RESOURCE PAPER - 29

INDO-JAPAN CHAMBER OF COMMERCE & INDUSTRY

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(Budget Presentation in Japanese language is available in http://www.ijcci.com/budget/2020-jp.html)

PREFACE

We, at the Indo-Japan Chamber of Commerce and Industry have immense pleasure in presenting the Resource Paper on "Market Highlights of the Union Budget" presented at the Indian Parliament for the year 2020-2021. We are confident that this information would be of immense value to our Indian and Japanese business community. The authors of this Resource Paper have taken adequate care to present it in a simple manner, easy to understand and without any prejudice.

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Grant Thornton in India is one of the largest assurance, tax and advisory firms, with over 3,000 professional staff across 15 offices. The firm provides robust compliance services and growth navigation solution on complex business and financial matters through focused practice groups. The firm has extensive experience across a range of industries, market segments and geographical corridors.

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We hope our readers would find it informative and useful.

February 2020

Suguna Ramamoorthy
Secretary General

Highlights of Union Budget 2020-2021

Budget Expectation

Albeit the union budget was introduced during sluggish economic environment, with the GDP at its lowest level of less than 5%, the Finance Minister has delivered a robust bill fulfilling certain expectations of the eyes of the world. The key amendments are (a) abolishing DDT with effect from 1st April 2020 (b) prescribing attribution rules for e-commerce (c) Rationalising the Personal Tax Regime and (d) creating a boom for FDI by exempting the investment income in the case of certain non-residents.

Steps to attract infusion of Foreign Capital

Sovereign Wealth Funds (SWFs) of foreign governments can avail a 100% tax exemption on the interest, dividend and capital gains income in investment made in infrastructure sector on or before 31 March 2024 with a minimum lockin period of three years. Several concessional rates of withholding tax for Foreign Portfolio Investors (FPIs) and Qualified Foreign Investors (QFIs) have been announced. The abolition of Dividend Distribution Tax (DDT) would help foreign investors as the respective tax treaty provides lower tax rate on dividends. Further, in major countries the treaty provides for full exemption and underlying tax credits in case of dividends. In order to deliver higher-quality education by attracting talented teachers, building better labs etc. the government has announced steps to enable sourcing of External Commercial Borrowings (ECBs) and Foreign Direct Investment in the education system. In addition to this, a liberalised FDI regime to boost the foreign investment are also made.

Capital Market and Financial Sector

- India has a diversified financial sector undergoing rapid expansion, in terms of both strong growth of existing financial services firms and new entities entering the market. In the last few years, the focus of the government to build a digital payment ecosystem has led to an increased formalisation of the Indian economy, and helped channelize retail investments into financial products offered by mutual funds, insurance companies etc.
- In the last few years, various initiatives have been taken by the government for digitisation of financial products (such as PMJDY, Aadhar-enable e-KYC, UPI etc.) and increased penetration of the banking / NBFC sector in rural and remote areas of the country. This has led to the formalisation of the economy and higher spending habits.

- With the introduction of the Insolvency and Bankruptcy Code (IBC), banks have been able to recover bad loans from defaulting borrowers expeditiously. IBC has addressed stressed assets worth over INR 4 lakh crore.
- Some of the key policy initiatives of the government for the financial services sector in the recent past are as follows:
  - **Consolidation of Banks:** The government has initiated consolidation of weaker public sector banks with stronger public sector banks. This would lead to increased capital with banks for kick-starting the credit cycle.
  - **NBFCs:** For purchase of high-rated pooled assets amounting to INR 1 lakh crore of financially sound NBFCs, the government will provide a one-time partial credit guarantee to Public Sector Banks (PSBs) for first loss of up to 10 %.
  - **Housing Finance Companies (HFCs):** The Net Own Funds (NOF) requirement for HFCs has been enhanced from INR 2 crore to INR 10 crore.
  - **Foreign Portfolio Investors (FPIs):** The government has permitted investment under the FPI route up to the sectorial limits prescribed under the exchange control regulation as against the present limit of 24%.
  - **Insurance:** 100% FDI will be permitted for insurance intermediaries.
- The following are the key economic reforms pertaining to financials services :
  - Deposit insurance coverage limit allowed to be increased from INR 1 lakh to INR 5 lakh per depositor.
  - Eligibility limit for NBFCs w.r.t. debt recovery under Securitisation and Reconstruction of Financial Assets and

Enforcement of Security Interest Act, 2002 Act proposed to be reduced to asset size of INR 100 crore or loan size of INR 50 lakh, from the existing limit of INR 500 crore and INR 1 crore respectively.

- Specified categories of g-securities would be available for investment by non-residents as well.
- Universal pension scheme with auto enrolment to be introduced.
- FPI limits for corporate bonds to be increased to 15% from the existing 9%.
- Window for restructuring of debt available for Ministry of Micro, Small and Medium Enterprises (MSMEs) may be extended up to 31March 2021.
- Withholding concession in case of investments by non-resident in certain types of bonds listed on a recognised stock exchange located in International Financial Services Centre (IFSC).

Infrastructure Development

- The infrastructure sector has been a growth propeller for the Indian economy. The correlation of infrastructure investment to GDP has always been high. Last year, the correlation between investment in road, rail and airport infrastructure to the GDP of the country was at 0.9%.
- Massive investment is required in infrastructure to achieve the targeted economic growth of the country. India requires investment worth INR 50 trillion in infrastructure by 2022 to have sustainable development in the country.

- The country has the need to spend 7% to 8% of the GDP in infrastructure every year to be able to sustain the requirements. Recognising this, the government has been increasing its spending on infrastructure every year, with particular focus on large infrastructure investments in the areas of roads and highways, smart cities, airport and rail sector.
- India has considerably improved its ease of doing business ranking to 63 in 2020, indicating the positive thrust on improving the industrial scenario through provision of good infrastructure. (Source: Grant Thornton insights).
- Key policy initiatives and steps proposed by the government in the budget is as follows:
  - Proposal to set up a project preparation facility to enable recent pipeline projects.
  - Infrastructure agencies to involve youth in infrastructure start-ups.
  - Smart Cities proposed to be developed in collaboration with the states under public private partnership; these cities will be chosen to develop upcoming economic corridors, manufacturing and technology.
  - More number of trains similar to 'Tejas'.
  - 100 more airports to be developed under 'UDAAN' by 2024, which is likely to give a boost to the aviation sector including aviation infrastructure.
  - Corporatizing at least one major port.
  - To invest INR 1.70 lakh crore for transport infrastructure. INR 22 thousand crore to be provided to the power and renewable energy sector.

- Expansion of national gas grid to 27,000 km, which is likely to increase spending in the sector, thus improving the gas distribution network.

Rural India and Farmers Welfare

In line with the Economic Survey recommendations, the focus of the Budget was on agriculture (with an eye on doubling farmers' income), rural, education, etc. The government of India has accorded high priority to agriculture and has come out with several policy and safety net related measures to enhance farmers' income. The recent announcements made in the primary sector is : (a) allocation of INR 1,40,763.97 crore (USD 1.95 trillion) made to the Ministry of Agriculture; (b) setting up of business incubators to develop 75,000 skilled entrepreneurs in the agro-rural industry sector; (c) formation of 10,000 new farmer producer organisations over the next five years; (d) focus on zero budget farming to double farmers' income & (e) government to work for the benefit of farmers through e-NAM (National Agriculture Market).

The following are the key economic reforms proposed in the budget in relation to Food & Agriculture:

- Insurance for 6.11 crore farmers under PM 'Fasal Bima Yojana'.
- Liberalisation of farmer markets.
- Adoption of sustainable cropping patterns and introduction of technology integrated methods.
- Proposal of 16 action points which includes: (a) mobilisation of funds under 'Deen Dayal Antyodaya Yojana' for alleviation of poverty and expand Self Help Groups (SHGs);

(b) framework for development, management and conservation of blue economy; (c) comprehensive relief measures for 100 water stressed districts & (d) encouraging the implementation of certain model laws (issued by Central Government) by State Government.

Youth, Education, Women and MSMEs

The major economic reforms are: (a) employment of youth in coastal areas through Sagar Mitras and fish farmer producer organisations with view to raise fishery exports; (b) infrastructure agencies to involve youth in infrastructure start-ups & (c) implementing 'Kayakave Kailasa', the government will enable about 10 million youth to take up relevant skill training through the 'Pradhan Mantri Kaushal Vikas Yojana' (PMKVY). It will include new-age skills like AI, IoT, big data, 3D printing, VR and robotics.

The key budget announcement relating to education and skill developments are: (a) in order to deliver higher quality education, sourcing through ECB and FDI is proposed; (b) apprenticeship embedded degree/diploma courses by March 2021 to be instated by 150 higher educational institutions; (c) Ind-SAT to be held in Asian and African countries under "Study in India" programme; (d) proposed to attach a medical college to an existing district hospital in PPP mode & (e) a start-up programme whereby Urban local urban bodies provides immense opportunity for fresh engineers.

With respect to MSMEs the budget has provided the following fruitful reforms/measures such as: (a) window for restructuring of debt available for MSMEs may be extended up to 31 March 2021; (b) necessary amendments made to the Factor Regulation

Act 2011 to enable NBFCs to extend invoice financing to MSMEs through TReDS, thereby enhancing their economic and financial sustainability; (c) auto component industry significantly dominated by MSMEs; provision for access to working capital through new scheme will enable them to remain competitive; (d) creation of Unified Procurement System in the country in the Government e-Market place for providing a single platform for procurement of goods, services and works. A great opportunity for MSMEs; (e) National Logistics Policy to be released soon to create a single window e-logistics market and focus on generation of employment, skills and making MSMEs competitive; (f) an app-based invoice financing loan product to be launched for MSMEs & (g) proposal for subordinate debt scheme to address working capital credit requirements of MSME entrepreneurs by banks as quasi-equity and fully guaranteed through Credit Guarantee Trust for Medium and Small Entrepreneurs (CGTMSE).

Direct Tax

1. Personal Tax

A. New Regime

- The Budget has proposed a new tax regime for Individuals and HUF's with effect from fiscal year 2020-21 with a reduced tax rates. This new scheme proposed in the budget involves foregoing the following deduction/exemptions.
  - The aggregate deduction up to 0.15 million from the Gross Total Income (GTI), allowed in the erstwhile provisions.

- All the deduction from the salary income.
- Certain other deductions specified therein. The new Regime is optional for the tax-payers. In case of individual having business income, the options once exercised cannot be changed in subsequent years.

B. Residential status

- In determining the residential status of Citizens of India and PIO, the period of stay has been reduced to 120 days instead of 182 days. This will increase the tax base for India.
- The Finance bill proposes a new rule for qualifying as Not Ordinary Resident (NOR), whereby an individual will qualify as NOR if he/she has been a non-resident in India in 7 out of 10 preceding years.
- With modification of tax residency rules, globally mobile individuals would need to evaluate their residential status in India as their global income can become exposed to tax in India.

C. Deemed Residency

- Initially in the budget, the global income earned by an Individual which is not taxed in any other county by virtue of his domicile, residency will be taxed in India. This was done to curb the harmful tax practise followed by the individuals by shifting their residence in low tax or tax heaven jurisdiction.
- This gave rise to a question, even the legitimate salary income earned by a bonafied employee in the tax heaven jurisdiction will be bought to tax in India? To clarify the above, the CBDT has issued a press release stating that "income attributable to

the business or profession carried on India” by such persons are only taxed and not the other income.

D. Dividend Distribution Tax (DDT)

- Currently, companies are required to pay DDT on the dividend declared/distributed/paid to shareholders at the rate of 15% plus applicable surcharge and cess.The Budget now proposes to abolish DDT for dividends declared, distributed or paid on or after 1st April 2020. Consequently, dividends will be subjected to tax in the hands of the shareholders in all cases.It is also proposed that interest expenditure be allowed as deduction from dividend income, subject to a cap of 20% of such income. The applicable rate of tax for dividend income as per India - Japan tax treaty is 10%.

E. Others

- Under the existing provisions, additional deduction of interest up to INR 150,000 is available in respect of loans taken from a financial institution to purchase an affordable residential house subject to certain conditions. One of the conditions for claiming such deduction is that the loan should be sanctioned before 31 March 2020. It is proposed to extend the period of sanctioning of loan to 31 March 2021.
- The overall limit of employer contribution to certain recognised and approved funds is pegged at INR 0.75 million. Any contribution in excess of the specified amount will be taxable as income in the hands of employee. This proposal signals an intent to shift from the Exempt-Exempt Exempt (EEE) regime. The restriction will impact employees in higher income brackets.

2. Start-ups

- Tax holiday eligibility criteria for start-ups is aligned with conditions prescribed by the Department for Promotion of Industry and Internal Trade (DPIIT).
  - Turnover cap for start-up has been increased to INR 1000 million from INR 250 million.
  - The period for exemption is extended from 7 years to 10 years.
- Deferment of payment of withholding tax from the time of exercise of ESOP to:
  - Expiry of 48 months from the end of the relevant year in which the exercise is made or
  - Date of sale of securities or
  - Date on which individuals cease to be an employee (whichever is earlier). Deferring the taxation of the perquisite income arising from exercise of ESOPs for eligible start-ups is a welcome step. However, the benefit could have been extended to all companies as the employees face the same tax burden.

3. International Tax

A. Digital Taxation

- In respect of taxable income arising on account of Significant Economic Presence of NR in India the following attribution rules have been specified. Taxable income shall include income from the following:

- Advertisements which targets resident customer or through Indian IP address.
- Sale of data collected from a resident or through an Indian IP address.
- Sale of goods/services from data collected from residents or through an Indian IP address .

- The aforesaid attribution rules impact the business that have operations in India through digital means in respect of above mentioned transaction. This is a significant step towards taxation of digital economy.
- Insertion of new section in the budget imposing withholding tax at the rate of 1% on the gross amount of sales or service by an e-commerce operator on payments made to an e-commerce participant (i.e. person selling goods and/or services on electronic or digital platform).
- Payments made to an individual or HUF e-commerce participant are exempt from withholding tax if the gross amount does not exceed INR 500,000 subject to furnishing of PAN/Aadhaar.
- In the absence of PAN/Aadhar of the e-commerce participant, withholding tax rate at the rate of 5% shall be levied.
- E-commerce participants shall be entitled to obtain lower tax deduction certificate in respect of proceeds receivable from e-commerce operators.

B. Royalties, Interest and dividends

- As a result of abolishing DDT, the consequential amendment was brought to tax the dividend income distributed by Indian company to NR @ 20%.

- Currently, royalties exclude any amount paid for sale, distribution or exhibitions of cinematography films. It is now proposed to include such amounts within the purview of royalties.
- The applicable tax rate for royalty and interest as per India-Japan tax treaty is 10%.
- The Budget proposes that non-residents are required to file their tax returns in cases where the withholding tax rates are lower than the tax rates specified in the domestic law. Non-residents are eligible to take lower rate as per applicable tax treaty, in which case they will be obligated to file the tax returns in India.

C. Transfer pricing

- From AY 2020-21, it is proposed that taxpayers can opt for Safe Harbour Rule (SHR) to determine the income attributable to a PE in India (detailed rule are expected to be notified separately). It has also been clarified that Advance Pricing Agreement (APA) provisions shall also apply to determine income attributable to a PE, in cases of APAs entered into on or after 01 April 2020.This is more in nature of clarification, as in past foreign branch in India has entered into APA.Taxpayers need to be cautious while evaluating whether to go for SHR or APA.
- It is now proposed that a taxpayer can approach a DRP (Dispute Resolution Panel) against all variations even if they do not impact the returned income or loss. For example, if a software developer has been characterised by the tax officer as a contract R&D service provider, without

disturbing the arm's length price, the taxpayer can now approach DRP.

- The Budget has also proposed that the DRP provisions be extended to cover non-resident non-corporate taxpayer. It is a big relief for non-corporate non -residents, who can now access the faster DRP route.
- The due date for furnishing transfer pricing audit report has been revised to 31st October of the assessment year instead of 30th November thereof.
- With effect from fiscal year 2020, it is proposed that to exempt Indian branches of foreign banks from the interest limitation rules.

D. Others

- Under the existing provisions, fund managers of eligible investment funds (EIFs) do not constitute 'business connection' in India for the EIF. This is subject to conditions which include a cap of 5% investment by residents in the particular EIF. This condition is proposed to be relaxed, whereby the investment by the fund manager during the first three years not exceeding INR 250 million shall not be counted for the 5% cap. Further, it is proposed that the minimum fund corpus shall be achieved within a period of 12 months instead of the existing 6 months.
- The Budget proposes to exempt Category I FPIs from the applicability of indirect transfer provisions.
- In alignment with Article 6 of the multilateral instruments (MLI), the Budget proposes to deny treaty benefits to all arrangements created for the purpose of tax evasion and avoidance.

4. Corporate Taxes

A. Concessional Taxes & Deductions

- In order to eliminate the cascading tax effect in case of inter-corporate dividends by providing a deduction in respect of dividends received by a domestic company to the extent such dividend is distributed. Such deduction shall be allowed only if the dividend is distributed by the company at least one month prior to due date of filing of return of income.
- However, it is pertinent to note that in case of Indian company receiving dividends from the foreign subsidiary company this provision is not applicable. To this extent the cascading effect is not fully provided.
- There is new tax regime for manufacturing companies which provides for concessional tax rate of 15%. From fiscal year 2020 onwards, companies engaged in electricity generation are included in the regime. It is a welcome move to boost investment in infrastructure spending in relation to generation of electricity.
- Currently the companies who are opting for concessional tax rates cannot avail the deductions and allowance specified in Chapter VI-A except for deductions in respect of expenditure incurred for employment of new employees and inter corporate dividends.

B. Audit & Return Filing

- It shall be proposed to increase the turnover threshold for mandatory tax audit for persons carrying on business from, INR 10 million to INR 50 million. The essential condition is that cash receipts and payments do not exceed 5% of the total receipts and payments, respectively. The increase in turnover threshold is a welcome move as it will ease compliance burden for MSMEs.

- The time limit for filing the return of income who are liable to tax audit, from fiscal year 2020-21 onwards will be 31st October.
- Further the tax audit report should be filed one month prior to the due date for filing income tax return.

C. Banks and Insurance Companies

- This benefit of carry forward loss and unabsorbed depreciation is proposed to be extended to all banks whether incorporated as companies or not as well as general insurance companies. This proposal is intended to facilitate consolidation of public sector banks and insurance companies. The amendment seeks to facilitate re-organisation and re-capitalisation of public sector banks and general insurance companies.

5. Other forms of Entity

A. Concessional rate for co-operative society

- At present the co-operative societies are taxed at 30% tax rate. The budget proposes to tax at a reduced rate of 22%. Earlier this provision was available only for companies. Further Alternate Minimum Tax (AMT) provisions and provisions related to carry forward and set-off of AMT credit will not apply to such resident co-operative societies exercising this option.

B. Business Trust

- Currently, only listed Infrastructure Investment Trust (InvITs) and REITs are eligible to qualify as a business trust to get a pass-through status for specified streams of income. A change has been proposed to make unlisted trusts eligible for the beneficial provisions.
- The amendment will facilitate a level-playing field for private unlisted and public listed trusts with respect to availing of tax benefits.
- Income earned from a business trust in the nature of dividend from an SPV, which were earlier exempt from tax, is now required to be offered to tax by the unit holder. Hence it would be useful to evaluate the Inveit structure.

C. Mutual Funds

- Income from units of a mutual fund, currently exempt and subject to distribution tax, is proposed to be taxed in the hands of the unit holder with effect from 01 April 2020. It is also proposed that the payer shall withhold taxes at the rate of 10% on such income if it exceeds INR 5,000 and the unit holder is a resident in India. In the case of a non-resident unit holder, it is expected that the payer shall deduct tax at the rate of 20%.

D. Public Charitable Trust & Others

- The interest, dividend and long-term capital gain earned by a wholly owned subsidiary of Abu Dhabi Investment Authority and Sovereign Wealth Funds (SWFs), meeting specified conditions, be exempt in respect of investments in infrastructure facilities made on or before 31 March 2024 and held for a period of three years.

6. Capital gains

- It is proposed to increase the tolerance limit to 10% from existing 5%. It is also proposed that the cost of immovable property acquired prior to 1 April 2001 shall not exceed the stamp duty value as on 01 April 2001, if available, to compute capital gains.

7. Faceless Assessment, Appeals, and withholding Taxes

A. Withholding tax

- The AD banker is required to withhold TCS at rate of 5% on every remittance made by the buyer in the LRS scheme.
- Every seller of an overseas tour packages required to withhold TCS at the rate of 5% without any limit.TCS shall be levied at 10% in case Permanent Account Number (PAN)/Aadhaar is not furnished.
- The benefit of concessional withholding tax rate of 5% in respect of interest on overseas borrowings, long-term bonds and Rupee Denominated Bonds (RDBs) is available up to 1 July 2020. It is now proposed to extend this benefit for borrowings made up to 1 July 2023.
- In respect of long-term bonds and RDBs listed on a recognised stock exchange in an IFSC, beneficial withholding tax rate of 4% is proposed. The amendment is proposed to be effective from 1 April 2020.

- At present interest paid to an FII or a QFI on government securities and RDB attracts 5% withholding tax. It is proposed to extend the benefit of lower withholding rate up to 1 July 2023. Additionally, this benefit will be extended to investments in municipal debt securities. The amendment is proposed to be effective from 1 April 2020.
- The Budget proposes to introduce withholding tax on dividend pay-outs to residents exceeding INR 5,000 by any mode at the rate of 10%. Dividend paid to a non-resident would also be subject to withholding tax at the rate of 20% or any other beneficial rate as per applicable treaty.
- With a view to reduce litigation on account of short deduction of tax, fees for technical services (other than professional services) paid to resident will now attract withholding at a reduced rate of 2%. Further there is no exemption provided to expats.
- It is proposed that a seller of goods shall collect tax on payments in excess of INR 5 million at the rate of 0.1% (1% in case of no PAN/Aadhar) provided the seller's turnover exceeds INR 100 million.

B. Faceless assessments, appeals and penalty

- A new direct tax amnesty scheme 'Vivad Se Vishwas' has been proposed, encouraged by the success of the indirect tax Sabka Vishwas (Legacy Dispute Resolution) scheme, with a view to reduce litigation. The scheme proposes full waiver of interest and penalty if the disputed tax amount is paid by 31 March 2020. The scheme shall remain open till 30 June 2020, but the amnesty will only be partially available for payments made after 31 March 2020.

- With a view to enhance the trust between the taxpayer and the tax collector and to nurture an atmosphere of mutual cooperation, the Finance Minister has announced the introduction of a taxpayer's charter in the statute. The Central Board of Direct Taxes (CBDT) has been mandated to adopt and implement the charter. The details of the charter are expected to be announced shortly.
- With effect from 1 April 2020, it is proposed that the Income Tax Appellate Tribunal (ITAT) may grant stay subject to payment of 20% of tax demand or furnishing of security of an equal amount.
- The Budget proposes an e-appeal scheme for disposal of appeals by the Commissioner of Income Tax (Appeals). A detailed notification will be issued soon.
- Following the foot-steps of faceless assessment and appeal, the budget also proposes an e-penalty scheme. A detailed notification will be issued soon.

Indirect taxes

The government has re-affirmed the introduction of a simplified return filing system from 1 April 2020 focusing on overall simplification with improved flow of ITC. E-invoicing system will be implemented in a phased manner starting February 2020 optionally; it will be made mandatory from1 April 2020. A new scheme has been launched to allow exporters to obtain refund of taxes (such as electricity duty, VAT on fuel used for transportation etc.) which are not exempted or refunded under the current regime. Aadhar-based verification to be introduced to weed out dummy/non-existent taxpayers to check tax evasion.

The Budget proposes to impose penalty on any beneficiary who retains the benefit of illegitimate ITC or any tax evaded, equal to such amount. Similar provisions have been extended to such beneficiaries only incase of cognisable and non-bailable offences. Further to track down the same even in the direct tax, a new section was inserted for penalising the false/omission of entry in the books of account. Amendment in the GST law has been proposed to include Dadar and Nagar Haveli, Daman and Diu, and Ladakh as union territories. GST officers have been empowered to cancel taxpayers' voluntary registration.The manner and time limit for availing transitional ITC of the pre-GST regime will be prescribed. Additional window to allow transitional ITC could be a welcome move if implemented for all taxpayers retrospectively.

Imposition of Health Cess on specified imported medical devices. Health Cess has been imposed with the dual objective of providing impetus to the Make in India scheme and creating a viability gap funding window for setting up hospital sunder the Ayushman Bharat scheme. Amendment in rules have been proposed related to anti-dumping duty on dumped articles and countervailing duty on subsidised articles. Stricter provisions for imposition of anti-dumping duties including investigations would help in protecting domestic players.

An electronic duty credit ledger will be created on the customs portal in order to provide duty credit in lieu of duty remissions (for export and other similar benefits) for duty payment. The proposal is a welcome move to avoid manual intervention, similar to the GST laws. Importers would be required to provide compliance declaration, maintain proper records and provide requisite data to substantiate compliance with rules of origin.

Non-compliance to amended procedures for claiming preferential rate could lead to full disallowance or temporary suspension.

There are changes in the custom duty rates for various products and use-based rate changes proposed under Customs Tariff Act, 1975. Changes in duty rates are in line with the government's aim to protect, safeguard and boost domestic market, ultimately fulfilling the objective of its Make in India initiative.

Budget 2020 Few Prominent misses

- Though a much awaited personal tax regime was introduced providing for concessional rates for individuals, the other aspect of reducing the super-rich surcharge has not been amended. As a result, the high net worth individuals is required to pay tax at the rate of 42.74%. This becomes even more burdensome with the abolition of DDT.
- As a measure to promote more investment and FDI into India, the much awaited expectation was to eradicate the tax on sale of listed long-term equity shares. However, this was not acted upon in the budget.
- One of the major misses being that there was expectation of extension of sunset clause of the Special Economic Zone tax benefits which was not fulfilled.
- Although there were concessional tax rates which are provided for domestic, manufacturing companies, power generation companies and co-operative society, there was no such extension available to information technology / software industries. This was a huge expectation around the budget from various IT/ITes companies across the globe.

- In order to reduce litigation for multi nation corporation, re-alignment of safe harbour rules in line with business environment.
- Even after allocating a specific task force for unveiling the DTC, Budget 2020 remained silent on the introduction of the Direct Tax Code.
- One sector which did not get the desired attention from a Foreign Direct Investment perspective was the Defence Sector where there was expectation that the government route for FDI in the Sector would be increased from 49% to 74%. This move was required considering the immediate need for transfer of technology and know-how required for the rapid growth and development of the defence equipment manufacturing sector.

Conclusion

The action points of union budget 2020 has given equal focus to primary, secondary and tertiary sectors. From an ease of doing business perspective, India is ranked at 63rd position. This is expected to be further improve with significant economic reforms proposed in the budget. If the policies and reforms are implemented in true spirit, the expected GDP of 10% can be achieved. Abolition of dividend distribution tax is a positive message to foreign investor as it will ensure lower tax cost to upstream profits from Indian Corporate to Overseas Corporate shareholder.

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