

DIRECT TAX MEASURES ANNOUNCED BY THE FINANCE MINISTER UNDER ATMANIRBHAR BHARAT ABHIYAAN - PART 1 ON 13.05.2020

1. Background

The Hon'ble Prime Minister, Sh. Narendra Modi, had announced a stimulus package of Rs. 20 lakh crore, constituting 10% of the GDP, in his address made to the nation on 12th May, 2020 under 'Atmanirbhar Bharat Abhiyaan' to save the lockdown-battered economy.

The Hon'ble Finance Minister, Smt. Nirmala Sitharaman, ('FM') addressed a press conference on May 13, 2020 and announced various measures as part of Atmanirbhar Bharat Abhiyaan, covering the Micro, Small and Medium Enterprises (MSME) sector, NBFC/ MFs, liquidity injection for DISCOMS, tax measures, etc. We have summarised the key announcements from direct tax perspective hereunder:

2. Key announcements from direct tax perspective

(a) Reduction in the rate of withholding tax

In order to boost the liquidity, the prescribed rates of TDS on specified non-salaried payments to resident payees have been reduced by 25%. **The reduced rate of TDS shall be applicable on the amount paid or credited during the period 14 May, 2020 to 31 March, 2021.**

Pursuant to FM's announcement, CBDT had issued a late evening Press Release on 13 May, 2020 and clarified that the reduced rates would be as under:

S. No	Section	Nature of Payment	Existing Rate of TDS	Reduced rate of TDS
1	193	Interest on Securities	10%	7.5%
2	194	Dividend	10%	7.5%
3	194A	Interest other than interest on securities	10%	7.5%
4	194C	Payment of Contractors and sub- contractors	1% (individual/HUF) 2% (others)	0.75% (individual/HUF) 1.5% (others)
5	194D	Insurance Commission	5%	3.75%
6	194DA	Payment in respect of life insurance policy	5%	3.75%
7	194EE	Payments in respect of deposits under National Savings Scheme	10%	7.5%
8	194F	Payments on account of re-purchase of Units by Mutual Funds or UTI	20%	15%
9	194G	Commission, prize etc., on sale of lottery tickets	5%	3.75%

S. No	Section	Nature of Payment	Existing Rate of TDS	Reduced rate of TDS
10	194H	Commission or brokerage	5%	3.75%
11	194-I(a)	Rent for plant and machinery	2%	1.5%
12	194-I(b)	Rent for immovable property	10%	7.5%
13	194-IA	Payment for acquisition of immovable property	1%	0.75%
14	194-IB	Payment of rent by individual or HUF	5%	3.75%
15	194-IC	Payment for Joint Development Agreements	10%	7.5%
16	194J	Fee for Professional or Technical Services (FTS), Royalty, etc.	2% (FTS, certain royalties, call centre) 10% (others)	1.5% (FTS, certain royalties, call centre) 7.5% (others)
17	194K	Payment of dividend by Mutual Funds	10%	7.5%
18	194LA	Payment of Compensation on acquisition of immovable property	10%	7.5%
19	194LBA(1)	Payment of income by Business trust	10%	7.5%
20	194LBB(i)	Payment of income by Investment fund	10%	7.5%
21	194LBC(1)	Income by securitisation trust	25% (Individual/HUF) 30% (Others)	18.75% (Individual/HUF) 22.5% (Others)
22	194M	Payment to commission, brokerage etc. by Individual and HUF	5%	3.75%
23	194-O	TDS on e-commerce participants	1% (w.e.f. 1.10.2020)	0.75%

It has been further clarified by the Board that there shall be no reduction in rates of TDS, where tax is required to be deducted at higher rate due to non-furnishing of PAN/Aadhaar. For example, if the tax is required to be deducted @20% under section 206AA of the I.T. Act due to non-furnishing of PAN/Aadhaar, TDS shall be deducted @20% and not @15%.

(b) Reduction in rate of tax collected at source

Similarly, the rate of TCS shall be reduced in respect of **the amount received or debited during the period** 14 May, 2020 to 31 March, 2021, as under:

S. No	Section	Nature of Receipts	Existing Rate of TCS	Reduced rate of TCS
1	206C(1)	Sale of		
		(a) Tendu Leaves	5%	3.75%
		(b) Timber obtained under a forest lease	2.5%	1.875%
		(c) timber obtained by any other mode	2.5%	1.875%
		(d) Any other forest produce not being timber/tendu leaves	2.5%	1.875%
		(e) scrap	1%	0.75%
		(f) Minerals, being coal or lignite or iron ore	1%	0.75%
2	206C(1C)	Grant of license, lease, etc. of		
		(a) Parking lot	2%	1.5%
		(b) Toll Plaza	2%	1.5%
		(c) Mining and quarrying	2%	1.5%
3	206C(1F)	Sale of motor vehicle above 10 lakhs	1%	0.75%
4	206C(1H)	Sale of any other goods	0.1% (w.e.f 01.10.2020)	0.075%

The Board has likewise clarified in the Press Release that there shall be no reduction in rates of TCS, where tax is required to be collected at higher rate under section 206CC of the I.T. Act due to non-furnishing of PAN/Aadhaar.

(c) Extension of tax return filing and tax audit deadline

The due dates for filing tax return for the financial year ('FY') 2019-20 have been extended as under:

S. No	Taxpayer	Existing due date	Extended due date
1.	Individual	31.07.2020	30.11.2020
2.	Individual to whom requirement of tax audit applies	30.09.2020	
3.	Working partner of a firm to whom requirement of tax audit applies	30.09.2020	

S. No	Taxpayer	Existing due date	Extended due date
4.	Company and person other than a company, to whom transfer pricing provisions do not apply	30.09.2020	
5.	Company and person other than a company, to whom transfer pricing provisions applies	30.11.2020	

Further, in consonance with the amended definition of ‘specified date’ provided in clause (ii) of Explanation to section 44AB of the I.T. Act, the FM has extended the deadline for tax audit to 31 October, 2020.

(d) Issuance of Tax Refund

The pending income tax refunds in case of charitable trusts and non-corporate businesses and professions including proprietorship, partnership and LLPs and cooperatives shall be issued immediately.

(e) Extension of limitation for assessment proceedings

The due date for completing assessment proceedings, which are getting time barred on September 30, 2020 (for assessment year 2018-19 where no reference is made to the TPO) and March 31, 2021 (for assessment year 2019-20 where no reference is made to the TPO) shall be extended to December 31, 2020 and September 30, 2021, respectively.

There is no change in the deadline for completing assessment proceedings for assessment year 2017-18 where reference to TPO has been made. Such assessment shall have to be completed by December 31, 2020.

Further, assessment proceedings for assessment year 2018-19, where reference to TPO has is made, would also have to be completed by September 30, 2021.

(f) The Direct Tax Vivad se Vishwas Act, 2020

The timeline for payment of disputed arrears without attracting additional 10% amount under the Vivad se Vishwas Act is extended from June 30, 2020 to December 31, 2020.

3. VA Comments

All the above measures, particularly reduction in tax rates and deferment of various compliances, will certainly help taxpayers navigate these unprecedented times. In fact, relaxation in the rate of TDS/TCS is recognition of the fact that due to COVID-19 crisis, taxable income of taxpayers is likely to be impacted adversely. This will also reduce, to some extent, the burden of approaching the tax authorities for issuance of lower tax deduction certificate.

It may however, be clarified that in case the reduced rates do not adequately discharge the ultimate tax liability of a taxpayer, the balance tax liability, after excluding the prepaid taxes discharged by way of TDS/TCS, should be deposited through advance-tax instalments, the first instalment falling due on June 15, 2020. This is more so since there is no waiver of interest leviable under sections 234B and 234C of the I.T. Act.

The direct tax amendments would be implemented by appropriate legislative amendment in law in due course.

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