NDA Update – Highlights of important changes in the Finance Act 2020 compared to Finance Bill 2020

Subject	Proposal as per Finance Bill	Provision as per Finance Act
Tax Residency Provisions – Deemed Residency	An Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India.	It will apply to Indian citizens whose total income (excluding income from foreign sources) exceeds Rs 15 lacs in the previous year. Further such citizen would be regarded as "Resident but not Ordinary Resident"
Tax Residency Provisions – For visiting Indian citizen or Person of Indian Origin	The period of visit to India by an Indian citizen or Person of Indian Origin from outside India proposed to be reduced from 182 days to 120 days for tax residency test.	It will apply only to Indian citizens whose total income (excluding income from foreign sources) exceeds Rs 15 lacs in the previous year. Further such citizen would be regarded as "Resident but not Ordinary Resident" if stay in India is less than 182 days.
Note - "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).		

Subject	Proposal as per Finance Bill	Provision as per Finance Act
Optional Tax Regime for individuals & HUF (Section 115BAC)	In case of assessee having income from business, the option has to be exercised before the due date of furnishing the ITR and exercised option shall apply to subsequent assessment year. In all other cases, the option has to be exercised every year while filing the ITR.	In case of assessee having income from business **or profession**, the option has to be exercised before the due date of furnishing the ITR and exercised option shall apply to subsequent assessment year. In all other cases, the option has to be exercised every year while filing the ITR. **Thus income from profession has been brought at par with income from business for the purpose of this section.**
Tax on Dividend Income	It is proposed that dividend received by a domestic company from any other domestic company shall be entitled to deduction up to the amount of dividend distributed by the company till one month prior to the due date of filing of return.	Besides dividend received from any domestic company, **dividends received from foreign companies and business trust** will be eligible for deduction under Section 80M.

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Subject	Proposal as per Finance Bill	Provision as per Finance Act
Tax on Dividend Income	Dividend distributed after 31st March 2020 is proposed to be taxable in the hands of the shareholders at the applicable rate and exemption presently applicable under Section 10(34) shall no longer be available.	Dividend received by assessee on or after 01-04-2020 shall not be included in his income if DDT has already been paid on such dividend under section 115-O and assessee has paid tax under section 115BBDA, wherever applicable.
Tax Collected at source – Enlargement of scope under Section 206C	Applicability with effect from 01-04-2020 for the new items	Applicability deferred to 01-10-2020 for the new items
	A person (having a turnover of more than Rs 10 crores during the immediately preceding financial year) being a seller of goods (other than alcohol, tendu leaves, timber, forest produce, scrap, minerals etc which are already covered for TCS), and receiving aggregate sale consideration exceeding Rs 50 lacs from a buyer in any previous year shall collect tax @ 0.1% of the sale consideration exceeding Rs 50 lacs.	It has been amended to exclude export of goods out of India from the purview of TCS.
	• Authorised dealer (AD) to collect tax at source @ 5% (10% in non PAN cases) on overseas remittance exceeding Rs 7 lacs in a financial year received from a buyer for remittance under Liberalised Remittance Scheme (LRS). • Seller of an overseas tour programme package to collect tax at source @ 5% (10% in non PAN cases) from a buyer of such tour package.	• Threshold limit of Rs 7 lacs will not be applicable if the remittance by AD under LRS is towards purchase of overseas tour programme package. • TCS at the applicable rate would be levied on the amount exceeding Rs 7 lacs as against the earlier requirements of on the whole amount if the amount of remittance by AD under LRS is for the purpose other than for purchase of overseas tour programme package. • TCS @0.5% by AD on overseas remittance exceeding Rs 7 lacs in a financial year, if the amount remitted is out of a loan obtained from a financial institution (as defined under Section 80E) for pursuing any education. **(This provision was not there in Finance Bill)**

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Subject	Proposal as per Finance Bill	Provision as per Finance Act
TDS on E-commerce transactions – Section 194-O	Applicability with effect from 01-04-2020	Applicability deferred to 01-10-2020 Further amendments which were not there in Finance Bill: • E-commerce operator shall be deemed to be the person responsible for paying to e-commerce participant for the purpose of TDS • For purpose of removing difficulty, power has been given to CBDT to issue guidelines.
Tax deduction on income in respect of units of Mutual Fund (Section 194K)	Any person responsible for paying to a resident any income in respect of units of a Mutual Fund specified under clause (23D) of section 10 or units from the administrator of the specified undertaking or units from the specified company shall at the time of credit of such income to the account of the payee or at the time of payment thereof by any mode, whichever is earlier, deduct tax at the rate of 10% if the payment exceeds Rs 5,000.	It has been amended that requirement of deduction of tax at source shall not apply in case of income in the nature of capital gains.
TDS on cash withdrawal from banks / post office (Section 194N)	Nothing was there in the Finance Bill	Section 194N has been substituted by a new section with effect from 01-07-2020. The tax will be deducted at source @ 2% on the amount of withdrawal if the amount exceeds Rs 1 crore. **A new requirement has also been added which is as under:** In case of a person who has not filed the ITR of 3 consecutive earlier assessment years and the time limit for filing of ITR has already been expired, TDS will apply @ 2% if the aggregate withdrawal exceeds Rs 20 lacs in a year. Rate of TDS will be 5% in case of aggregate withdrawal during the year exceeds Rs 1 crore.

Other important changes

The rate of TDS on dividend payments to non resident or a foreign company was not specified in Part-II of the First Schedule of the Finance Bill leading to ambiguity regarding rate of TDS. This ambiguity has been removed now. Part-II of First Schedule is amended to provide the rate of TDS from dividend income distributed to a foreign company, non-resident Indian or other non-resident person. In case of all such persons, the tax shall be withheld from the dividend income @ 20%. However, where dividend income of a non-resident person is chargeable to tax at rate lower than 20% as per the provision of Double Taxation Avoidance Agreement (DTAA) then tax shall be deducted at a rate provided under DTAA.