

Subject:	The Taxation and Other Laws (Relaxation and amendment of certain provisions) Bill, 2020
Date:	Presented in Lok Sabha on 18 th September 2020 and passed on 19 th September, 2020

1. Extension of deadlines and relaxation of interest payments

With respect to Income-tax Act, all due dates have been extended to **31st March 2021** except the following:

S. No.	Particulars	Due date
1.	Filing of Tax Return for AY 2019-20 [Belated Original Return of Income u/s 139(4) and Revised Return of Income u/s 139(5)]	30 September 2020
2.	Filing of Tax Return For AY 2020-21 [Original Tax Returns for AY 2020-21]	30 November 2020
3.	Tax Audit u/s 44AB	31 October 2020
4.	Issuance of Form-16 for FY 2019-20	15 August 2020
5.	Investment for claiming benefit of exemption from Capital Gains u/s 54 to 54GB for FY 2019-20	30 September 2020
6.	Making investment / payments for claiming deductions under Chapter VI-A [e.g. LIC, PPF, Mediclaim, NPS, Donation, etc.],	31 July 2020
7.	Vivad se Vishwas scheme	31 December 2020
8.	Filing of TDS return for Q4 of FY 2019-20	31 July 2020
9.	Payment of self-assessment tax for taxpayers having self-assessment tax liability exceeding Rs 1 lakh.	No extension. Hence, interest under section 234A will be levied from August 1, 2020, till the date of filing the tax return.
10.	All delayed payments of advance tax, self-assessment tax, TDS, etc. whose due date falls between the period March 20, 2020, to June 29, 2020	will be charged at reduced interest rate i.e., 9% p.a. instead of 12% p.a. The reduced rate of interest of 9% p.a. for delayed payments of taxes, levies, etc. shall not be applicable

		for the payments made after June 30, 2020. No penalty, prosecution shall be sanctioned in respect of such delay.
11.	Completion of tax scrutiny related to AY 2018-19	31 March 2021
12.	Completion of tax scrutiny related to AY 2019-20	30 September 2021

2. Amendments to residency rules under section 6

(a) in clause (1), in Explanation 1, in clause (b), for the words "the citizen or person of Indian origin", the words "such person" shall be substituted;

This clarifies that a citizen of India or a person of Indian origin who being outside India comes on a visit to India has to fulfil the condition of stay in India \geq 120 days and total Indian-sourced income $>$ 15 lakhs. The erstwhile provision did not require such person to come on a visit to India.

(b) in clause (1A), the following Explanation shall be inserted, namely:—

"Explanation. For the removal of doubts, it is hereby declared that this clause shall not apply in case of an individual who is said to be resident in India in the previous year under clause (1)."

This removes the anomaly that if a person fulfils the conditions of being a resident under section 6(1) and deemed resident under section 6(1A), he will be considered a resident under section 6(1). Thus, he cannot be perpetually NOR.

(c) in clause (6), in the Explanation, the words "and which is not deemed to accrue or arise in India." shall be added at the end;

This clarifies that income from foreign source means income which does not accrue or arise in India and which does not deem to accrue or arise in India.

3. Section 10 Exemptions

- (i) The criteria of "convertible foreign exchange" has been elaborated for calculation of income of non-resident.
- (ii) PM CARES fund added to section 10(23C).
- (iii) Due dates specified for application for approval to funds or trust or institution or any university or other educational institutions or any hospital or other medical institutions

- (iv) Section 10(23FBC) added which pertains to income accruing or arising to or received by a unit holder from a specified fund or on transfer of units in a specified fund.

4. Section 12AB Procedure for fresh registration of a trust or institution

- (i) Section 12AA shall apply till 31 March 2021.
- (ii) The proposed insertion of new section 12AB which shall apply from 1 April 2021 relates to procedure for fresh registration of a trust or institution, and they will be required to renew their registration every five years.

5. Section 35 Expenditure on scientific research

- (i) Proposed relaxation in respect of scientific research companies referred in section 35(1)(iia) of the Act where the payment has been made to such companies, deduction would be allowed even where approval granted to them is subsequently withdrawn, which was to be effective from 1.6.2020 has now been made applicable from 1.4.2021.
- (ii) 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.
- (iii) 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.

6. Section 35AC Expenditure on eligible projects or schemes

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. 1 November 2020.

7. Section 80G Deduction in respect of donations to certain funds, charitable institutions, etc.

- (i) Donations to PMCARES Fund will now be deductible under Chapter VIA.
- (ii) Insertion of Sec 80G(viii) that stipulates the framework for 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]

8. Section 115AD Tax on income of Foreign Institutional Investors (FII) from securities or capital gains arising from their transfer

The rate income tax on income in respect of securities w.e.f. 1 April 2021 will be as follows:

- 20% in case of FII; and
- 10% in case of specified fund (definition as per section 10(4D)).

In case of specified fund, it is clarified that the 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.

9. Section 133A Power to Survey

Proposes that **approval** of Principal Director General or the Director General or the Principal Chief Commissioner or the Chief Commissioner shall be required for actions to be undertaken under section 133A(6).

Further the **definition of income-tax authority** has been restricted to subordinate to the Principal Director General of Income-tax (Investigation) or the Director General of Income-tax (Investigation) or the Principal Chief Commissioner of Income-tax (TDS) or the Chief Commissioner of Income-tax (TDS), as the case may be.

10. Section 197B Lower deduction in certain cases for a limited period of time

Proposes to **reduce the TDS rate by 25%** of the rate specified in the applicable sections for payments made between **14 May 2020 to 31 March 2021** in the following sections: 193, 194, 194A, 194C, 194D, 194DA, 194EE, 194F, 194G, 194H, 194-I, 194-IA, 194-IB, 194-IC, 194J, 194K, 194LA, sub-section (1) of section 194LBA, clause (i) of section 194LBB, sub-section (1) of section 194LBC, sections 194M and 194-O.

11. Section 206C(10A) Lower tax collection in certain cases for a limited period of time

Proposes to **reduce the TCS rate by 25%** of the rate specified in the sub-section (1) except serial number (i), (1C), (1F), (1H) for payments made between **14 May 2020 to 31 March 2021**.

12. Section 271K Penalty for failure to furnish statement etc.

271K deals with penalty for failure to furnish statement etc. by research institutions under section 35 or by institutions registered for section 80G deduction.

13. Faceless Assessment

Faceless Assessment scheme is proposed to be extended to 8 more Income-tax proceedings, apart from existing faceless scrutiny assessment, and faceless appeals from 25 September 2020. These include:

- (i) faceless assessment of income escaping assessment
- (ii) faceless rectification
- (iii) amendments and issuance of notice or intimation
- (iv) faceless collection and recovery of tax
- (v) faceless revision and effect of orders
- (vi) faceless approval or registration
- (vii) faceless inquiry or valuation
- (viii) faceless collection of information

The Bill proposes to formulate a scheme for 'faceless jurisdiction of income-tax authorities' which would "impart greater efficiency, transparency and accountability".

14. Capping of surcharge on dividend income of the FPIs

Proposes to amend the Finance Act, 2020 to clarify regarding **capping of surcharge at 15% on dividend income of the FPIs**.

For the purpose of deduction of tax, the surcharge rates have reduced for dividend income of FPIs and shall be:

- 10% in case of income is between 50 lakhs to 1 crore; and
- 15% in case of income exceeding 1 crore.

For the purpose of advance tax, the surcharge rates have now been capped for dividend income and shall be:

Income bracket	Surcharge rate
50 lakh to 1 crore	10% of such advance tax
1 crore to 2 crore	15% of such advance tax
2 crore to 5 crore, where total income excludes 115AD(1)(b) <u>and dividend income</u>	25% of such advance tax
> 5 crore, where total income excludes 115AD(1)(b) <u>and dividend income</u>	37% of such advance tax
> 2 crore including income in the nature of 115AD(1)(b) <u>and dividend income</u>	15% of such advance tax
