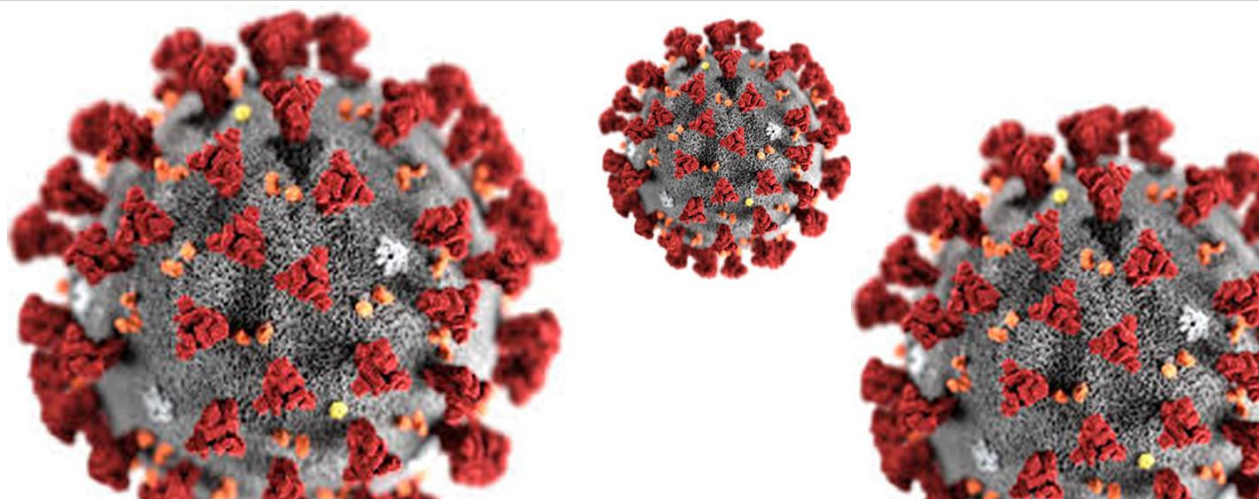




B K KHARE & Co
CHARTERED ACCOUNTANTS

BKK ALERT
Friday, 15 May 2020



Stimulus Economic Package 2.0 – Further Direct Tax Measures Amidst COVID-19

Economic activity in the country has almost come to a standstill following the series of nationwide lockdowns caused by the COVID-19 pandemic beginning March 25. While there have been some relaxations to the lockdown, allowing commencement of economic activity, the economic wheel is yet to come into motion. To stimulate this, the Prime Minister (PM) unveiled a special economic package on May 12, along with the launch of “Aatmanirbhar Bharat Abhiyan”, to make India self-reliant. This special package, along with the earlier announcements by the government and the RBI, are to be to the tune of Rs. 20 lakh crores, which is equivalent to approximately 10% of India's GDP. The PM also laid great emphasis on making local products global products by being vocal about them.

Pursuant to the announcement, the Finance Minister (FM), on May 13, 2020, announced the first tranche of the economic package and clarified that the idea of “Aatmanirbhar Bharat”, was not to make India an isolated country, but was to build a confident India, capable of contributing to the world's economic growth. The five pillars of “Aatmanirbhar Bharat” are - Economy, Infrastructure, Technology-driven systems, Vibrant Demography and Demand.

The FM announced various measures, aimed at increasing liquidity in the hands of MSMEs, NBFCs, DISCOMs and at providing EPF support for businesses and workers. To this end, she

also announced that reduced rates of withholding tax and of tax collection at source under various provisions of the Income-tax Act would be applicable. Extension of certain due dates under the Income-tax Act to reduce the pressure of compliance were also announced. Other tranches of the stimulus package are to be announced as the week progresses.

Some Key Tax Changes

Reduction In The Rates Of TDS And TCS

The prescribed rates of tax deducted at source ('TDS'), on specified non-salaried payments to resident payees and for tax collection at source ('TCS'), have been reduced by 25%. The reduced rates of TDS / TCS have been made applicable from May 14, 2020 to March 31, 2021. →

Extension Of Return Filing Date And Furnishing Of Tax Audit Report

Section 139 of the IT Act provides for the due date of filing the income tax returns for various taxpayers. For taxpayers who are required to furnish their income tax return for the financial year ('FY') 2019-20 by July 31, 2020 (non-audit tax payers) and September 30, 2020 (audit/tax audit liable taxpayers) the date has been extended to November 30, 2020. Consequently, the deadline for tax audit has also been extended from September 30, 2020 to October 31, 2020. However, no extension has been provided for taxpayers who are required to furnish their income tax returns on or before November 30, 2020.

Issuance Of Pending Tax Refunds

It is proposed that pending income tax refunds for charitable trusts and non-corporate businesses / professions, including proprietorships, general partnerships, LLPs and cooperatives will be issued immediately.

Extension Of Time Limit For Completion Of Assessments

Considering the hardships faced by the tax department and the taxpayers, the due date for completing the assessment proceedings for AY 2018-19 and AY 2019-20, which will get time barred on September 30, 2020 and March 30, 2021 respectively shall be extended to December 31, 2020 and September 31, 2021 respectively. →

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Reduction In The Rates Of TDS And TCS

The prescribed rates of tax deducted at source ('**TDS**'), on specified non-salaried payments to resident payees and for tax collection at source ('**TCS**'), have been reduced by 25%. The reduced rates of TDS / TCS have been made applicable from May 14, 2020 to March 31, 2021.

These reduced rates will be applicable for payment of interest, contract, professional services, dividend, commission and brokerage, etc. However, the TDS regime will continue to be applicable on payment of salaries. Further, if any has been payment made / collected or credited / debited before May 14, 2020, the erstwhile rates of TDS/ TCS will apply.

It has been clarified that there shall be no reduction in rates of TDS or TCS, where the tax is required to be deducted or collected at a higher rate due to non-furnishing of PAN/Aadhaar. For example, if the tax is required to be deducted at 20% under section 206AA of the Income-tax Act, 1961 ('**IT Act**') due to non-furnishing of PAN/Aadhaar, it shall be deducted at the rate of 20% and not at the rate applicable in the specific section. In this regard, the CBDT has released a press release, providing the applicable rate for TDS and TCS for certain payments, which are provided in Annexures 'A' and 'B'.

Needless to say, tax payers will have to make good the shortfall (as a result of reduced withholding/collection) in tax payment by paying advance tax failing which they would be liable to pay interest (there does not appear to be any specific change in this regard as yet).

Annexure 'A'

Revised reduced TDS rates

Sr. No	Relevant Section of the IT Act	Nature of Payment	Existing Rate	Reduced rate from 14/05/2020 to 31/03/2021
1	193	Interest on Securities	10%	7.5%
2	194	Dividend	10%	7.5%
3	194A	Interest other than interest on securities	10%	7.5%
4	194C	Payment of Contractors and sub-contractors	1% (individual/H U F) 2% (others)	0.75% (individual/H U F) 1.5% (others)
5	194D	Insurance Commission	5%	3.75%
6	194DA	Payment in respect of life insurance policy	5%	3.75%
7	194EE	Payments in respect of deposits under National Savings Scheme	10%	7.5%
8	194F	Payments on account of re-purchase of Units by Mutual Funds or UTI	20%	15%
9	194G	Commission, prize etc., on sale of lottery tickets	5%	3.75%
10	194H	Commission or Brokerage	5%	3.75%
11	194-I(a)	Rent for plant and machinery	2%	1.5%
12	194-I(b)	Rent for immovable property	10%	7.5%
13	194-IA	Payment for acquisition of immovable property	1%	0.75%

14	194-IB	<i>Payment of rent by individual or HUF</i>	5%	3.75%
15	194-IC	<i>Payment for Joint Development Agreements</i>	10%	7.5%
16	194J	<i>Fee for Professional or Technical Services (FTS), Royalty, etc.</i>	2% (FTS, certain royalties, call centre) 10% (others)	1.5% (FTS, certain royalties, call centre) 7.5% (others)
17	194K	<i>Payment of dividend by Mutual Funds</i>	10%	7.5%
18	194LA	<i>Payment of Compensation on acquisition of immovable property</i>	10%	7.5%
19	194LBA(1)	<i>Payment of income by Business trust</i>	10%	7.5%
20	194LBB(i)	<i>Payment of income by Investment fund</i>	10%	7.5%
21	194LBC(1)	<i>Income by securitisation trust</i>	25% (Individual/HUF) 30% (Others)	18.75% (Individual/HUF) 22.5% (Others)
22	194M	<i>Payment to commission, brokerage etc. by Individual and HUF</i>	5%	3.75%
23	194-O	<i>TDS on e-commerce participants</i>	1% (w.e.f. 1.10.2020)	0.75%

Revised reduced TCS rates

S. No	Section of the Income-tax Act	Nature of Receipts	Existing Rate	Reduced rate from 14/05/2020 to 31/03/2021
1	206C(1)	<i>Sale of</i>		
		<i>(a) Tendu Leaves</i>	5%	3.75%
		<i>(b) Timber obtained under a forest lease</i>	2.5%	1.875%
		<i>(c) timber obtained by any other mode</i>	2.5%	1.875%
		<i>(d) Any other forest produce not being timber/tendu leaves</i>	2.5%	1.875%
		<i>(e) scrap</i>	1%	0.75%
		<i>(f) Minerals, being coal or lignite or iron ore</i>	1%	0.75%
2	206C(1C)	<i>Grant of license, lease, etc. of (a) Parking lot</i>	2%	1.5%
		<i>(b) Toll Plaza</i>	2%	1.5%
		<i>(c) Mining and quarrying</i>	2%	1.5%
3	206C(1F)	<i>Sale of motor vehicle above 10 lakhs</i>	1%	0.75%
4	206C(1H)	<i>Sale of any other goods</i>	0.1% (w.e.f. 01.10.2020)	0.075%

Extension Of Time Limit For Completion Of Assessments

Considering the hardships faced by the tax department and the taxpayers, the due date for completing the assessment proceedings for AY 2018-19 and AY 2019-20, which will get time barred on September 30, 2020 and March 30, 2021 respectively shall be extended to December 31, 2020 and September 31, 2021 respectively.

The Vivad se Vishwas scheme was announced by the Finance Minister in the Budget 2020 for settlement of tax disputes between taxpayers and the tax department. Given the lockdown, the deadline for payment of dues thereunder without payment of the additional 10% was further extended to June 30, 2020 from March 31, 2020. This period has been further extended to December 31, 2020.

While the announcement has just been made, some changes have already been implemented, but such changes would need ratification from the legislature. What is yet to be seen is if the relaxations in Taxation and Other Laws (Relaxation of Certain Provisions) Ordinance, 2020 dated March 31, 2020 will be extended as well? For example, the date for passing of order or issuance of notice by the authorities under various provisions of the Income-tax Act direct taxes and the Benami Law was extended to June 30, 2020. It is not clear if this date will be further extended.