

Tax Alert | Delivering clarity

14 May 2020

Government announces tax reliefs in first tranche of special economic, comprehensive package of INR 20,000 billion

The government on 13 May 2020 announced the first tranche of the special economic and comprehensive package of INR 20,000 billion (~US\$ 265 billion) towards 'Aatmanirbhar Bharat' i.e. Self-Reliant India.

Background:

The Hon'ble Prime Minister of India on 12 May 2020 had announced a Special Economic and Comprehensive Package (Package) of INR 20,000 billion (~US\$ 265 billion) to build "Aatmanirbhar Bharat" i.e. Self-Reliant India. The PM also announced five pillars that are crucial for achieving the goal of Aatmanirbhar Bharat, viz. Economy, Infrastructure, System, Vibrant Demography and Demand.

A day later, on 13 May, the Hon'ble Finance Minister in a press conference unveiled the first tranche of measures identified to achieve Aatmanirbhar Bharat. The press conference was followed by a press release issued by the Ministry of Finance, dated 13 May 2020.

The first tranche of measures relate to Micro, Small and Medium Enterprises (MSME); Employees' Provident Fund (EPF); Non-Banking Financial Companies (NBFC); DISCOMS (i.e. electricity distribution companies); contractors; real estate developers and Income-tax. The Income-tax relief measures announced are as follows:

- **Immediate issuance of income-tax refunds**

All pending refunds of charitable trusts and non-corporate taxpayers (including proprietorships, partnerships, limited liability partnerships and co-operatives) to be issued immediately.

- **Reduction in rates for Tax Deduction at Source (TDS) / Tax Collection at Source (TCS)**

The TDS rates for specified payments to residents (except salary payments) and the TCS rates for specified receipts to be reduced by 25%. These reduced rates to apply for the period 14 May 2020 to 31 March 2021.

The Central Board of Direct Taxes (CBDT) issued a Press Release dated 13 May 2020 listing the revised TDS and TCS rates (refer [Annexure](#)). It also clarifies that the revised TDS rates do not apply to cases requiring TDS at a higher rate due to non-furnishing of Permanent Account Number / Aadhaar by the payee.

- **Extension of due date for filing of income-tax return**

The due date for filing income-tax returns for the assessment year 2020-21 corresponding to the financial year 2019-20, to be extended from 31 July 2020 / 31 October 2020 to 30 November 2020.

- **Extension of due date for filing tax audit report**

The due date for filing the tax audit report has been extended from 30 September 2020 to 31 October 2020.

- **Extension of time period for payment under Vivad Se Vishwas Scheme**

The time period for making payment without any additional amount, under the Vivad Se Vishwas Scheme, to be extended to 31 December 2020.

Comments:

- The relief measures/steps taken by the government will help taxpayers in addressing liquidity issues.
- The Hon'ble Finance Minister made an announcement relating to extension of due date (from 30 September 2020 to 31 December 2020 and from 31 March 2021 to 30 September 2021), for audit of the income-tax return by Revenue authorities. There is no reference to this change in the Press Release of the Ministry of Finance dated 13 May 2020. We may expect a clarification.
- The legislative amendments to incorporate the proposed measures are expected to be issued soon.

Annexure:

Reduced TDS rates for the period 14 May 2020 to 31 March 2021

Sr. No.	Section of Income-tax Act, 1961	Nature of Payment	Existing TDS rate	Reduced rate for the period 14 May 2020 to 31 March 2021
1	193	Interest on securities		
2	194	Dividend	10%	7.5%
3	194A	Interest other than interest on securities		
4	194C	Payment to contractors and subcontractors	1% (Individual/HUF) 2% (Others)	0.75% (Individual/ HUF) 1.5% (Others)
5	194D	Insurance commission		
6	194DA	Payments in respect of 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		
11	194I(a)	Rent for plant and machinery	2%	1.5%
12	194I(b)	Rent for immovable property	10%	7.5%
13	194IA	Payment for acquisition of immovable property	1%	0.75%
14	194IB	Payment of rent by individual or Hindu Undivided Family	5%	3.75%
15	194IC	Payment for Joint Development Agreements	10%	7.5%
16	194J	Fee for professional or Technical Services (FTS), royalties, etc.	2% (FTS, certain royalties, call centre) 10% (Others)	1.5% (FTS, certain royalties, call centre) 7.5% (Others)

Sr. No.	Section of Income-tax Act, 1961	Nature of Payment	Existing TDS rate	Reduced rate for the period 14 May 2020 to 31 March 2021
17	194K	Payment of dividend by Mutual Funds		
18	194LA	Payment of compensation on acquisition of immovable property	10%	7.5%
19	194LBA(1)	Payment of income by Business trust		
20	194LBB(i)	Payment of income by Investment fund		
21	194LBC(1)	Income by securitisation trust	25% (Individual / Hindu Undivided Family) 30% (Others)	18.75% (Individual / Hindu Undivided Family) 22.5% (Others)
22	194M	Payment to commission, brokerage etc. by Individual and Hindu Undivided Family	5%	3.75%
23	194O	TDS on e-commerce companies	1% (w.e.f.1 October 2020)	0.75%

Reduced TCS rates for the period 14 May 2020 to 31 March 2021

Sr. No.	Section of Income-tax Act, 1961	Nature of Payment	Existing TDS rate	Reduced rate for the period 14 May 2020 to 31 March 2021
1	206C(1)	Sale of		
		a. Tendu leaves	5%	3.75%
		b. Timber obtained under a forest lease	2.5%	1.875%
		c. Timber obtained by any other mode		
		d. Any other forest produce not being timber / tendu leaves		
		e. Scrap	1%	0.75%
f. Minerals, being coal or lignite or iron ore				
2	206C(1C)	Grant of license, lease, etc. of:		
		a. Parking lot	2%	1.5%
		b. Toll Plaza		
c. Mining and quarrying				
3	206C(1F)	Sale of motor vehicle above INR 1million	1%	0.75%
4	206C(1H)	Sale of any other goods	0.1% (w.e.f.1 October 2020)	0.75%*

*It appears that the revised rate has been inadvertently mentioned in the Press Release as 0.75% instead of 0.075%. We may expect a clarification in this regard.



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