travel & Tourism Competitive Index (World Economic Forum). Foreign exchange earnings grew 7.4% to INR 1.88 lac crore (INR 1.88 trillion) for the period January to November 2019 from INR 1.75 lac crore (INR 1.75 trillion).
- To establish an Indian Institute of Heritage and Conservation under Ministry of Culture.
- Five archaeological sites to be developed as iconic sites with on-site Museums. They are: Rakhigarhi (Haryana), Hastinapur (Uttar Pradesh) Shivsagar (Assam), Dholavira (Gujarat) and Adichanallur (Tamil Nadu).
- A maritime museum to be set up at Lothal- the Harrapan age maritime site near Ahmedabad, by Ministry of Shipping.
- INR 2,500 crore (INR 25 billion) allocated for 2020-21 for purpose of tourism promotion.

FINANCIAL SECTOR

- Government plans to sell part of its holding in LIC by way of Initial Public Offering.
- Certain specified categories of government securities to be open fully for NRIs, apart from being open to domestic investors
- The limit for FPI in corporate bonds, currently at 9% of outstanding stock, to be increased to 15% of the outstanding stock of corporate bonds.
- Government doubles divestment target for the next fiscal at INR 2.1 lac crore (INR 2.1 trillion).
- Deposit Insurance Coverage to increase from INR 1 lac (INR 0.1 million) to INR 5 Lac (INR 0.5 million) per depositor.

INDUSTRIAL SECTOR

- AInvestment Clearance Cell to set up through a portal to provide end-to-end facilitation, support and information on land banks.
- To achieve higher export credit disbursement, a new scheme, NIRVIK is being launched, which provides for higher insurance coverage, reduction in premium for small exporters and simplified procedure for claim settlements.
- INR 27,300 crore (INR 273 billion) provided for development and promotion of Industry and Commerce for the year 2020-21.
- Tax burden on employees due to tax on ESOPs to be deferred by five years or till they leave the company or when they sell, whichever is earliest.
- Start-ups with turnover up to INR 100 crore (INR 1 billion) to enjoy 100% deduction for 3 consecutive assessment years out of 10 years.
- Turnover threshold for audit of MSMEs to be increased from INR 1 crore (INR 10 million) to INR 5 crore (INR 50 million), to those businesses which carry out less than 5% of their business in cash.



- App-based invoice financing loans product to be launched, to obviate problem of delayed payments and cash flow mismatches for MSMEs.
- Amendments to be made to enable NBFCs to extend invoice financing to MSMEs

SOCIAL SECTOR

- INR 3.6 lac crore (INR 3.6 trillion) allocated to water sanitation and pipeline project; INR 12,300 crore (INR 123 billion) for Swachh Bharat.
- INR 69,000 crore (INR 690 billion) allocated to healthcare sector; INR 35,600 (INR 356 billion) crore to nutrition-related plan.
- Allocation of INR 6400 crore (INR 64 billion) for PMJAY.
- Indradhanush immunization plan expanded to cover 12 new diseases.
- Jan Aushadhi Kendra Scheme to offer 2000 medicines and 300 surgicals in all districts by 2024.
- Over 6 lac anganwadi workers equipped with smartphones
- INR 3.60 lac crore (INR 3.6 trillion) has been allocated for Jal Jeevan Mission. INR 4,400 crore (INR 44 billion) allocated for 2020-21 the Ministry of Environment, Forests and Climate change.
- Allocation of INR 28,600 crore (INR 286 billion) for programs that are specific to women.
- For the welfare of Scheduled Castes and Other Backward classes, INR 85,000 (INR 850 billion) crore is allocated for 2020-21.
- Allocation of about INR 9,500 crore (INR 95 billion) is provided for 2020-21 for senior citizens and Divyang.

EDUCATION SECTOR

- INR 99,300 crore (INR 993 billion) allocated for education sector, INR 3,000 crore (INR 30 billion) for skill Development.
- A medical college to be attached to a district hospital in PPP mode, viability gap funding to be set up for setting up such medical colleges.
- US-like SAT exam to be held in African and Asian countries for benchmarking foreign candidates who wish to Study In India
- Degree-level full-fledged online education programme to be offered by institutes in top 100 National Institutional Ranking Framework.
- 150 higher educational institutions to start apprenticeship embedded degree/diploma courses by March 2021.
- “Beti Bachao Beti Padhao” yielded tremendous results. Gross enrolment ratio of girls across all levels of education higher than boys.

GLOSSARY

AAI	Airport Authority of India
AAR	Authority for Advance Ruling
AE	Advance Estimates
AIF	Alternative Investment Funds
AIIMS	All India Institute of Medical Sciences
ALP	Arm's Length Price
AMT	Alternate Minimum Tax
AO	Assessing Officer
AOP	Association of Persons
APA	Advance Pricing Agreement
AY	Assessment Year
B2B	Business-to-Business
BC (ATU) Act, 70	Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970
BC (ATU) Act, 80	Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980
BE	Budget Estimate
BEPS	Base Erosion and Profit Shifting
BHIM	Bharat Interface for Money
BM Act	Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015
BOD	Board of Directors
BOI	Body of Individuals
BPL	Below Poverty Line
BSE	Bombay Stock Exchange
CbC	County-By-Country
CBDT	Central Board of Direct Taxes
CBU	Completely Built Unit
CDT	Commodities Transaction Tax
CFPI	Consumer Food Price Index
CFS	Consolidated Financial Statements
CGST	Central Goods and Service Tax
CIF	Cost Insurance Freight
CIT	Commissioner of Income Tax
CKD	Completely Knock Down
COA	Cost of Acquisition
COI	Cost of Improvement
CPSE	Central Public Sector Enterprises
CSI	Continental Shelf of India
CTT	Commodity Transaction Tax
CVD	Counter Vailing Duty
DAVP	Directorate of Advertising and Visual Publicity
DDT	Dividend Distribution Tax
DEPB	Duty Entitlement Pass Book
DGCA	Directorate General of Civil Aviation
DIN	Document Identification Number
DISCOM	Distribution Company (India)
DOT	Department of Telecommunications
DRI	Differential Rate of Interest
DRP	Dispute Resolution Panel
DTA	Domestic Tariff Area
DTAA	Double Tax Avoidance Agreement
DTC	Direct Tax Code
DTH	Direct to Home
DUGJY	Deendayal Upadhyaya Gram Jyoti Yojana
ECB	External Commercial Borrowings
ECGC	Export Credit and Guarantee Corporation
ECS	Electronic Clearing System
EDF	Electronic Development Fund
EEFC	Exchange Earners' Foreign Currency
EEZ	Exclusive Economic Zones
EHTP	Electronic Hardware Technology Park
EOU	Export Oriented Unit
EPCG	Export Promotion Capital Goods Scheme
EPFS	Employee's Provident Fund Scheme
ESOP	Employee Stock Option Plan
FA	Finance Act
FCCB	Foreign Currency Convertible Bonds
FCEB	Foreign Currency Exchangeable Bonds
FCI	Food Corporation of India
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act
FIF	Financial Inclusion Fund
FII	Foreign Institutional Investor
FIPB	Foreign Investment Promotion Board
FMV	Fair Market Value
FOB	Free on Board
FPI	Foreign Portfolio Investors
FPO	Follow-on Public Offer
FTP	Foreign Trade Policy
GAAR	General Anti Avoidance Rules
GCF	Gross Capital Formation
GDP	Gross Domestic Product
GDR	Global Depository Receipt
GIB Act	General Insurance Business (Nationalisation) Act, 1972
GST	Goods & Services Tax
GSTN	Goods & Services Tax Network
GTA	Goods Transport Agency
HEFA	Higher Education Financing Agency
HSD	High Speed Diesel
HUF	Hindu Undivided Family
IBC	Insolvency and Bankruptcy Code, 2016
ICD	Inland Container Depot
ICDS	Integrated Child Development Services
ICT	Information & Communication Technology
IDR	Indian Depository Receipts
IEO	Independent Evaluation Officer
IFSC	International Financial Services Centre
IGST	Integrated Goods and Service Tax
IIFCL	India Infrastructure Finance Company Limited
IIM	Indian Institute of Management
IISc	Indian Institute of Science
IIT	Indian Institute of Technology
IMR	Infant Mortality Rate
Ind-AS	Indian Accounting Standards
INR	Indian National Rupee
Invit	Infrastructure Investment Fund
IPO	Initial Public Offer
IPTV	Internet Protocol Television
IRDA	Insurance Regulatory and Development Authority
IRS	Indian Revenue Service
IT	Information Technology
ITA	Income-tax Authority
ITAT	Income Tax Appellate Tribunal
ITC	Input Tax Credit
JV/ WOS	Joint Venture/Wholly Owned Subsidiary
KCC	Kisan Credit Card
LCD	Liquid Crystal Display
LLP	Limited Liability Partnership
LPG	Liquified Petroleum Gas
LTCG	Long-term Capital Gain
MAT	Minimum Alternate Tax
MCA	Ministery of Corporate affaires
MLI	Multilateral Instrument
MRP	Maximum Retail Price
MS	Motor Spirit
MSE	Micro and Small Enterprises
MSME	Micro Small and Medium Enterprises
MSP	Maximum Selling Price
MUDRA	Micro Units Development Refinance Agency
NABARD	National Bank for Agriculture and Rural Development
NCD	Non-convertible Debentures
NHAI	National Highways Authority of India
NHB	National Housing Bank
NIRVIK	Niryat Rin Vikas Yojana
NPS	National Pension Scheme
NR	Non-Resident
NRI	Non-Resident Indian
NSE	National Stock Exchange
ONGC	Oil and Natural Gas Corporation
OTS	One Time Settlement
PAN	Permanent Account Number
PBPT Act	Prohibition of Benami Property Transactions Act
PCBA	Printed Circuit Board Assembly
PDMA	Public Debt Management Agency
PE	Permanent Establishment
PM-KUSUM	Pradhan Mantri Kisan Urja Suraksha evem Utthan Mahabhiyan
POEM	Place of Effective Management
POS	Point of Supply
PPA	Power Purchase Agreement
PPP	Public Private Partnership
Pr. CIT	Principal Commissioner of Income-tax
PSU	Public Sector Undertaking
PY	Previous Year
QFI	Qualified Foreign Investors
QIB	Qualified Institutional Buyer
QIP	Qualified institutional Placement
R&D	Research & Development
RBI	Reserve Bank of India
RE	Revised Estimates
REIT	Real Estate Investment Fund
RHF	Rural Housing Fund
RPF	Recognised Provident Fund
RRB	Regional Rural Bank
RSE	Recognised Stock Exchange
RSP	Retail Sale Price
RTE	Right to Education
SAD	Specific Advaloram Duty
SAF	Superannuation Funds
SARFAESI	The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
SC/ST	Scheduled Cast/Scheduled Tribe
SCRA	Securities Contract (Regulation) Act, 1956
SEBI	Securities & Exchange Board of India
SEBI (FPI-R), 2014	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014
SEBI (FPI-R), 2019	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019
SEBI Act	Securities and Exchange Board of India (SEBI) Act, 1992
SEP	Significant Economic Presence
SETU	Self-Employment and Talent Utilization
SEZ	Special Economic Zones
SFC	State Finance Corporations
SGST	State Goods and Service Tax
SHB	State Housing Bank
SHG	Self Help Groups
SHR	Safe Harbour Rules
SIDBI	Small Industries and Development Bank of India
SITP	Software Information Technology Park
SLBC	State Level Bankers Committee
SPV	Special Purpose Vehicle
SSI	Small Scale Industry
STT	Securities Transaction Tax
SUUTI	Special Undertaking of the Unit Trust of India
TAN	Tax Collection/ Deduction Account number
TCS	Tax Collected at Source
TDS	Tax Deducted at Source
TI	Total Income
TIES	Trade Infrastructure for Export Scheme
TP	Tansfer Pricing
TPO	Transfer Pricing Officer
TReDS	Trade Receivables Discounting System
UID	Unique Identification
UIDAI	Unique Identification Authority of India
ULIP	Unit Linked Insurance Plan
USD	US Dollar
UTGST	Union Territory Goods and Service Tax
UTI	Unit Trust of India
VCC	Venture Capital Company
VCF	Venture Capital Funds
VCU	Venture Capital Undertaking
VRS	Voluntary Retirement Scheme
WPI	Wholesale Price Index
WTO	World Trade Organization

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