

**PROVISIONS OF INCOME TAX
APPLICABLE TO AY 2020-21**

**WESTERN INDIA REGIONAL COUNCIL
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

21ST AUGUST 2020

***I AM THE COUNTRY'S DRAFTSMAN,
I DRAFT THE COUNTRY'S LAWS,
FOR MORE THAN HALF THE LITIGATION ,
I AM THE CAUSE!!***

OFT QUOTED BY JUSTICE SUJATA MANOHAR

PROVISIONS OF INCOME TAX APPLICABLE FOR AY 2020-21

OVERVIEW:

- AMENDMENTS MADE BY FINANCE ACT 2019, AMENDMENT ACT 2019, FINANCE ACT 2020
- RATES OF TAX
- S 44AB: Changes in relation to Tax Audit provisions
- S.115BAA: Certain domestic companies (AY 2020-21 onwards)– 22%
- S.115BAB: New manufacturing (specified) companies (1.10.2019)– 15%
- Other Changes

RATES OF TAX FOR A Y 2020-21

PROVISIONS OF INCOME TAX APPLICABLE FOR AY 2020-21

RATES OF INCOMETAX APPLICABLE TO AY 2020-21

INDIVIDUALS AND HUFs:

Below 60 years of age:

upto Rs.2,50,000	Nil
from Rs. 2,50,001 to 5,00,000	5%
From Rs. 5,00,001 to 10,00,000	20%
Above Rs. 10,00,000	30%

Age above 60 years, but below 80 years – Exemption Rs. 3,00,000 structure same

Age above 80 years of age - Exemption Rs. 5,00,000 structure same.

Surcharge:	STCG	LTCG(112A)	Others
upto Rs. 50,00,000	NIL	NIL	Nil
From 50,00,001 to 1 crore	10%	10%	10%
From 1,00,00,001 to Rs 2 crores	15%	15%	15%
From 2,00,00,001 to Rs. 5 crores	15%	15%	25%
Above Rs. 5,00,00,001	15%	15%	37%

Cess applicable on the total of tax and surcharge @ 4%

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RATES OF INCOMETAX APPLICABLE TO AY 2020-21 ..

Firms:	Rate of Tax	@ 30%
	Surcharge if more than Rs. 1 crore	@ 12%

Company Assesseees:

Rate of Tax	@30%
if Turnover of FY 2017-18 < 400 crs	@25%
Surcharge:	
If income between Rs.1Cr. To 10 crs	@ 7%
If income exceeds Rs. 10 crs	@ 12%

MAT Rate reduced from 18.5% to 15%

Surcharge same as above

If option u/s 115 BAA @ 22% Surcharge 10%

If Option u/s 115BAB @ 15% Surcharge 10%

No MAT and no MAT Credit

CESS in all cases @ 4% on Tax plus Surcharge.

PROVISIONS OF INCOME TAX APPLICABLE FOR AY 2020-21

RATES OF INCOMETAX APPLICABLE TO AY 2020-21 ...

S. 115JC (Alternate Minimum Tax): @18.5% plus SC and Cess as Individual
@ 18.5% plus SC and Cess as Firm

S 111A: Short Term Capital Gains:

Equity Shares / Units of MF/ Business Trust – STT paid:
15% plus Surcharge plus Cess

S. 112 Long Term Capital Gains – (other than S.112A)

Resident Individual/HUF/Companies : @ 20% +SC +Cess

Non-Resident Company :@ 20% +SC +Cess

(except of unlisted securities resulting from conversions of cost and sales value in Foreign currency, reconverting CG in Indian Rupees and without indexation) :@ 10% +SC +Cess

CESS in all cases @ 4% on Tax plus Surcharge.

PROVISIONS OF INCOME TAX APPLICABLE FOR AY 2020-21

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Foreign Companies:	Rate of Tax	@ 30%	
	Surcharge if: more than Rs. 1 crore		@ 2%
	More than Rs.10 Crs	@ 5%	

Co-operative Societies:

Upto Rs. 10,000:	@ 10%
Rs.10,001 to 20,000	@ 20%
more than 20,001	@ 30%
Surcharge if more than Rs. 1 crore	@ 12%

CESS in all cases @ 4% on Tax plus Surcharge.

CHANGES IN RELATION TO TAX AUDIT PROVISIONS

PROVISIONS OF INCOME TAX APPLICABLE FOR AY 2020-21

S. 44AB: Audit of accounts of certain persons carrying on business or profession.

- Every Person carrying on Business shall,
- if his total sales, gross receipts, or turnover, exceed or exceeds one crore rupees, ,
 - Provided where the aggregate of all the amounts received, in cash, does not exceed **five percent** of the said amount, and
 - Aggregate of all payments made, including amount incurred for expenditure, in cash, during the previous year, does not exceed **five percent** of the total payment,
 - Limit will be Rupees Five crores.
- Clause no.44 and 33C Regarding GST disclosure and GAAR provisions, postponed by one more year.(Notification 20-4-2020)
- **“Specified date”** by which the Tax Audit report has to be furnished (uploaded on the site) has been amended to **one month before** the due date of filing the return of the assessee as per section 139(1)

PROVISIONS OF INCOME TAX APPLICABLE FOR AY 2020-21

Clauses inserted in Form 3CD requiring disclosures (Notification 20-7-2018):

- Clause 29A and 29B : Income of the nature referred to in Section 56(2)
- Clause 30A : Transfer Pricing Adjustment vide Section 92CE
- Clause 30B: Transfer Pricing related disclosure of interest as per Section 94B
- Clause 31 ba to bc: Regarding Section 269ST receipt of money in cash
- Clause 42: Regarding filing of forms 61,61A and 61B
- Clause 43: Specified Financial Transactions – Annual Information report Section 286(2)

PROVISIONS OF INCOME TAX APPLICABLE FOR AY 2020-21

**S.115BAA: CERTAIN DOMESTIC COMPANIES
(AY 2020-21 ONWARDS)– 22%**

PROVISIONS OF INCOME TAX APPLICABLE FOR AY 2020-21

Section 115BAA:

- Domestic company (any activity)
- A Y 2020-21 onwards
- At the option of the company
- **Tax @ 22% plus applicable surcharge (10%) and Education cess (4%)**
- **If company fails to satisfy conditions of subsection 2, concessional rate will not apply for the said year and all subsequent years**
- **Option** to be exercised by filing **Form 10IC** before the due date of filing the return of income.
- **Option once exercised cannot be withdrawn**
- Exemptions, deductions and provisions to be foregone



Total Income has been computed WITHOUT any Deduction under:

- S.10AA : Income from Unit under SEZ
- S. 32(1)(iia) : Additional Depreciation for additions to Fixed Assets
- S. 32AC: Investment allowance New P&M between AY 2014-15 to 2016-17
- S. 32 AD: Accelerated depreciation for units in notified backward areas
- S. 33AB : Tea / Coffee/ Rubber Development Account
- S. 33ABA: Site Restoration Fund
- S. 35(1)(ii): R&D expenses – Weighted Deduction to research association for scientific research
- S. 35(1)(iia): R&D Expenses – payment to a company which has main object as scientific research (approved).

- S. 35(1)(iii): R&D Expenses – payment to research association for research in social science or statistical research.
- S. 35 (2AA): Weighted Deduction in respect of payments for R&D to Universities/IIT/ Approved Scientific Research Institutes.
- S. 35 (2AB): Weighted Deduction in respect of expenses on In-House R&D units
- S. 35AC: Expenditure on eligible projects and schemes
- S. 35AD: Any expenditure (including capital expenditure)on specified business – infrastructure facility
- S. 35CCC:Weighted deduction on expenses related to Agricultural Extension project

NEW TAX REGIME – CORPORATES

22%

- S. 35CCD: Weighted deduction on Skill Development Project
- Chapter VI A Deductions in respect of certain incomes – S. 80H To S.80TTB - except S.80JJAA (expenditure in incremental employment)
- Claim for S.80LA in respect of unit in International Financial Service Centre conditions to be satisfied subject to slide 5 ,6 and 7
- Losses arising from the claim of specified deductions/ exemptions which are not to be claimed.
- Depreciation u/s 32 – to be allowed as per prescribed rates.
- Business Losses or depreciation brought forward or carried forward from section 72A also will not be allowed to be set off.
- ALL EXCLUSIONS HAVE TO BE OPTED – NO CHERRY PICKING.
- **MAT and MAT credit provisions shall not apply to such a company.**

**S.115BAB: NEW MANUFACTURING (SPECIFIED) COMPANIES
(1.10.2019) @ 15%**

SECTION 115 BAB:

Conditions that need to be satisfied:

- Company set up and registered on or after 1st October 2019
- Commencement of manufacturing or production of article or thing before 31st March 2023
- Business of generation of electricity permitted
- Business not formed by splitting up, or reconstruction, of a business already in existence
- Does not use any machinery or plant previously used for any other purpose (Ratio of 80:20 permitted)
- Machinery or plant used outside India permitted, subject to:
 - Not used in India
 - Imported into india
 - No depreciation allowed in India on such plant or machinery
- Does not use any building previously used as hotel or convention centre on which S.80-ID has been claimed or allowed.
- And

NEW TAX REGIME – CORPORATES



15
%

- Company is not engaged in any other business, other than business of manufacture or production of article or thing and research in relation to, or distribution of such article or thing manufactured or produced by it.
- Company should NOT be engaged in manufacture of:
 - Development of computer software in any form or in any media
 - Mining
 - Conversion of marble blocks or similar items into slabs
 - Bottling of gas into cylinder
 - Printing of books or production of cinematograph film
 - Specified business as may be notified by Central Government.
- In case of any specific difficulty in implementation of above CBDT has power to issue guidelines and same have to be laid before Parliament.
- In case provisions of Specified Domestic Transaction apply, ALP principles will apply.

NEW TAX REGIME – CORPORATES



15
%

- **Option** to be exercised by filing **Form 10ID** before the due date of filing the return of income.
- **Option once exercised cannot be withdrawn by assessee**
- Claims mentioned in the Slide 14, 15, and 16 shall not be allowed. NO CHERRY PICKING
- For A Y 2021-22 onwards entire Chapter VI A Deductions (except S80JJAA and S 80M) shall not be allowed.
- Losses arising from the claim of specified deductions/ exemptions which are not to be claimed.
- Business Losses or depreciation brought forward or carried forward from section 72A also will not be allowed to be set off.
- Depreciation u/s 32 of current year will be allowed at prescribed rates

OTHER PROVISIONS

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Section 87A: Rebate from Tax:

Upto Total Income of Rs. 5,00,000 limit of rebate increased from Rs. 2500 to Rs. 12500

Section 9(1)(vii): Resident gives amount to Non-resident (other than relative u/s 56(2)(x)) such amount is deemed to accrue / arise in India and is taxable (w.e.f. 5.7.2019)

Section 16(1): Standard Deduction for Salary earners increased from Rs. 40000 to Rs. 50000

Section 10(12A) : NPS withdrawal Exempt amount increased to 60% from 40%

Section 10(34A) : Buy-back of shares u/s 115QA (previously only listed companies) now all companies. W.e.f. 5.7.2019

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Section 23(4) : Two houses can now qualify for Self Occupancy and interest Expense in respect of each can be claimed of Rs. 1,50,000 subject to overall Limit of Rs. 2,00,000 per year.

Section 23(5) : Annual Value of Land and Building held as stock in trade not let Out for two years (hitherto it was one year) from year in which completion Certificate obtained, shall be NIL

Section 40a(i) – Tax not deducted on payments to Non Residents – previously No provision for Form 26A now provided

Section 43B(da): Interest on borrowings from NBFC, if not paid before due date Of filing return, to be allowed only on payment basis.

Section 54 First Proviso added: now exemption can be claimed even for investment in two houses after sale of one house property – once in a lifetime claim.

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Section 80EEA: Deduction for interest on loan for new house property, subject to:

- Available to Individuals only,
- Loan from Financial Institution
- Sanctioned during Financial Year 2019-20
- Stamp Duty valuation of the property Maximum Rs. 45 lakhs
- Assessee not owing any other house on date of sanctioning of loan
- Maximum deduction Rs. 1,50,000
- AY 2020-21 and onwards

Section 80EEB: Deduction for interest on loan for new Electric Vehicle, subject to:

- Available to Individuals only
- Loan from Financial Institution
- Purchase of Electrical Vehicle between 1-4-2019 to 31-3-2023
- Maximum deduction Rs. 1,50,000
- AY 2020-21 and onwards

PROVISIONS OF INCOME TAX APPLICABLE FOR AY 2020-21

Section 80CCD(2) : For Central Government Employees – limit of 10% of salary increased to 14% of salary

Section 139AA : Aadhar Number instead of PAN from 1.09.2019

TDS CHANGES:

Section 194A : Interest paid by Banks, Post Officer and Co-operative Banks Limit raised from 10000 to Rs. 40,000 and for Senior Citizens to Rs. 50,000

Section 194DA: Insurance policy proceeds (other than those Exempt u/s10(10D), if more than Rs. 1,00,000, TDS@5% instead of Rs. 1%

Section 194I: Limit raised from 180,000 to Rs. 2,40,000

Section 194(IA) : Rs 50,00,000 to include all additional items like club-house fees, parking deposits, etc 1% TDS w.e.f. 1.9.2019

Section 194M: Individual HUF not subject to Tax audit, but payment of Professional fees or Brokerage , exceeding Rs. 50,00,000 TDS @ 5% (w.e.f . 1.9.2019)

Section 194N: TDS on Cash Deposit in Bank : regular assesseees 2% if dep > 1cr
No return filed in last three years: 2% if >20lakhs < 1 cr
5% if > 1 cr.

Questions???

THANK YOU!!