

Advisory, Tax & Regulatory Services in India, Singapore & the US

Businesses should know these changes in Income Tax Rules w.e.f April 2020

CURRENT TAX RATES FOR DOMESTIC COMPANIES

PARTICULARS	TAX RATES
Company opting for section 115BA	25%
Company having turnover or gross receipt of up to Rs. 400 crore in the previous year 2017-18*	30%
Any other company	30%
MAT –(Earlier it was 18.5%)	15%

Company	Net Income is between Rs 1Cr-Rs 10Cr	Net Income exceeds Rs 10 Cr
Domestic Company	7%	12%

Health and Education cess: 4% of income tax plus surcharge.

REDUCED CORPORATE TAX RATES – ALL COS.

- **SECTION 115BAA – APPLICABLE FROM FY 2019-2020**
- **REDUCED CORPORATE TAX RATE – 22%**
- **SURCHARGE – 10%**
- **EDUCATION CESS – 4%**
- **EFFECTIVE TAX RATE – 25.168%**
- **MAT – NOT APPLICABLE TO SUCH COMPANIES**
- **NO MAT CREDITS AVAILABLE TO SUCH COMPANIES**
- **NO LOSSES FROM PREVIOUS YEAR CAN BE SET OFF IN THE YEAR IN WHICH SUCH OPTION IS EXERCISED**
- **ONCE THE COMPANY OPTS FOR SECTION 115BAA IN A PARTICULAR FINANCIAL YEAR IT CANNOT BE WITHDRAWN**

REDUCED CORPORATE TAX RATES – MFG COS.

- **SECTION 115BAB – APPLICABLE FROM FY 2019-2020**
- **REDUCED CORPORATE TAX RATE – 15%**
- **SURCHARGE – 10%**
- **EDUCATION CESS – 4%**
- **EFFECTIVE TAX RATE – 17.16%**
- **MAT – NOT APPLICABLE TO SUCH COMPANIES**
- **THE COMPANY MUST BE ENGAGED IN THE BUSINESS OF MANUFACTURE OR PRODUCTION OF ANY ARTICLE OR THING.**
- **THE COMPANY HAS BEEN SET UP OR REGISTERED ON OR AFTER OCTOBER 1, 2019.**
- **THE COMPANY HAS COMMENCED MANUFACTURING ON OR BEFORE 31ST MARCH 2023**

NEW TAX REGIME FOR INDIVIDUALS WEF FROM FY 2020-2021

- If an individual and HUF exercises an option to not to claim various exemptions or deductions provided otherwise under the Act, the applicable slabs and tax rates will be as under:-

S.NO.	TOTAL INCOME	RATE OF TAX
1.	Upto 2,50,000	Nil
2.	From 2,50,001 to 5,00,000	5%
3.	From 5,00,001 to 7,50,000	10%
4.	From 7,50,001 to 10,00,000	15%
5.	From 10,00,001 to 12,50,000	20%
6.	From 12,50,001 to 15,00,000	25%
7.	Above 15,00,000	30%

EXEMPTIONS OR DEDUCTIONS NOT AVAILABLE IF OPTING TO PAY TAXES UNDER NEW REGIME

- **Standard deduction of Rs.50,000**
- **Leave Travel Allowance under Section 10(5)**
- **House Rent Allowance under Section 10(13A)**
- **Certain allowances under Section 10(14) as will be prescribed**
- **Deduction of interest up to Rs.2,00,000/- allowable under Section 24(b) in respect of self occupied property.**
- **Deduction of 1/3rd of family pension allowable under Section 57(iia)**
- **All deductions allowed under Chapter VI-A (except the deduction under Section 80 CCD(2) and Section 80 JJAA) including of Rs. 1,50,000/- under Section 80C in respect of contribution to provident fund, life insurance premium and deduction of Rs.50,000/- as contribution to NPS under Section 80CCD (1B).**
- **Allowance for Minor Child Income allowable under Section 10(32) on clubbing of minor income**

CHANGE IN THE RULE OF RESIDENTIAL STATUS WEF FY 2020-2021

- **The Finance Act 2020 applicable for AY 21-22 has altered the Provision for Indian Citizens and Persons of Indian Origin.**
- **Accordingly the period of 182 days specified in the Explanation for Indian citizen and person of Indian origin, has been reduced to 120 days.**
- **The Finance Act 2020 also introduced the concept of Deemed Resident.**
- **Thus according to the new Provision introduced, those Indian citizen having total Income other than Income from foreign sources exceeds Rs. 15 lacs, who don't have a domicile or residence in any other country, will be Deemed to be Resident of India.**

REDUCED RATE OF TDS ON FEES FOR TECHNICAL SERVICES WEF FY 2020-2021

- Section 194J of the Income Tax Act, 1961 has been amended with effect from 1st April 2020 ***wherein fees for technical services other than professional services is liable for deduction of TDS @ 2%. Previously the same was taxed at the rate of 10%.***
- It is noticed that there are large number of litigations on the issue of short deduction of tax treating assessee in default where the assessee deducts tax under section 194C, while the tax officers claim that tax should have been deducted under section 194J of the Act.
- ***The Finance Act has now extended the reduced TDS rate of 2 per cent to royalty in the nature of consideration for sale, distribution or exhibition of cinematographic films.***

DIVIDEND DISTRIBUTION TAX AND TAX ON DIVIDENDS WEF FY 2020-2021

SECTION 115-0 – DIVIDEND DISTRIBUTION TAX

- **DDT IS REMOVED WITH EFFECT FROM AY 2021-2022.**
- **COMPANIES ARE NOT REQUIRED TO PAY TAX ON DIVIDEND DISTRIBUTED BY THEM**
- **IT WILL BE TAXED IN THE HANDS OF RECIPIENT.**

SECTION 194 – TDS ON DIVIDENDS

- **THE COMPANY DISTRIBUTING DIVIDEND HAS TO DEDUCT TDS ON DIVIDEND DISTRIBUTED IN ANY MODE**
- **MONETARY LIMIT – RS 5000 (EARLIER IT WAS RS 2500)**
- **RATE OF TDS – 10%**

SECTION 1940 – TDS ON PAYMENTS MADE TO E-COMMERCE PARTICIPANTS WEF FY 2020-2021

- With effect from **01st April, 2020**, a **new levy of TDS under Section 1940 at the rate of 1%** is inserted to be paid by e-commerce operator for sale of goods or provision of services facilitated by it through its digital or electronic facility or platform.
- **This provision will not apply** in cases where the seller's gross amount of sales during the previous year through the e-commerce **operator is less than Rs 5 lakh and has furnished his PAN or Aadhaar number. This limit is applicable only for resident individual and HUF**
- If the e-Commerce participant **does not furnish his PAN or Aadhaar, TDS must be deducted at the rate of 5%**, as per provisions of Section 206AA.
- Non-resident e-Commerce participants are exempted from the scope of this section.
- **This section is applicable from 1st October 2020**

AMENDMENT IN SECTION 44AB – TAX AUDIT WITH EFFECT FROM FY 2020-2021

- With effect from ***01st April, 2020***, in order to reduce compliance burden, the threshold limit has been increased for ***a person carrying on business*** from ***one crore rupees to five crore rupees*** in cases where,-
- ***aggregate of all receipts in cash during the previous year does not exceed 5% of such receipt; and***
- ***aggregate of all payments in cash during the previous year does not exceed 5% of such payment.***

CHANGES IN DUE DATE FOR FILING RETURN OF INCOME WEF FY 2020-2021

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PENALTY FOR FALSE OR OMITTED ENTRIES FOUND IN BOOKS OF ACCOUNTS – SECTION 271AAD

- If it is found during any proceeding under the Act that in the books of accounts maintained by any person, there is a (i) false entry or (ii) any entry relevant for computation of total income of such person has been omitted to evade tax liability, then such person shall be liable to pay by way of penalty, a sum which is equal to the aggregate amounts of such false entries or omitted entry.
- Further, penalty will be levied of the aggregate amounts of such false entries or omitted entry on any other person who causes the assessee in making the false entry or omits or causes to omit an entry.

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