

Key Direct Tax Amendments in Finance Bill 2020 as passed by Parliament

Sr. No.	Particulars	Amendment proposed in Bill	Changes made now while passing Act
1.	Tax Residency of Individuals	<ul style="list-style-type: none"> Earlier, an Indian citizen or a person of Indian origin, being outside India and comes to visit India was to be treated as resident if he stayed for 182 days or more instead of 60 days or more for the purpose of determining his residential status which was now proposed to curtail to 120 days. It was also proposed to deem an individual being Indian citizen to be a resident in India if he is not liable to tax in any other country by reason of his domicile or residential status, etc. Earlier, an individual was said to RNOR if he had not been a resident in 9 out of 10 years preceding the relevant year or had during 7 previous years preceding that year been in India for 792 days in all or less. This was totally substituted in the Bill to treat an individual as RNOR if he is non-resident in 7 out of 10 years. 	<ul style="list-style-type: none"> This amendment of 120 days from earlier 182 days is only to cover the citizen or person of Indian origin having total income (other than income from foreign sources) exceeding Rs. 15 lakhs during the previous year. It is now amended to cover those individuals being citizen of India or person of Indian origin who have total income (other than income from foreign sources) exceeding Rs. 15 lakhs during the previous year. Earlier provision that an individual would be RNOR if he had not been a resident in 9 out of 10 years preceding the relevant year or had during 7 previous years preceding that year been in India for 792 days in all or less is retained. The substitution thereof in Bill stipulating 7 out of 10 years is now removed. The definition of RNOR is further extended to provide that in relation to above referred

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			category of citizens having income more than Rs. 15 lakhs, they will be treated as RNOR if their stay is less than 182 days and that such a citizen of India who is deemed to be resident in India would be RNOR.
2.	Tax on dividends	<ul style="list-style-type: none"> Section 10(34) was not to apply for any dividends received on or after 01.04.2020 Sec. 80M in the Act was restored. In order to prevent cascading effect of imposition of tax on dividend on same profits, it provided that where a domestic co. declares dividend, out of dividend received from another domestic co., it shall be eligible to claim deduction of amount of dividend received. 	<ul style="list-style-type: none"> It is now amended to clarify that tax suffered dividend would be exempt u/s. 10(34) Sec 80M benefit has now been extended to dividend received from foreign companies and business trust as well. TDS on income by way of dividend to a non-resident shareholder to be deducted @20% as prescribed in rates chart for TDS in Part II. It is now provided, that surcharge on income by way of dividend would not exceed 15%.
3.	TCS related	<ul style="list-style-type: none"> TCS provisions were made applicable to following transactions w.e.f. April 1, 2020: <ul style="list-style-type: none"> Sale of goods exceeding Rs. 50L, by seller whose turnover exceeds Rs. 10 crore in the previous FY LRS remittances in excess of Rs. 7L in a 	<ul style="list-style-type: none"> These provisions will now be applicable w.e.f October 1, 2020 (instead of April 1, 2020). TCS now not applicable on export / import of goods. Certain relaxation is provided for TCS on LRS remittances made for education.

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		<p>FY</p> <p>- Sale of overseas tour package</p>	
4.	TDS on royalty	<ul style="list-style-type: none"> Bill had proposed to reduce TDS rate from 10% to 2% for FTS payments. 	<ul style="list-style-type: none"> The lower rate of 2% is extended to payment of royalty in the nature of consideration for sale, distribution or exhibition of cinematographic films.
5.	Withholding tax by Mutual funds	<ul style="list-style-type: none"> Mutual funds were made liable to deduct TDS on distribution of income 	<ul style="list-style-type: none"> It is clarified that TDS is not applicable on income in the nature of capital gain (on redemption / repurchase of units)
6.	Withholding tax by banks u/s 194N	<ul style="list-style-type: none"> Banks are liable to deduct 2% TDS on cash payments in excess of Rs 1 crore (Section 194N of current IT Act) 	<ul style="list-style-type: none"> Section 194N is amended (w.e.f July 1 2020) to provide that 2% TDS is applicable on the entire amount of Rs 1 crore (instead of amount in excess of Rs. 1 crore). Further in case the recipient has not filed IT return for last 3 AYs, then the TDS would be applicable at a higher rate as follows: <ul style="list-style-type: none"> Cash payment between Rs 20L and Rs 1 crore – TDS @ 2% Cash payment in excess of Rs 1 crore – TDS @ 5%
7.	Withholding tax on e-	<ul style="list-style-type: none"> Section 194-O was proposed to be 	<ul style="list-style-type: none"> Provisions are now deferred to October 1,

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	commerce transactions of resident supplier	inserted w.r.t. TDS on e-commerce transactions	2020.
8.	E-commerce transactions by non-resident operators (Equalization levy)	<ul style="list-style-type: none"> No provisions were proposed in the Bill. Changes have been brought about directly while passing Act. 	<ul style="list-style-type: none"> E-commerce transactions by non-resident operators have been brought under the ambit of Equalisation levy. Earlier, Equalisation levy @ 6% was applicable on the amounts paid to non-resident for mainly online advertisements. Now, these provisions have been extended to further provide for an Equalisation levy of 2% on e-commerce supply/services by non-resident e-commerce operators w.e.f April 1, 2020.