



# UNION BUDGET 2020

- A COMPILATION BY  
KALRA & ASSOCIATES



## *A foreword:*

- The Union Budget 2020 has been presented with theme of “Aspirational India” with major focus on providing better standard of living and ensuring Economic development for all.
- The Union budget 2020 came out with policy changes and introduction of new schemes aimed at extending major benefits to the agricultural sector. Use of Solar Power has also been encouraged.
- Policies have also been introduced to strengthen the Healthcare facilities and set up medical colleges.
- New Education policy is also proposed to be introduced.
- Start ups in manufacturing sector have been encouraged by way of extending the tax benefits.
- Major reforms announced in Direct taxes.
- Major disinvestments have also been proposed.

# *Sector Wise Impact:-*

## *Direct Tax Relief to Individual Tax Payers:*

- New tax regime to be introduced for Individuals. The individual tax payers shall have an option to pay the taxes under the existing tax regime, thereby availing the benefit of around 100 deductions/exemptions provided under the existing law or to pay the tax under the new regime, with new slab rates and no/limited deductions.
- The Introduction of New tax regime will result in a revenue loss of INR 40,000/- crore per year.
- The new regime aims at benefiting those tax payers who forego the exemptions provided under law.

<b>Annual Income (INR)</b>	<b>Slab Rates Under New Tax Regime (NO DEDUCTIONS)</b>	<b>Slab Rates Under Existing Tax Regime (DEDUCTIONS ALLOWED)</b>
0 to 250,000/-	NIL	NIL
250,000/- to 500,000/-	5%	5%
500,000/- to 750,000/-	10%	20%
750,000/- to 10,00,000/-	15%	20%
10,00,000/- to 12,50,000/-	20%	30%
12,50,000/- to 1500,000/-	25%	30%
More than 1500,000/-	30%	30%

## *Corporate taxation:*

- A major tax reform introduced by removing the “Dividend Distribution Tax” (DDT).
  - The companies shall not be required to pay DDT on dividends paid to shareholders (currently companies are required to pay DDT on dividends paid to shareholders at 15% plus additional surcharge)
  - Dividends to be taxed in the hands of the receiver only.
- Reduced corporate tax rates of 15% in manufacturing sector to be extended to Electricity Generation Companies also.

## *Other Direct Tax Reforms:*

- To Reduce compliance burden on MSMEs, threshold for audit has been increased from present of INR 1cr. to INR 5 cr.
- New faceless appeal system proposed to be introduced.
- 'Vivad Se Vishwas' Scheme to be introduced under direct tax in lines with the Sabka Vishwas (Legacy Dispute Resolution) Scheme introduced under the indirect tax, with an aim to settle around 4.83 lakh direct tax litigation cases pending at different levels of litigation from Commissioner (Appeals) to the Supreme Court.
  - The tax payers who avail the scheme by 31<sup>st</sup> March 2020, shall have to deposit only the disputed tax amount; with demand of interest and penalties being waived off.
  - Benefit of scheme can also be availed after 1<sup>st</sup> March 2020 till 30<sup>th</sup> June 2020 with some additional payments.

- Tax payer's Charter to be made a part of the statute.
- Instant PAN allotment based on Aadhaar proposed.
- Tax rates on cooperative societies to be reduced to 22% plus surcharge and cess from the present 30%.



## *Export and Import:*

The Union Budget 2020 aimed at strengthening the exports.

Accordingly, NIRVIK scheme is proposed to be introduced to provide enhanced insurance cover and reduce premium for small exporters.

- It is proposed to digitally refund to the exporters, the duties and taxes levied at Centre, State and Local levels, which are not getting exempted or refunded under any existing mechanism.
- Such levies would include VAT, Electricity duties, levies on fuel used for transportation etc. not covered by any of the existing refund mechanisms.
- The scheme comes at a time when India's exports declined for the fifth month in a row at 1.8% in December to \$27.36 billion as 19 of the 30 exporting sectors showed a decline in outbound shipment.
- The NIRVIK scheme for exporters is proposed to be introduced from current year itself.

- Imports under Free Trade Agreements have seen a rise. Therefore, provisions related to checking of dumping of goods are being strengthened.
- Customs duty hike on import of footwear and furniture proposed.
- Further, to give boost to the manufacture of medical equipment in India, a nominal health cess is proposed to be imposed on the import of medical equipments.

# *Goods and Services Tax*

- Aadhaar-based verification for GST compliance to be introduced.
- New Simplified GST return filing system to be introduced w.e.f 1st April 2020.
- E invoicing system to be introduced in phased manner w.e.f. 1st April 2020.

# *Agriculture :*

The Union Budget introduced some major policies to strengthen the agricultural sector:

**\*\*Total budget allocation for agriculture and allied services = INR 2.83 lakh crores.**

- The Hon'ble Finance Minister encouraged the State governments to implement model laws passed by the Central Government — Model Agri Land Leasing Act, 2016, APMC, 2017 and Contract Farming, 2018.
- Comprehensive measures to be taken for 100 water-stressed districts.
- It has been proposed to provide farmers with stand-alone solar pumps.

- Barren farm lands to be used for solar power generation which can be sold to the distribution utilities.
- Incentives to be introduced to encourage balanced use of all kinds of fertilisers and less water.
- Village storage scheme has been proposed to provide easy storage facilities to farmer. The storage faculties are proposed to be run by self-help groups. Women SHGs can get assistance from NABARD or Mudra.
- The Indian Railways will set up Kisan Rail with refrigerated coaches for cold storage of perishable goods. Krishi UDAN will be launched by the Ministry of Civil Aviation on international and national routes.
- Integrated farming systems in rain-fed areas will be established.
- MNREGA will be dovetailed to create fodder farms.

# *Education*

**\*\* Budget Allocation for Education sector= INR 99,300/- crore.**

**\*\* Budget Allocation for Skill Development = INR 3,000/- crore.**

- New Education Policy to be introduced
- Foreign investment and External Commercial Borrowings proposed, with an aim to strengthen the education sector.
- Under the Study in India programme, an INDSAT exam is proposed to be held in Asian and African countries.
- National Police University and National Forensic Science University are also proposed.
- It is proposed to attach a medical college to existing district hospitals under Public- Private Partnership mode.

## *Miscellaneous matters:*

- Central Government to sell its stake in LIC. This is likely to be the biggest IPO in the country.
- Privatisation of IDBI bank also proposed to raise funds.
- Indian Institute of Heritage and Conservation to be set up, with the status of a deemed university.
- Five archaeological sites will be developed as world-class sites.
- The govt proposes to expand the national gas grid from 16,200 km to 27,000 km.
- Plans proposed for a large solar power capacity for Indian Railways, alongside the rail track on the land owned by the Railways.
- An Investment Clearance Cell to be set up to provide end to end facilitation services, including free investment advisory, information related to land banks. It will work through a portal.

## *An Overview*

The Union Budget 2020 proves to be a strong budget with focused targets.

While the Hon'ble Finance Minister focused strengthening the agricultural sector, at the same time infrastructure and basic health and education with modernised approach also found a place of significance in the Union Budget. The enormous Solar Power Generation Capacity of the country has finally been recognised and encouraged.

Extending tax benefits to the individual tax payers and abolishing DDT is a welcomed reform.

Measures to expand refund eligibility for exporters will surely give much required support to the Indian Exports.

Although the Union Budget 2020 proposed certain major beneficial policies however, funding of the same remains a matter of concern.

Ahead of the Union budget, SENSEX saw an immediate fall of nearly 1,000 points.



# Kalra & Associates

Law offices

- Uttar Pradesh

G 15 Sector 3 NOIDA, Uttar Pradesh.  
Phone No- 9899446444, 9810154502

- Uttrakhand

74 Old Connaught Place, Dehradun.  
Phone No-0135-2715894/2711550