

**#MovingAhead**

# **BOOSTING THE ECONOMY**

**FOX MANDAL  
TAX UPDATE**





# inform



Tax Updates



1<sup>st</sup> August 2020

## KEY ANNOUNCEMENTS: DIRECT TAX

### *Change in the electronic payment methods for B2B transactions*

CBDT has brought a change in the electronic payment methods for business transactions for specified person engaged in Business-to-Business (B2B) transactions if at least 95% of aggregate of all amounts received during the previous year, including amount received for sales, turnover or gross receipts, are by any mode other than cash. They need not offer certain electronic payment methods such as RuPay debit cards, UPI or UPI QR Code under section 269SU of the Income Tax Act which mandated businesses having sales/turnover/gross receipts from business of more than Rs 50 Crores ( "Specified person") in the immediately preceding previous year to mandatorily provide facilities for accepting payments through prescribed electronic modes. The reason behind it is the suitability of these methods majorly to the retailers due to ceiling limit on the amount of daily transactions as against wholesalers who do not deal with customers directly and tend to do bulk transactions.

[Click here](#) to view the circular.

### *Safe harbour rates for 2019-20 fiscal*

Safe harbour rates have been notified by the Central Government for 2019-20 fiscal for the calculation of transfer pricing by foreign companies in India. CBDT has notified that the rates applicable for AY 2017-18 to 18-19 will continue to apply for 2019-20 and accordingly, has introduced changes in Rule 10TD and 10TE of Income Tax rules relating to safe harbour rules. The changes shall be effective from 1<sup>st</sup> April 2020. Thus, the Safe harbour margin for the software development services and ITes shall continue to be 18% (Monetary threshold - Rs. 100 Cr to 200 Cr.) and that for contract research and development services relating to generic pharmaceutical drugs, at 24%.

[Click here](#) to view the notification.

## *Changes in Form 26AS, Income-Tax (11th Amendment) Rules, 2020*

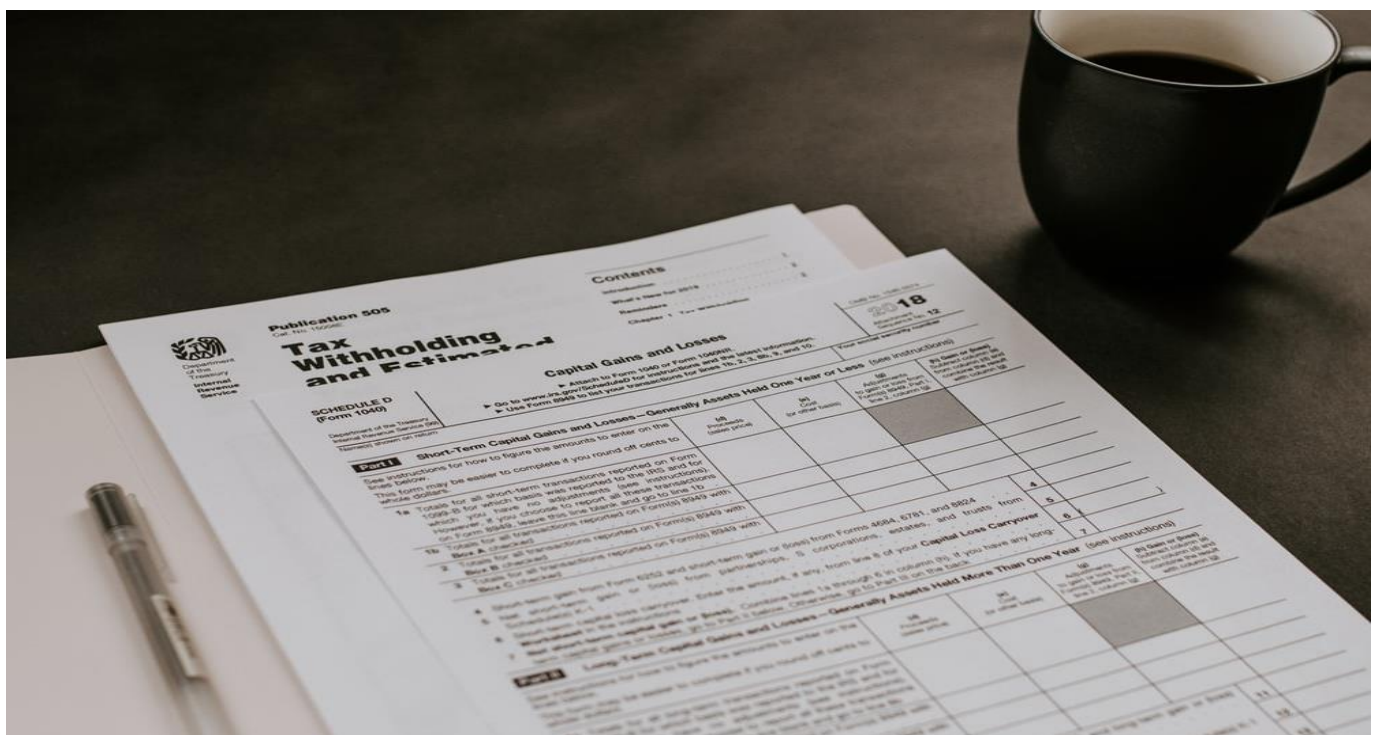
CBDT has notified a revised Form 26AS, through the Income-Tax (11<sup>th</sup> Amendment) Rules, 2020, that came into effect on June 1, 2020. Form 26AS is used to provide details regarding tax collected or deducted at source and is now supposed to include information relating to property and share transactions as well, thus revamping it as the 'Annual Information Statement'. Through the amendment rule 31 AB has been omitted and a new rule 114-I has been inserted which apart from TCS and TDS details will contain comprehensive information relating to specific transactions, payment of taxes, demand/refund and pending/complete proceedings undertaken by a tax payer.

[Click here](#) to view the notification.

## *Voluntary Compliance of Income Tax for FY 2018-19 from 20th July 2020*

The Income Tax Department has started an 11 day e-campaign from the 20th of July, 2020 to 31st July 2020 to facilitate voluntary compliance by taxpayers through online validation of tax/financial transaction information available with the I-T Department so that they do not get into notice and scrutiny process etc. The campaign focuses on the assessee/taxpayers who are either non-filers or have discrepancies/deficiency in their returns for the FY 2018-19. Under this e-campaign the Income Tax Department will send email/sms to identified taxpayers to verify their financial transactions related information received by the I-T Department from various sources.

[Click here](#) to view the press release.



## DIRECT TAX

### *Income Tax Cost Inflation Index for FY 2020-21*

The CBDT has notified the Income Tax Cost Inflation Index for the FY 2020-21 as 301. The notification shall come into force with effect from April 1, 2020 and would be applicable to AY 2021-22 and subsequent years.

[Click here](#) to view the Notification.

### *Extension of time limits under the Income-tax Act, 1961 and related Acts*

CBDT through a notification further extended the time limits under the Income-Tax Act, 1961 and other related Acts. Earlier in March, *Taxation and Other Laws (Relaxation of Certain Provisions) Ordinance, 2020* had provided a relaxation in the due dates due to the current pandemic situation. Major extensions are noted below:

- Due date for ITR for FY 2018-19 was first extended to July 31, 2020 and then to September 30, 2020.
- Due date for investments to be eligible for deduction under Chapter VI-A i.e. 80C, 80D etc for the FY 2019-20 [AY 2020-21] to July 31, 2020.
- Due date for ITR for FY 2019-20 [AY 2020-21] to November 30, 2020.
- Due date for furnishing audit report for FY 2019-20 to October 31, 2020.
- Due date for furnishing of TDS/TCS returns to July 31, 2020.
- Due date for issue of certificates to August 15, 2020.
- Due date for payment of self-assessment tax in the case of a taxpayer whose self-assessment tax liability is to Rs. 1 lakh for FY 2019-20 to November 30, 2020.
- Due date for making investment/construction/purchase for claiming roll over benefit/deduction in respect of capital gains under Sections 54 to 54GB of the Income Tax Act to September 30, 2020.

[Click here](#) to view the Notification No. 35/2020 and [here](#) to view Notification No. 56/ 2020.

### *Changes in section 56(2)(X) regarding discounts on Shares, Income-tax (13th Amendment) Rules, 2020*

The CBDT has issued a notification directing that the provisions relating to taxation of discounts on share price will not be applicable in cases where the National Company Law Tribunal (NCLT) has replaced the board of directors of a company on a petition by the central government and the shares of the company are acquired as part of the court approved rescue plan. Further, Section 56(2)(x) of the Income-tax Act that stipulates that the discounts on share value are taxable in the hands of the share acquirer if the discount from fair value is more than Rs 50,000 shall not apply in cases where the government steps in to salvage a mismanaged business. Through the same notification, the government has provided exemption to the persons receiving property in unauthorized colonies in the national capital by way of recent regularisation.

[Click here](#) to view the notification.

### *Capital Gain Tax relief for sale of shares at the time of restructuring as per court orders, Income-tax (15th Amendment) Rules, 2020*

CBDT has notified capital gains tax relief for sale of shares in companies when a court orders its restructure after the government replaces board of directors for mismanagement. Where shares are sold for a discount, the difference in the selling price and its fair value is liable for capital gains in the hands of the seller. The exemption through the insertion of Section 11UAD has been provided to ease the restructuring of such companies. The notification shall come into force from April 1, 2020 and shall be applicable for assessment year 2020-21 and subsequent assessment years.

[Click here](#) to view the notification.

### *Relaxation for Verification of E-filed ITR for last 5 years*

CBDT has notified a one-time relaxation for Verification of income-tax returns for the Assessment Years 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 which are pending due to non-filing of ITR-V form. It states that a large number of electronically filed ITR still remains pending with the Income-tax Department for want of receipt of a valid ITR-V Form at CPC, Bengaluru from the taxpayers concerned. The Board has extended the time limit to verify the already e-filed ITR either electronically or by sending a duly signed physical copy of ITR-V to CPC, Bengaluru through speed post for the last 5 assessment years from AY 2015-16 to AY 2019-20. Such return can be verified electronically through the following modes, namely, a. Aadhaar OTP, b. by logging into e-filing account through net banking, c. EVC through Bank Account Number, d. EVC through Demat Account Number and e. EVC through Bank ATM and the verification shall be completed by September 30, 2020.

[Click here](#) to view the circular.

### *Memorandum of Understanding (MoU) between CBDT and CBIC*

A Memorandum of Understanding (MoU) was signed between the Central Board of Direct Taxes (CBDT) and the Central Board of Indirect Taxes and Customs (CBIC) for data exchange between the two organizations. This will enable cross utilisation of relevant data of assesseees gathered from various sources by the above-mentioned authorities.

[Click here](#) to view the press release.



## KEY ANNOUNCEMENTS: INDIRECT TAX

### *GST not to be attracted on the salaries paid to the directors of company*

CBIC issued a clarification that GST is applicable on the remuneration paid to independent directors, or those directors, by whatever name called, who are not employees of the company, in hands of the company, on reverse charge basis. It was further clarified that for Directors who are employees of a company, the part of their remuneration which are declared as “Salaries” in the books of a company and subjected to TDS under Section 192 would not be taxable, however, the remuneration which is declared separately other than “salaries” and subjected to TDS under Section 194J shall be considered outside the scope of Schedule III of the CGST Act, and would therefore be taxable. This came in the wake of a ruling of the Rajasthan Authority of Advanced Rulings which said that the companies have to bear the GST for the remuneration paid to the directors.

[Click here](#) to view the circular.

### *Introduction of new E-office for internal file handling*

CBIC has launched a new E-office application in over 500 GST and custom offices. This application came as a makeshift for the manual process of internal file handling and paper movements.

### *Composition Levy at 6%, Central Goods and Services Tax (Seventh Amendment) Rules, 2020*

CBIC has notified Central Goods and Services Tax (Seventh Amendment) Rules, 2020 by which it has amended Rule 7 of the CGST Rules 2017 providing for a new entry for Composition tax payers who are providing services and having a turnover less than 50 Lakhs, can opt for composition levy ( provided fulfilment of other conditions mentioned in the act) and be taxed at a lower rate of 6% (CGST – 3% & SGST/UTGST – 3%).

[Click here](#) to view the notification.



### *Waiver of late fee for delay in furnishing outward statement in FORM GSTR-1*

CBIC by a notification has provided relief by waiver of late fee for delay in furnishing outward statement in FORM GSTR-1 for tax periods for months from March, 2020 to June, 2020 for monthly filers and for quarters from January, 2020 to June, 2020 for quarterly filers. It provides that the amount of late fee payable under section 47 of the Act stands waived for the registered persons who fail to furnish the details of outward supplies for the months or quarter mentioned above on the due date, but furnishes the said details on or before the dates July 10, 2020 for March 2020; July 24, 2020 for April 2020; July 28, 2020 for May 2020; August 5, 2020 for June 2020; July 17, 2020 for the quarter January to March, 2020; August 2, 2020 for the quarter of April to June 2020.

[Click here](#) to view the notification.

### *Extended due date for furnishing FORM GSTR-3B*

CBIC has extended the due date for furnishing FORM GSTR-3B for supply made in the month of August 2020 for taxpayers with annual turnover up to Rs. 5 crores on or before 1<sup>st</sup>/3<sup>rd</sup> October 2020 depending on the state in which the principal place of business is located.

[Click here](#) to view the notification.

### *Extension of Period to Pass Order for Refund of Unutilised ITC*

CBIC has notified the further extended period to pass orders relating to refund of unutilized Input Tax Credit (ITC) under Section 54(7) of CGST Act, till August 30, 2020 which was earlier extended to June 30, 2020 in the wake of spreading of COVID-19.

[Click here](#) to view the notification.

### *Extended due date for filing FORM GSTR-4 for financial year 2019-2020*

CBIC has extended the due date for filing FORM GSTR-4 for FY 2019-20 to August 31, 2020, which was earlier July 15, 2020.

[Click here](#) to view the notification.

*Refunds of input tax credit accumulated on imports*

CBIC has issued a clarification that the input tax credit accumulated on imports can now be availed through refunds. This has come as a relief for the industry and the Indian foreign exchange earners who were facing serious issues regarding unutilized input tax credit.

[Click here](#) to read the clarification.

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