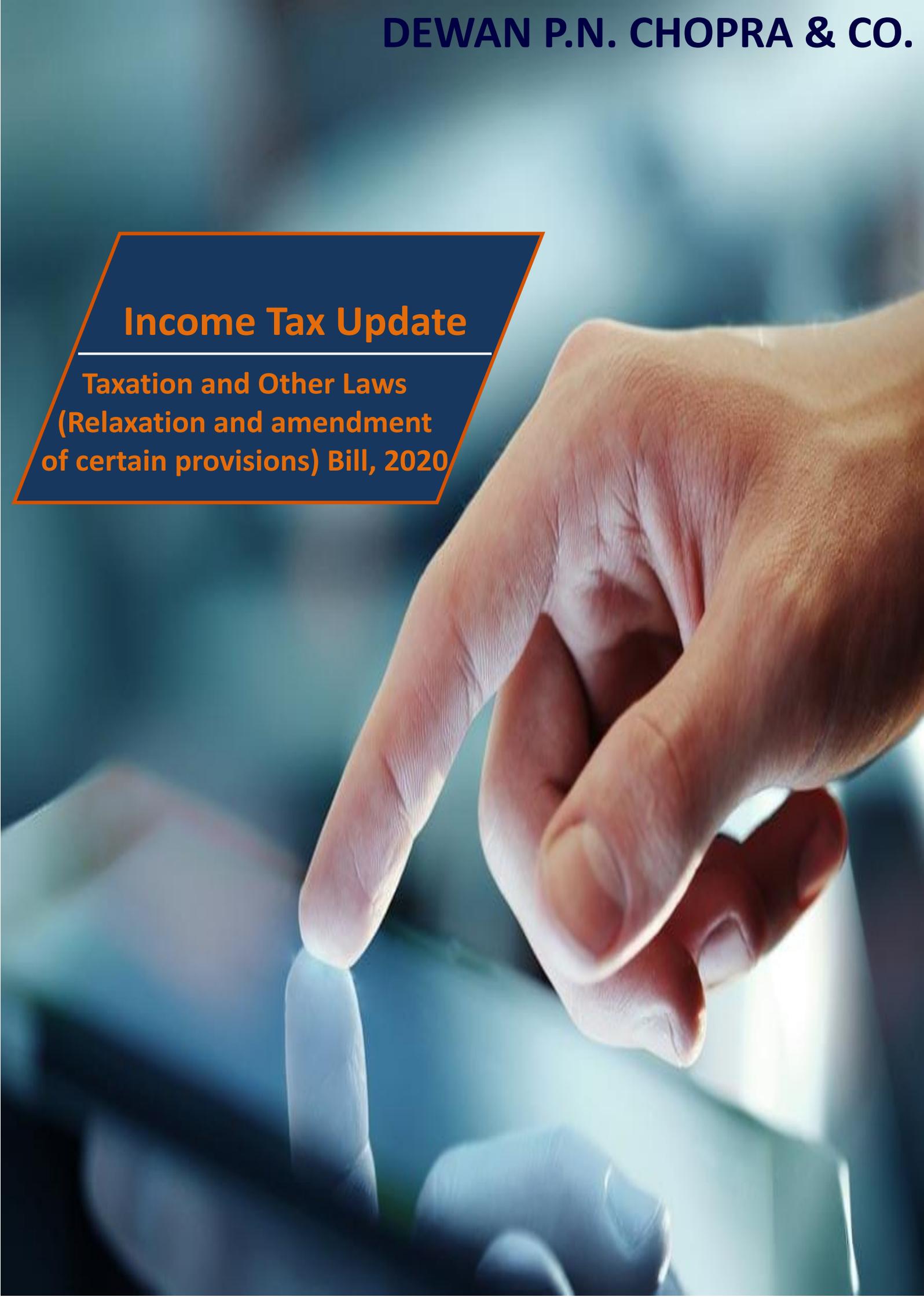


Income Tax Update

**Taxation and Other Laws
(Relaxation and amendment
of certain provisions) Bill, 2020**



Key Highlights of Taxation and Other Laws
(Relaxation and amendment of certain provisions)
Bill 2020

The Lok Sabha passed the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Bill, 2020 on 19.09.2020 which seeks to replace the Taxation and Other Laws (Relaxation of Certain Provisions) Ordinance, 2020 (*introduced in March, 2020 to provide relaxation in timelines amid Covid-19 pandemic and amended on June 24th granting further reliefs*). It proposes new sections for incorporating the Faceless Assessment Scheme, extension of certain due dates and other amendments.

The Key Highlights have been elaborated as under:

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1. Extension of Due Dates in line with Taxation and Other Laws (Relaxation of Certain Provisions) Ordinance, 2020.

Extension of Due Dates		
Nature of Compliance	Relevant Period	Extended Due Date
Income Tax Return [Belated return & Revised return]	FY 2018-19 (AY 2019-20)	30 th Sept 2020
Income Tax Return [Original return] for all assessee (Corporate & Non -Corporate)	FY 2019-20 (AY 2020-21)	30 th November 2020
Furnishing of various audit reports under Income tax like: <ul style="list-style-type: none"> - Tax Audit Report u/s 44AB; - Report u/s 80-IA/80-IC in Form 10CCB - Report u/s 115JB in Form 29B - Report u/s 115JC in Form 29C - Report u/s 80JJAA in Form 10DA - Report u/s 10A- Form 56F - Report u/s 12A- Form 10B - Report u/s 32AB- Form 3AAA - Report u/s 33AB- Form 3AC - Report u/s 33ABA – Form 3AD - Report u/s 35D – Form 3AE - Report u/s 35E- Form 3AE - Report u/s 44AB- Form 3CD - Report u/s 44DA- Form 3CE - Report u/s 50B- Form 3CEA - Others 	FY 2019-20 (AY 2020-21)	31 st October 2020
TDS Returns: <ul style="list-style-type: none"> - Salary (Form 24Q) – Quarter ended 31.03.2020 	-	15 th July for Government

<ul style="list-style-type: none"> - Non-Salary (Form 26Q) - Quarter ended 31.03.2020 - Payment to Non-Residents (Form 27Q) - Quarter ended 31.03.2020 - TDS return u/s 194-IA for property purchased (Form 26QB) for the month of February, March 2020 <p>TCS Returns in Form 27EQ for the Quarter ended 31.03.2020</p>		<p style="text-align: center;">&</p> <p style="text-align: center;">31st July 2020 for others</p>
<p>Issuance of TDS certificate in Form 16 to salaried employees</p>	<p>FY 2019-20</p>	<p>15th August 2020</p>
<p>Furnishing of Statement of Financial Transactions (SFT) in Form 61A</p>	<p>FY 2019-20</p>	<p>31st March 2021</p>
<p>Making various investments/ tax saving investments or payments for the FY 2019-20 (section 80C to 80GGC)</p>	<p>FY 2019-20</p>	<p>31st July 2020</p>
<p>Making various investments/ deposit/payment/acquisition/purchase/ construction for capital gain benefits under section 54 to 54GB where time limit for making such investment etc was expiring anytime between 20 March 2020 till 29th Sept 2020.</p>		<p>30th September 2020</p>
<p>Date for linking of Aadhaar with PAN</p>	<p>-</p>	<p>31st March 2021</p>
<p>Following Statutory compliances under Direct Taxes & Benami Law:</p> <ul style="list-style-type: none"> - Due date for issue of notices - Intimations/ Notifications - Approval order - Sanction order - Filing of appeal - Furnishing of return - Statements/ Application/ Reports - Other record - Any other document 	<p>Where time limit for such compliances were expiring anytime between 20th March 2020 to 31st December 2020</p>	<p>31st March 2021</p>

<p>- Time limit for completion of proceedings by the authority</p> <p><u>Some specific extensions under this provision are:</u></p> <ul style="list-style-type: none"> - Completion of Assessment Proceedings u/s 143(2) for AY 2018-19; - Time limit for passing of revision orders u/s 263 for assessment/ reassessment orders passed during FY 2017-18 - Time limit for reopening of assessment for AY 2013-14; - Time limit for passing of penalty orders u/s 271(1)(c) 		
<p><u>Vivaad Se Vishwas Scheme</u> – Date of Furnishing declaration, passing of order etc.</p>	<p>-</p>	<p>31st December 2020</p>

2. Reduction of TDS/TCS rates

- Reduction of TDS/TCS rates by 25% which were announced vide CBDT Press Release dated 13th May 2020 have been codified in the Act. Applicable for payments made (other than salary) to or received from residents for the period 14th May 2020 to 31st March 2021.

3. Faceless Assessment Scheme:

- The Bill proposes to insert new section 144B legislating the faceless assessment scheme which was notified on 13th August 2020.
- Proposes setting up of National Faceless Assessment Centre, Regional Faceless Assessment Centre and other units (Assessment Unit, Technical Unit, Verification Unit and Review Unit).
- The procedure for faceless assessment in transfer pricing cases where reference is made to DRP has been specified.
- Proposes proceeding for faceless reassessment, faceless rectification, faceless stay & recovery, faceless revision orders u/s 263 & 264, faceless appeal effect orders, faceless inquiry or valuation, faceless collection of information, faceless approval &

registration, faceless prosecution and faceless NIL withholding & TDS proceedings.

4. Other important Amendments:

- *Rationalization of provisions for registration of charitable trusts u/s 12AB*

It is proposed in the Bill that provisions for fresh registration or re-registration of existing charitable trust or institution u/s 12AB shall be effective from 1.4.2021 as against 1.6.2020.

- *Rationalization of Section 80G*

Requirement of section 80G(vii) on the donee to prepare and file such statement setting forth particulars of donations received within specified timelines and furnishing certificates to the donors in such manner as prescribed will be effective from 1.4.2021 as against 1.6.2020.

■ *Rationalization of provisions of Residency*

a) It has been clarified that person for whom the reduced period of 120 days applies, *is a person who is an Indian Citizen or a PIO, who being outside India, comes on a visit to India* and has total income other than income from foreign sources exceeding INR 15 lacs.

b) Explanation inserted in section 6(1A) [*which treats Indian Citizen a deemed resident where total income other than income from foreign sources exceeds INR 15 lacs and the said person is not liable to taxed in any other country*] to clarify that the subject section does not apply to an individual considered a resident under section 6(1). Accordingly, section 6(1A) shall apply only in cases when an Indian Citizen is a non-resident as per section 6(1).

c) Definition of “Income from Foreign Sources” rationalized as under:

“Income from foreign sources” means income which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India) and which is not deemed to accrue or arise in India. Accordingly, for the purpose of calculating the threshold of INR 15 lacs, not only the income accruing or arising in India shall be included but also income deemed to accrue or arise in India.

- *Rationalization of deduction of scientific expenditure under section 35*

Deduction should be allowed even where approval granted to them is subsequently withdrawn which was effective from 1.06.2020 has now been made applicable from 1.4.2021.

Further, the addition of the 5th and 6th proviso (will now be effective from 1.4.2021 as against 1.6.2020) requiring research associations, university colleges, scientific research companies and other institutions to make an intimation in the prescribed manner within 3 months of such a provision coming into effect and that the notification will remain valid for a period of 5 AYs commencing on/after 1 April 2022.

The requirement to deliver a statement to the income-tax authorities in the prescribed form and manner & furnish a certificate to the donor for such research associations, university colleges, scientific research companies and other institution will now be effective from 1.4.2021 as against 1.6.2020.

- *Providing Tax Incentive for CAT-III AIFs located in IFSC*

a) Tax exemption for Category III AIFs located in IFSC expanded to include income from:

- transfer of securities (other than shares in a company resident in India)

- securities issued by a NR (not being a PE) where such income otherwise does not accrue/arise in India.

- Securitization Trust which is chargeable as business income.

Exemption available only for income attributable to units held by NR (not being a PE)

b) Income received in respect of securities of Indian companies and long term capital gains on transfer of such securities reduced to 10%.

c) AMT provisions not applicable to such Category III AIFs

d) Tax exemption granted to unit holders in respect of income (a) from units of such category III AIFs or (b) on transfer of such units.

- *Exemption from dividend, interest and capital gains income earned by WOS of Abu Dhabi Investment Authority (ADIA) now restricted to funds owned by the Govt. of Abu Dhabi (as against UAE).*
- *Rationalization of section 115AD in respect of Tax on income of FII from securities or capital gains arising from their transfer*

Tax rate of 20% in case of FII and 10% in case of specified fund from 01.04.2020.

It is further clarified that in case of specified fund, provision will apply only to the extent of income that is attributable to units held by non-resident (not being a permanent

establishment of a non-resident in India) calculated in the prescribed manner.

- *Capping of Surcharge on dividend income of FPIs*

The Bill Proposes to amend Finance Act, 2020 to clarify regarding capping of surcharge at 15 per cent. on dividend income of the Foreign Portfolio Investor.

- *Rationalization of deduction of expenditure on eligible projects under section 35AC*

The authority to withdraw approval to specified association or institution / eligible project or scheme has been granted to Principal Chief Commissioner of Income Tax (Exemption) or the Chief Commissioner of Income Tax (Exemption) [as against National Committee] w.e.f. 01.11.2020.

▪ *Direct Tax Vivad Se Viswas Act, 2020*

The Bill proposes amendment in Direct Tax Vivad se Viswas Act, 2020 to extend the date for payment without additional amount to 31st December, 2020 in line with the relaxation provided in Taxation and Other Laws (Relaxation of Certain Provisions) Ordinance, 2020. It also proposes to empower the Central Government to notify certain dates relating to filing of declaration and making of payment.

(For details please refer the Taxation and Other Laws [Relaxation and amendment of certain provisions] Bill 2020)

DISCLAIMER:

The information contained herein is in summary form based on interpretation of the Taxation and Other Laws (Relaxation and amendment of certain provisions) Bill 2020 passed by the Lok Sabha. While the information is believed to be accurate to the best of our knowledge, we do not make any representations or warranties, express or implied, as to the accuracy or completeness of this information. Reader should conduct and rely upon their own examination and analysis and are advised to seek their own professional advice. This document is not an offer, invitation, advice or solicitation of any kind. We accept no responsibility for any errors it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained, by the person who relies upon it.