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2020 India budget summary

Finance Minister Nirmala Sitharaman today unveiled a budget which intends to unify three ideas - Aspirational India, Economic development, A Caring Society. It aims at boosting infrastructure, foreign investment, ease of living and technology led governance, and is directed at inclusive and equitable growth.

Below are some key highlights of the budget proposals.

I. Direct Taxes

1. Income tax Rates:

   1. Individuals:

   ***New optional tax slabs:** New income tax slabs will be available for those who forgo certain prescribed exemptions.

Taxable Income Slabs	Tax Rates
Up to Rs 2.5 lakh	Nil
Rs 2.5 lakh to Rs 5 lakh	5%
Rs 5 lakh to Rs 7.5 lakh	10%
Rs 7.5 lakh to Rs 10 lakh	15%
Rs 10 lakh to Rs 12.5 lakh	20%
Rs 12.5 lakh to Rs 15 lakh	25%
Rs 15 lakh and above	30%

*without considering the rebate

B) Corporate Tax:

- No revision in the tax rates. Additionally, the 15% concessional tax rate, as applicable for Manufacturing companies, is now extended for new power generation companies.
- However, a major relief coming by way of abolition of Dividend Distribution Tax (DDT). Companies will not be required to pay DDT; dividend to be taxed only at the hands of recipients, at applicable rates. Foreign investors hence will get credit for the tax paid/ deducted in their home countries.

C) Co-operative Societies:

- Tax on Cooperative societies to be reduced to 22% plus surcharge and cess, as against 30% at present.

2. Modification in the residency provision:

   i. In order to prevent the misuse of the previous provisions where individuals used to plan their stay up to 181 days in India to avoid attracting “RESIDENT” status which would mean their “global income” would become taxable in India, it has now been amended that if Indian citizen not having “residency” status in any of the foreign country shall now be considered as “RESIDENT” in India for tax purpose even though required no. of days are not fulfilled in India.

   ii. Person of India origin or Indian citizen coming to India (i.e. Returning NRI) and stays for more than 120 days (previously here it was more 182 days) shall become “RESIDENT” in India for tax purpose.

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3. Tax burden on employees of start-ups due to tax on ESOPs to be deferred by five years or till they leave the company or when they sell, whichever is earliest.
4. The turnover limit of tax exemption for start-ups as available for any three consecutive years out of seven years is raised from rupees 25 crores to 100 crores.
5. Turnover threshold for audit of MSMEs to be increased from Rs 1 crore to Rs 5 crore, to those businesses which carry out less than 5% of their business in cash.
6. 100% tax concession to sovereign wealth funds on investment in infra projects.
7. Faceless Appeals to be introduced.
8. To launch new direct tax dispute settlement scheme - Vivaad se Vishwaas scheme. New Amnesty scheme is provided for the pending cases with the Appellant Authorities of Income Tax where the taxpayer is required to pay only Disputed Tax amount with complete waiver of interest and penalty. The window is open till 31 March 2020. However, the scheme can be availed after 31 March 2020 but before 30 June 2020, by payment of additional charges.
9. Registration of charity institutions to be made completely electronic.
10. Donations received by charity institutions will have to be reported online by such institutions. This will enable availability of pre-filled information for the donors to claim exemptions for donations easily.
11. Tax holiday for affordable housing extended by 1 year.
12. The tolerance limit of difference between the agreement value and stamp duty value for immovable properties is increased from 5% to 10%.

II. Goods and Service Tax (Indirect Taxes)

1. Further simplified return format for GST Will be introduced from April 2020.
2. New electronic invoicing (e-invoicing) system under GST for limited category of taxpayers will be started from 1st April 2020.

III. Foreign Exchange Laws:

1. FPI limit in corporate bonds raised to 15% from 9%.
2. Certain specified categories of government securities which were earlier restricted will be open fully for NRIs

The Government's vision to create a tech-enabled tax system is a welcome initiative. The proposed structural reforms have set high expectations for its seamless implementation and for the economic benefits that it may bring with it. In all, this Budget has set the tone for considerable future discourse.

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