

Corporate Catalyst India

(in Joint Venture with SCS Global)

INDIA BUDGET 2020 SYNOPSIS

Recent Policy Changes and
Proposals for Direct and
Indirect Taxes, Impact and
Economic Indicators



We have taken all steps to ensure that the information contained herein has been obtained from reliable sources and that this publication is accurate. However, this publication is not intended to give legal, tax, accounting or other professional advice. We recommend appropriate advice be taken prior to initiating action on specific issues.



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FOREWORD



ASPIRATIONAL INDIA. ECONOMIC DEVELOPMENT. CARING SOCIETY.

It started with the economic survey. It talked about futility of price controls and eulogized “assemble in India” an equal opportunity as “make in India”. This looked promising, especially given the economic situation and business sentiment. Indians need a morale booster as much as the fiscal incentivization. Liquidity crunch, subdued foreign investments and increased push by tax authorities – the pre-budget mood has never been more somber.

Our Finance Minister (FM) enshrined her budget within 3 pillars – Aspirational India, Economic Development and Caring Society. As the long speech unfolded, which left her visibly shaken as her audience, it became clear that she shared our concerns. She allocated resources to rural upliftment and talked passionately about grain storage schemes in villages, special cold storage bogeys attached to regular trains to move perishable goods, controlling critical livestock diseases by 2025, etc. She was equally focused on wellness schemes like eradicating TB by 2025, skill development via a clear Apprenticeship scheme and pushing forth India’s digital charge. I also await to see the detailing of her National Logistics policy to address the poor movement of goods as equally bind together various modes of transportation. A definite timeline of 2023 was placed on the long winding Delhi Mumbai freight corridor, besides initiating the Bangalore Chennai corridor. Our FM is confident of a GDP growth of at least 10 per cent and containing the fiscal deficit at 3.5 per cent! Who knows, with a bumper crop already assured this year, if the industry too responds to her overtures, we may well move there.

She sends a strong positive vibe to foreign investors. Amongst other, she spoke of encouraging electronics manufacturing, especially the semiconductor business. And then she built the crescendo. Investment Clearance Cell to act as a single window portal, Sovereign funds interest earning to be tax free and non-requirement to file tax returns in respect of certain receipts by foreign corporate. And then the cherry – abolition of Dividend Distribution Tax (DDT)! That scored. Certainly gives the much needed liquidity in hands of corporate. ESOPs taxation was liberalized and stretched till 5 years as non-taxable. She even talked about de-criminalizing most of the existing harsh penal provisions in the Company Law. Interestingly, she spoke of a to-be-announced tax charter that would ensure non-harassment of tax payers. This we have got to see.

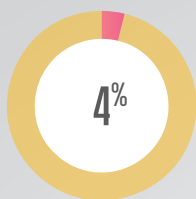
She has removed some 70 odd exemptions from the Income Tax law and presented a lowered tax rate system for individual tax payers. But left it to them if they wish to be under the erstwhile deduction-based regime with higher slabs or her new offering. Will that really help? A singular direction is always better. Equally, I wonder, will this encourage the much desired consumption. One thought, the proposed change in tax residency may give create some anxiety, especially amongst Indian citizens employed in tax free jurisdictions.

She has batted for the domestic industry, whose laments have clearly reached her. There is more or less a general increase in import duty, semi-luxury/luxury goods being prime focus. This may not please some segment of foreign investors, but the DDT could be a single point game changer to address their mood. GST has been left untouched, at least for now, though she left adequate hints of something brewing there as well.

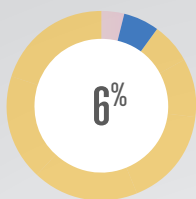
Our FM has laid a straight road for the foreign investors, and equally addressed some aspects of liquidity crunch the market faces. Will it work? Notwithstanding the share market sentiments, I think it could. But she has her job well cut out.

Ajay Sethi

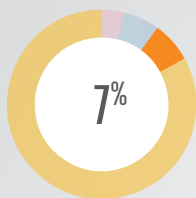
RUPEE COMES FROM



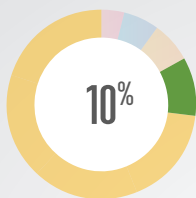
Customs



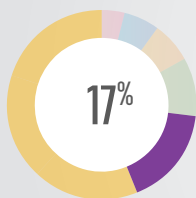
Non-Debt Capital
Receipts



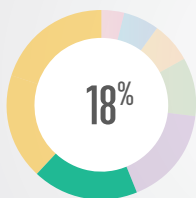
Union Excise
Duties



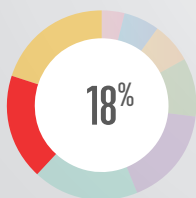
Non-Tax
Revenue



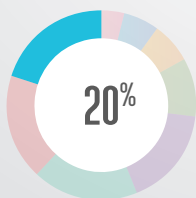
Income Tax



Goods and
Services Tax

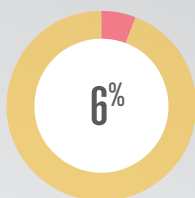


Corporation Tax

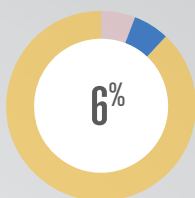


Borrowings & Other
Liabilities

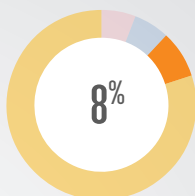
RUPEE GOES TO



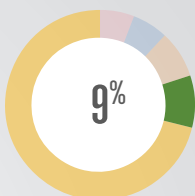
Pensions



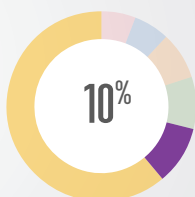
Subsidies



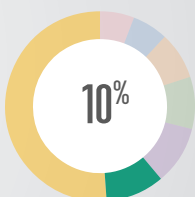
Defence



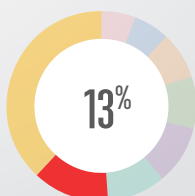
Centrally Sponsored Scheme



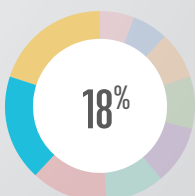
Finance Commission & Other Transfers



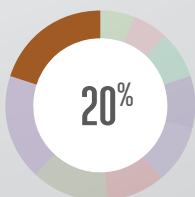
Other Expenditure



Central Sector Scheme



Interest Payments



State's Share of Taxes & Duties

IN BRIEF

Budget Statement

DIRECT TAXES

- Concessional tax regime introduced for taxpayers
- Scope of e-proceedings enhanced
- Dividend Distribution Tax abolished
- Modification of Residential status for preventing tax abuse
- Gearing up for Multilateral Instruments

INDIRECT TAXES

- Health Cess introduced to fund health infrastructure
- Rules of Origin criteria to be met for availing preferential tax treatment
- Beneficiary equally liable for penalty for fraudulently availing input tax credit under GST
- GST Tax deduction certificate dispensed with

COMMERCE & TRADE

- In focus – agriculture, infrastructure and education
- 100 additional airports to be commissioned before 2024
- FDI and ECB proposed in education
- Reforms for recovery of debt by NBFC

SOCIAL FOCUS

- Special emphasis on welfare of Scheduled Castes and Scheduled Tribes
- Funds earmarked for women and senior citizen related programs

ECONOMIC INDICATORS

- GDP growth estimated at 5 per cent in 2019-20
- WPI based inflation at 1.5 per cent
- Foreign exchange reserves at US\$ 457.5 billion
- Growth in telecom, railways and road

BUDGET PROPOSALS

This section summarises the significant proposals on Direct and Indirect taxes made by the Finance Minister on February 1, 2020. The direct tax provisions in the Finance Bill, 2020 would ordinarily apply to the Financial Year commencing on April 1, 2020 (Assessment Year 2021-22) whereas the indirect tax provisions would apply with immediate effect, unless otherwise specified. Finance Minister is likely to propose further amendments through separate Bills.

The proposals contained in the Finance Bill are subject to ratification by the Parliament



DIRECT TAXES

INCOME TAX

- Individual and HUF may opt to pay as per below tax slabs

INCOME RANGE (₹)	EXISTING ¹ (%)	OPTIONAL ² (%)
Upto 250,000 ¹	Nil	Nil
250,001 – 500,000	5	5
500,001 – 750,000	20	10
750,001 – 1,000,000		15
1,000,001 – 1,250,000	30	20
1,250,001 – 1,500,000		25
1,500,001 and above ³		30

¹Exemption limit for individuals reaching 60 and 80 years remains unchanged at ₹300,000 and ₹500,000 respectively

²Deductions, exemptions and carried forward losses restricted, with certain conditions

³Surcharge remains unchanged at 10 per cent on income exceeding ₹5 to 10 million; stands at 15 per cent on income exceeding ₹10 to 20 million; stands at 25 per cent on income exceeding ₹20 to 50 million; stands at 37 per cent on income exceeding ₹50 million. However, surcharge on STT paid capital gains shall not exceed 15 per cent

- Tax rates on partnership firms, local authority and co-operative societies remain unchanged. However, concessional tax rate of 22 per cent is also available to resident cooperative society with certain conditions. Surcharge at 12 per cent where, income exceeds ₹10 million.
- Corporate tax rate remains unchanged i.e.

COMPANY	RATE (%)
Domestic ¹	
‣ MSME / New enterprise	25 ²
‣ Others	30
Foreign	40 ³

¹Surcharge remains at 7 per cent and 12 per cent where income exceeds ₹10 million and ₹100 million respectively

²The benefit of lower rate of tax is applicable to companies with turnover up to ₹4 billion during financial year 2018-19

³Surcharge remains at 2 per cent and 5 per cent where income exceeds ₹10 million and ₹100 million respectively

- Concessional Tax Scheme

COMPANY	RATE (%)
Domestic ¹	
‣ New enterprise	15 ²
‣ Others	22 ³

¹Surcharge at 10 per cent and education cess at 4 per cent will be applicable

²The benefit applicable to companies registered on or after October 1, 2019 and commencing manufacturing (including electricity generation) on or before March 31, 2023 with certain conditions

³Deductions under chapter VIA restricted for availing concessional tax rate

RESIDENTIAL STATUS

- The period to determine residential status of Individual/HUF is modified as under:
 - Time limit for computing the residential status of a Citizen of India/Person of Indian origin, who is on a visit to India reduced from 182 days to 120 days.
 - The period of 729 days or less during the 7 years immediately preceding the previous year to qualify as a 'Resident but Not Ordinarily Resident' removed. Further, the duration of being a Non-Resident in 9 out of 10 years, reduced to 7 out of 10 years.
 - An Individual, who is a citizen of India and not liable to tax in any other country, shall be deemed to be Resident in India.

SALARY

- Employer's contribution in aggregate exceeding ₹750,000 to recognized provident fund, national pension scheme, approved superannuation fund taxable as perquisite in hands of employee. Annual accretion of income on such amount also taxable in hands of employee.

CAPITAL GAINS

- Safe harbour enhanced from 5 to 10 per cent, for computing income from sale of immovable property.

TAX WITHHOLDING

- Companies, mutual funds, other specified funds and business trusts to withhold tax at specified rate on dividend.
- As per the newly inserted section 194O, an e-commerce operator is liable to withhold tax at the rate of 1 per cent:

- On the gross value of 'goods' or 'services' made through its digital platform, for an e-commerce participant.
- Tax shall be withheld at the time of credit or payment for sale/service.
- If the e-commerce participant is an Individual or HUF, tax shall not be withheld, if the payment does not exceed ₹500,000 and the PAN or Aadhaar number (as applicable) has been provided to the e-commerce operator.
- Withholding tax for 'works contract' to include manufacturing or supplying a product by a contractor, using the raw material supplied by an associate of the customer.
- Time limit for lower tax withholding of 5 per cent for interest payable on all long term bonds extended from July 1, 2020 to July 1, 2023.
- Tax withholding on 'fees for technical services' to residents under section 194J, reduced from 10 to 2 per cent.

INTERNATIONAL TAXATION

- Amendment is introduced in law to align tax treaties with the Multilateral Instrument to restrict tax evasion/avoidance opportunities.
- Non-residents may approach Dispute Resolution Panel in respect of any variations prejudicial to their interest.
- Existing 'Significance Economic Presence' criteria for determining business connection is abolished. New provisions to be introduced.
- Income attributable to operations carried out in India has been clarified to include:
 - Advertisements targeting a person residing in India or any person who accesses the advertisement via Internet Protocol address located in India.
 - Sale of data collected from any person residing in India or any person who uses Internet Protocol address located in India.
 - Sale of goods or services using data collected from a person residing in India or any person using Internet Protocol address located in India.
- Royalty will also include consideration for sale, distribution or exhibition of cinematographic films.

TRANSFER PRICING

- Due date for filing of Form 3CEB advanced by a month to October 31.

- Interest paid/payable to permanent establishment of a non-resident bank in India is not subject to any restriction.
- Safe Harbour Rules and Advance Pricing Agreement, now available on the income attributable to Permanent Establishment.

OTHERS

- Dividend income shall now be taxed in the hands of shareholder at the applicable rates. Only interest deduction is allowed up to 20 per cent on such income.
- Seller of goods liable to TCS at the rate of 0.1 per cent on consideration received from the buyer exceeding ₹5 million, provided that the total sales, gross receipts or turnover of the seller in the preceding financial year, exceeds ₹100 million. In case PAN/Aadhaar of buyer not available, TCS rate would be 1 per cent.
- Taxpayer to pay 20 per cent of demand or furnish security for obtaining stay before Income Tax Appellate Tribunal.
- Threshold of tax audit for a person carrying on business raised from ₹10 to 50 million, where aggregate cash receipts / payments do not exceed 5 per cent of gross receipts / payments.

EASE OF COMPLIANCE

- Proceedings before Commissioner of Income Tax (Appeals) and penalty proceedings, will now be conducted electronically.
- 'Vivad se Vishwas' scheme to be introduced to reduce litigation.
- 'Taxpayer charter' to be introduced in the Act.
- No Return of income to be filed by Non-Resident earning income from royalty and fees from technical services which has been subjected to tax withholding.
- Due date for filing of return of income of all companies and auditable persons, including partners of auditable firms is October 31.

TAX INCENTIVES FOR START-UPS

- Turnover limit for availing deduction for eligible start-ups increased from ₹0.25 to 1 billion and period extended from 7 to 10 years.
- Taxability on Employee Stock Option Plan ('ESOP') deferred for eligible start-ups. Taxable event would be earlier of following:
 - 48 months from end of relevant Assessment Year
 - Date of leaving the company
 - Date of sale of shares

INDIRECT TAXES

CUSTOMS DUTY

Basic Customs Duty ('BCD') maintained at 10 per cent.

HIGHLIGHTS

- Amendments
 - Health Cess introduced on import of specified medical devices at 5 per cent of their import value.
 - Electronic Duty Credit Ledger made available for credit of duty, tax or levy, chargeable on any material used in the manufacture of goods for export or any other financial benefit.
 - Importer to satisfy 'Rules of Origin', to avail preferential tax treatment under the Trade Agreements.
 - Central government empowered to apply safeguard measures, including application of Tariff Rate quota, in case any article is imported in excess quantities, causing injury to the domestic industry.
- Exemptions
 - Social welfare surcharge on all commercial vehicles, including electric vehicles if imported as completely built unit ('CBU').
- Change in BCD rates of certain industries

INDUSTRY	RATE (%)		
	From	↑↓	To
AUTOMOBILE PARTS			
‣ Catalytic converter	10	↑	15
‣ Noble metal compounds used in manufacture of catalytic converter	5	↑	10
‣ Parts of catalytic converter used in manufacture of catalytic converter and its parts	5	↑	7.5
‣ Completely built units ('CBUs') of commercial vehicles (other than electric vehicles)	30	↑	40

INDUSTRY	RATE (%)		
	From	↑↓	To
‣ CBU's of commercial electric vehicles	25	↑	40
‣ Semi Knocked Down ('SKD') forms of electric vehicle-Bus, Trucks and two wheelers	15	↑	25
‣ SKD forms of electric passenger vehicles	15	↑	30
‣ Completely Knocked Down ('CKDs') forms of electric vehicles	10	↑	15
PAPER AND PAPER PRODUCTS			
‣ Newsprint	10	↓	5
‣ Uncoated paper used for printing of newspaper	10	↓	5
‣ Lightweight coated paper used for printing magazines	10	↓	5
FUELS			
‣ Calcined petroleum coke	10	↓	7.5
PRECIOUS STONES AND METALS			
‣ Coin	10	↑	12.5
‣ Gold used in manufacture of semiconductor devices	0	↑	12.5
‣ Rubies, emeralds, sapphires unset and imported uncut	0	↑	0.5
‣ Rough coloured gemstones and semi-precious stones	0	↑	0.5
‣ Platinum or palladium used in manufacture of goods	12.5	↓	7.5
CHEMICALS			
‣ Other chemical products and preparations of the chemical or allied industries	10	↑	17.5
‣ Butyl Acrylate	5	↑	7.5

INDUSTRY	RATE (%)		
	From	↑↓	To
ELECTRONIC GOODS AND PARTS			
‣ Fingerprint readers/Scanners for use in mobile phones	0	↑	15
‣ Vibrator/ringer of mobile phones	0	↑	10
‣ Display panel and touch assembly of mobile phones	0	↑	10
‣ Static converters	15	↑	20
PLASTICS			
‣ Calendared plastic sheets used for smart cards	10	↓	5
‣ Polyester liquid crystal polymers used for manufacture of connectors	7.5	↓	0
MACHINERY			
‣ Air circulator, industrial fans blowers and other industrial fans	7.5	↑	10
‣ Compressor of refrigerator and air conditioner	10	↑	12.5
‣ Pressure vessels	7.5	↑	10
‣ Ice making machinery, Refrigerating or freezing display counters, Electrical freezers of upright type and other freezers	7.5	↑	15

EXCISE DUTY

Excise Duty has been subsumed under Goods and Services Tax ('GST') w.e.f. July 1, 2017 subject to exception of specified goods.

▪ Changes in Excise Duty

ITEMS	RATE (₹) per thousand		
	From	↑↓	To
TOBACCO PRODUCTS			
▶ Other than filter cigarettes, of length <ul style="list-style-type: none"> • ≤ 65 mm • > 65 ≤ 70mm 	90 145	↑	200 250
▶ Filter cigarettes of length (including the length of the filter, the length of filter being 11mm or its actual length, whichever is more) <ul style="list-style-type: none"> • ≤ 65mm • > 65 ≤ 70mm • > 70 ≤ 75mm 	90 90 145	↑	440 440 545
▶ Other (Cigarettes containing tobacco)	235	↑	735
▶ Cigarettes of tobacco substitutes	150	↑	600
ITEMS	RATE %		
▶ Smoking mixtures for pipes and cigarettes	45	↑	60
▶ Other Smoking tobacco	10	↑	25
▶ "Homogenised" or "reconstituted" tobacco	10	↑	25
▶ Chewing tobacco and preparations	10	↑	25
▶ Jarda scented tobacco	10	↑	25
▶ Snuff and preparations	10	↑	25
▶ Tobacco extracts and essence	10	↑	25
▶ Other (manufactured tobacco and substitutes)	10	↑	25

GOODS AND SERVICES TAX

■ Amendments

- Composition scheme to exclude inter-state supply of services, exempt services and supply of services through e-commerce operator.
- Date of issuance of debit note delinked from date of underlying invoice to determine time period for availing input tax credit in respect of such debit note.
- Additional/Joint Commissioner can extend due date of application for revocation of cancellation up to 30 days. Commissioner empowered for further 30 days extension.
- Provisions introduced to prescribe manner of issuance of invoice in case of supply of specified taxable services.
- Requirement for issue of tax deduction certificate dispensed with.
- Beneficiary also now equally liable for penalty for fraudulently availing input tax credit along with person committing such fraud.
- Availment of tax credit without an invoice or a bill shall be cognizable and non-bailable offence.
- Time limit for issuance of Removal of Difficulties Order extended from 3 to 5 years.

■ Retrospective Amendments

- Effective July 01, 2017, transitional provisions amended to prescribe the manner and time limit for taking transitional credit.
- Effective July 01, 2017, Schedule II amended to exclude transfer of business assets without consideration. Further, use of business assets for private purposes without consideration also excluded.

COMMERCE & TRADE FOCUS



AGRICULTURE & RURAL DEVELOPMENT

- ₹2.83 trillion (US\$ 40.43 billion) earmarked for agriculture and allied activities, irrigation and rural development.
- *Pradhan Mantri Kisan Urja Suraksha evam Utthan Mahabhiyan* ('PM-KUSUM') scheme to provide 2 million farmers for setting up stand-alone solar pumps along with helping another 1.5 million farmers solarise their grid connected pump sets.
- Agriculture credit target set at ₹15 trillion (US\$ 214.28 billion).
- NABARD to assist in geo-tagging of 162 million megatonne of agri-warehousing, cold storage, refrigerated container van facilities etc.
- Introduction of Kisan Rail through PPP mode for facilitating national cold supply chain for perishable goods.

HEALTHCARE

- ₹690 billion (US\$ 9.86 billion) set aside for the health sector inclusive of ₹64 billion (US\$ 914.28 million) for Prime Minister Jan Arogya Yojana.
- ₹356 billion (US\$ 5.08 billion) proposed for nutrition-related programs in 2020-21.
- Viability gap funding window for setting up hospitals in PPP mode in districts where there are no Ayushman empaneled hospitals.

SOCIAL PROTECTION

- ₹850 billion (US\$ 12.14 billion) for welfare of Scheduled Castes and Other Backward Classes and ₹537 billion (US\$ 7.67 billion) earmarked for Scheduled Tribes.
- ₹95 billion (US\$ 1.36 billion) proposed for senior citizens and disabled.
- ₹286 billion (US\$ 4.08 billion) committed towards programs for women welfare.

ENVIRONMENT & CLIMATE CHANGE

- Allocation for Swachh Bharat Mission of ₹123 billion (US\$ 1.76 billion) towards solid waste collection, source segregation and liquid and grey water management.
- ₹3.6 trillion (US\$ 51.43 billion) to be invested in the Jal Jeevan Mission to provide piped water supply to all households with ₹115 billion (US\$ 1.64 billion) being earmarked for 2020-21.

- Allocation of ₹44 billion (US\$ 628.57 million) to encourage states to formulate and implement plans for cleaner air in cities with population above 1 million.

INFRASTRUCTURE

- ₹273 billion (US\$ 3.9 billion) proposed for development of industry and commerce.
- National Technical Textiles Mission proposed at an outlay of ₹14.8 billion (US\$ 211.43 million) with a four-year implementation period.
- ₹220 billion (US\$ 3.14 billion) proposed for power and renewable energy sector.
- National Gas Grid to ensure adequate availability and equitable distribution of natural gas across India proposed to be expanded from 16,200 to 27,000 kms.

EMPLOYMENT

- Proposal to setup hospitals through PPP mode and hike in custom duty on import of items produced by labour intensive MSMEs to boost employment opportunities.
- National Skill Development Agency to emphasize creation of employment opportunity in construction, operation and maintenance of infrastructure.

TRANSPORT

- ₹1.7 trillion (US\$ 24.28 billion) earmarked for transport infrastructure in 2020-21.
- Development of additional 100 airports by 2024 under Udaan scheme and KrishiUdaan to be launched for development of North-East and tribal districts.
- Proposal to develop 2,500 kms access control highways, 9,000 kms of economic corridors, 2,000 kms of coastal and land port roads and 2,000 kms of strategic highways.
- 27,000 kms railway tracks to be electrified.

EDUCATION

- An outlay of ₹993 billion (US\$ 14.19 billion) for education sector and ₹30 billion (US\$ 428.57 million) for skill development proposed.

- New Education Policy to be announced soon. FDI and External Commercial Borrowings in education proposed to attract talented teachers, innovate and build better labs.
- Degree level full-fledged online education program by institutions ranked within top 100 in the National Institutional Ranking framework.
- National Police University and National Forensic Science University in the domain of policing science, forensic science, cyber-forensics etc.

BANKING & FINANCE

- Deposit insurance coverage increased to ₹0.5 million (US\$ 7142.86) per depositor from ₹0.1 million (US\$ 1428.57).
- NBFC eligibility criteria for debt recovery under SARFAESI proposed to be reduced from asset size of ₹5 billion (US\$ 71.43 million) to ₹1 billion (US\$ 14.28 million) or loan size of ₹10 million (US\$ 142857) to ₹5 million (US\$ 71429).
- NIRVIK scheme to provide higher insurance coverage, reduction in premium and simplification of claim settlement process for exporters launched.

FISCAL MANAGEMENT

- Central Government debt as on March 2019 stood at 48.7 per cent of GDP from 52.2 per cent in March 2014.
- Fiscal deficit stands at 3.8 per cent in revised estimate 2019-20 and 3.5 per cent for budget estimate 2020-21.
- Nominal growth of GDP estimated at 10 per cent for 2020-21.

IMPACT

CAPITAL MARKET

The Bombay Stock Exchange ('Sensex') closed 2.43 per cent lower at 39,735.53 down by 987.96 points. The National Stock Exchange ('Nifty') lost 3.11 per cent by 373.95 points to finish at 11,661.85 points. The Sensex touched an intra-day high of 40,905.78 and a low of 39,631.24 while the Nifty touched a high of 12,103.55 and a low of 11,945.85 during the day.

KEY SECTORS

AGRICULTURE

In its move to double the farm income by 2022 through its much emphasised 16-point action plan, the government is likely to boost the farm sector which has always faced wrath of nature. Some of the measures such as solar pumps for farmers, cold chain logistics and adequate water for over 100 water-stressed districts, etc. augur well for the future.

HEALTHCARE

Setting up hospitals on public private partnership with the provision of viability gap funding go a long way in creating a robust health infrastructure especially in areas where Ayushman Bharat benefits have not yet reached. Technical augmentation of Ayushman Bharat Scheme through artificial intelligence and availability of medicines and surgicals to all districts by 2024 would ensure preventive healthcare and create large scale employment opportunities.

EDUCATION

Education sector to get impetus through increased budget outlay for skill development with New Education Policy. The initiatives would have inclusive impact on students of deprived section and to those not having access to higher education. Concept of Ind-

SAT would attract students from Asian and African countries, making India preferred destination for higher education.

DIGITAL INDIA

Digital governance and participation of private sector to build data centre parks, digital connectivity to public institutions, government schools, post offices, police stations and initiatives such as creation of Knowledge Translation Clusters and digital platform for IPR, would accelerate digitalisation in the economy.

START-UPS

Deferment of tax on ESOPs to 5 years and 100 per cent deduction of profit for 3 consecutive assessment years out of 10, for eligible start-ups having turnover of up to 100 crores would benefit start-ups and address their cash flow problems. Slew of measures such as set-up of digital platform for IPR, support for designing, fabrication and validation of proof of concept and further scaling up Technology Clusters would facilitate growth. Early life funding, including a seed fund to support ideation and development through early stages would also catalyse start-up ecosystem.

POWER

Proposal for closure of thermal power plants with carbon emission and concessional corporate tax rate of 15 per cent to new domestic companies engaged in the generation of electricity would attract investment in power sector.

FINANCIAL SECTOR

To ensure clean, reliable and robust financial sector, government will strengthen the PSBs, enabling them to access capital markets. Technical assistance and financial support from EXIM Bank and SIDBI, for technological up-gradations, business strategy etc. for selected sectors such as pharmaceuticals, auto components and others, would boost credit availability and manufacturing activities.

RECENT POLICY CHANGES

Legislative Initiatives

Reserve Bank of India

Taxation

Company Law

Insolvency and Bankruptcy Code

Foreign Direct Investment ('FDI')

Others



LEGISLATIVE INITIATIVES

- Government clears Occupational Safety, Health and Working Conditions Bill, 2019 to merge 13 labour laws into a single code applying to all establishments that employ 10 or more workers.
- The Consumer Protection Act, 2019 enacted to establish regulatory bodies for effective administration and settlement of consumers' disputes.

RESERVE BANK OF INDIA

- Restrictions on end-use related to External Commercial Borrowings eased, allowing corporate and NBFCs to raise money for working capital requirement.
- A semi-closed prepaid payment instrument introduced for transaction of goods and services up to a limit of ₹10,000/- (US\$ 140) to give impetus to small value digital payments.
- Non-Resident individuals having business interests in India, mandated to open a Special Non-Resident Rupee Account for making bona fide transactions in Indian currency.

TAXATION

- Non-compete fees received by a non-resident individual taxpayer to be taxable only if that non-resident has a Permanent Establishment ('PE') in India.
- India-China double taxation avoidance agreement amended to incorporate provisions related to Base Erosion & Profit Shifting ('BEPS').
- The Sabka Vishwas Scheme, 2019 introduced to resolve all disputes relating to the erstwhile Service Tax and Central Excise.

COMPANY LAW

- Compoundable offences re-categorized to offences with stiffer monetary penalties.
- Mandatory half yearly reporting introduced for companies having outstanding towards Micro Small Medium Enterprise ('MSME').
- National Financial Reporting Authority ('NFRA') set up to monitor and enforce compliance with Accounting Standards and Auditing Standards.

- Web-based service (SPICE+) launched for set up of companies. This would include particulars of name reservation, DIN allotment and issue of PAN, TAN, EPFO, ESIC, Profession Tax (Maharashtra) and bank account. Goods and Service Tax Identification Number ('GSTIN') shall also be allotted through SPICE+.
- Removal of redemption reserve requirement for issuance of debentures by Non-Banking Financial Companies ('NBFCs'), housing finance companies and listed entities.

THE INSOLVENCY AND BANKRUPTCY CODE (AMENDMENT) ORDINANCE, 2019

- Application to initiate the resolution process in case of real estate projects, to be filed jointly by at least 100 allottees of the same real estate project or 10 per cent of the total allottees under that project, whichever is less.
- For other financial creditors, where the debt owed is either:
 - (i) in the form of securities or deposits, or
 - (ii) to a class of creditors
 the application to be filed jointly by at least 100 creditors in the same class or 10 per cent of the total number of such creditors in the same class, whichever is less.
- Any existing license, permit, registration, quota or concession, given by any authority, not to be discontinued on the grounds of Corporate Insolvency Resolution Process ('CIRP'), provided there is no default in payment of current dues for the use or continuation of such grants.

FOREIGN DIRECT INVESTMENT ('FDI')

- FDI guidelines for coal mining sector expanded to include Associated Processing Infrastructure i.e. coal washery, crushing, coal handling and separation (magnetic and non-magnetic) under the 100 per cent automatic route.
- FDI in manufacturing sector under automatic route clarified to include self-manufacturing or contract manufacturing on 'principal to principal' or 'principal to agent' basis.
- Single Brand Product Retail ('SBRT') trading through e-commerce permitted to be undertaken, prior to opening of brick and mortar stores, subject to the condition that the entity opens brick and mortar stores within 2 years from date of starting online retail.

- Sourcing of goods from India for global operations by the SBRT entity, permitted to be counted towards the mandatory sourcing requirement of 30 per cent, irrespective of whether the goods procured are sold in India or exported.
- FDI in Digital Media i.e. Uploading/ Streaming of News & Current Affairs through Digital Media permitted up to 26 per cent under the Government approval route.
- **Compulsory industrial licensing withdrawn for cigars and cigarettes of tobacco and manufactured tobacco substitute, electronic aerospace and defense equipment, parts and accessories in defense sector, industrial explosives and hazardous chemicals.**

OTHERS

- India has announced a contribution of US\$ 22 million to the Global Fund for AIDS, TB and Malaria for the 6th replenishment cycle (2020-22).
- Guidelines for 5G trials issued across all available spectrum bands, without restricting any company from applying for a licence to participate, provided it is registered in the country.

FOREIGN TRADE

(Apr-Dec 2019)

MAIN TRADING PARTNERS FOR INDIA				
S. No.	Main Exports to	Share (%)	Main Imports from	Share (%)
1	USA	16.89	China	14.34
2	UAE	9.30	USA	7.65
3	China	5.47	UAE	6.24
4	Hong Kong	3.60	Saudi Arabia	5.63
5	Singapore	2.96	Iraq	4.68
6	Netherlands	2.71	Switzerland	3.83
7	UK	2.69	Hong Kong	3.63
8	Germany	2.62	Korea	3.31
9	Bangladesh	2.51	Indonesia	3.21
10	Nepal	2.26	Singapore	2.99

FOREIGN DIRECT INVESTMENT

(US\$ million)

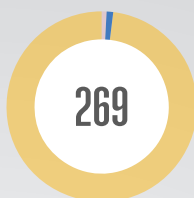
FDI EQUITY INFLOWS (top ten countries)						
Rank	Country	2017-18 (Apr - Mar)	2018-19 (Apr - Mar)	2019-2020 (Apr - Sep)	Cumulative Inflows (Apr 2000 - Sep 2019)	% age to total Inflows
1.	Mauritius	15,941	8,084	6,364	140,833	32
2.	Singapore	12,180	16,228	8,019	91,017	20
3.	Japan	1,633	2,965	1,784	32,058	7
4.	Netherlands	2,800	3,870	2,323	29,675	7
5.	USA	2,095	3,139	2,152	27,708	6
6.	UK	847	1,351	856	27,645	6
7.	Germany	1,124	886	260	11,968	3
8.	Cyprus	417	296	108	9,977	2
9.	France	511	406	334	6,977	2
10.	UAE	1050	898	164	6,816	2

SECTORAL COMPOSITION OF FDI

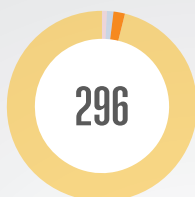
(Apr'19 - Sep'19) (US\$ million)



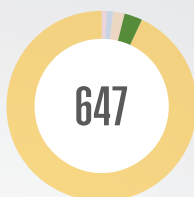
Construction
Development



Power



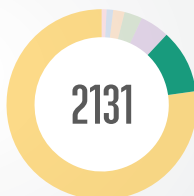
Drugs &
Pharmaceuticals



Chemicals



Construction
(Infrastructure)



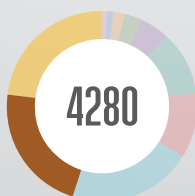
Automobile
Industry



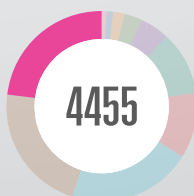
Trading



Computer Software
& Hardware



Telecommunications



Services

ECONOMIC INDICATORS

GDP

Inflation

Foreign Trade

Foreign Exchange Reserves

Infrastructure

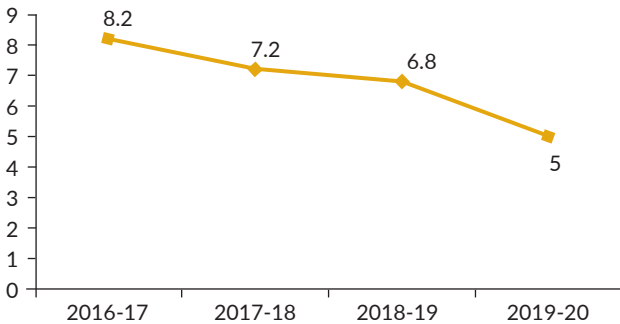


OVERVIEW

GDP

GDP Growth for the year 2019-20 is estimated at 5 per cent compared to 6.8 per cent in the year 2018-19. GDP growth during 2020-21 is expected to be in the range of 10 per cent.

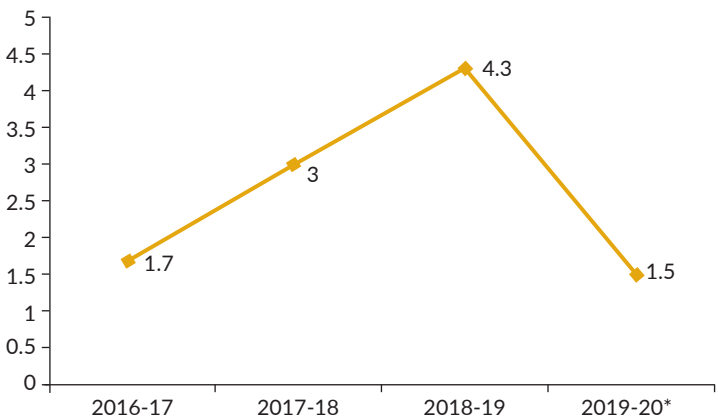
Overall GDP growth (%)



INFLATION

Inflation based on Wholesale Price Index ('WPI') decreased from 4.3 per cent in 2018-19 to 1.5 per cent in 2019-20.

Inflation based on WPI (%)

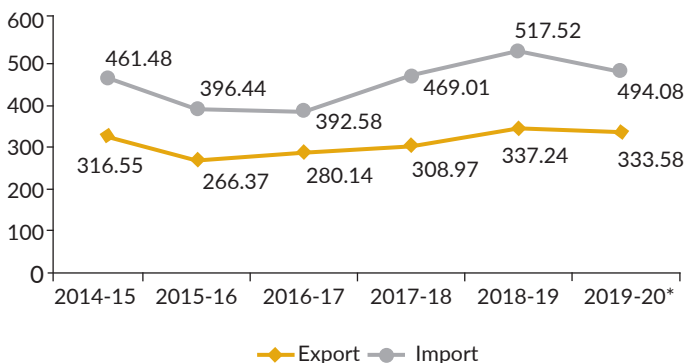


*Provisional

FOREIGN TRADE

Exports till September 2019 were US\$ 162.74 billion registering a marginal decrease of 2.43 per cent for a similar period till September 2018. Imports till September 2019 were US\$ 247.04 billion registering a marginal decrease of 5.92 per cent for a similar period till September 2018.

Exports and Imports
(US\$ billion)

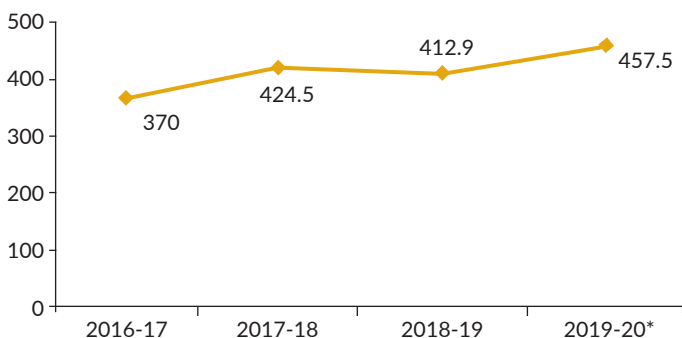


*Provisional

FOREIGN EXCHANGE RESERVES

The foreign exchange reserves increased by US\$ 44.6 billion at end of December 2019 as compared to March 2019. India's foreign exchange reserves continue to be comfortably placed at US\$ 457.5 billion.

Foreign Exchange Reserves
(US\$ billion)



*Provisional

INFRASTRUCTURE SECTOR

CORE INDUSTRIES

Steel production during April – November 2019 grew by 5.2 per cent over the corresponding period of the previous year. Fertilizer production grew by 4 per cent during the same period. However, there was a drastic decline in coal, crude oil, natural gas and refinery products.

Growth % age in Core Industries

SECTOR	2016-17	2017-18	2018-19	APRIL TO NOVEMBER	
				2018-19	2019-20
Coal	3.2	2.6	7.4	9.0	-5.3
Crude Oil	-2.5	-0.9	-4.1	-3.6	-5.9
Natural Gas	-1.0	2.9	0.8	-0.7	-3.1
Refinery Products	4.9	4.6	3.1	5.3	-1.1
Fertilizers	0.2	0.0	0.3	-1.3	4.0
Steel	10.7	5.6	5.1	3.6	5.2
Cement	-1.2	6.3	13.3	14.2	0.0
Electricity	5.8	5.3	5.2	6.6	0.7

POWER

Total power generation registered a growth of 0.05 per cent during April to December 2019 compared to corresponding period of the previous year. Nuclear sector and Bhutan imports grew by 25.4 per cent and 28.44 per cent respectively.

(billion units)

POWER SOURCE	APRIL TO DECEMBER		
	2018	2019	Growth %
Thermal	805.43	779.62	-3.20
Nuclear	28.46	35.69	25.40
Hydroelectric	111.72	129.54	15.95
Bhutan Import	4.32	5.55	28.44
Total Power Generation	949.93	950.40	0.05

TELECOMMUNICATIONS

Telephone connections grew by 18.8 per cent in 2018-19 compared to 2014-15. As on 30 September 2019 the total subscription stood at 1.19 billion of which 514.7 million were in the rural areas and 679.6 million in the urban areas. Wireless telephony now constitutes 98.27 per cent of all subscriptions whereas share of landline telephones now stands at only 1.73 per cent. The overall tele-density in India stands at 90.45 per cent the rural tele-density being 57.35 per cent and urban tele-density being 160.71 per cent at the end of September 2019.

Internet and broadband penetration in India have kept a rapid pace. The number of internet subscribers (both broadband and narrowband put together) stood at 665.3 million at the end of June 2019 as compared to 251.6 million in 2014.

India is now the global leader in monthly data consumption, with average consumption per subscriber per month increasing 157 times from 62 MB in 2014 to 9.8 GB in June 2019. The cost of data has also reduced substantially, enabling affordable internet access for millions of citizens.

RAILWAYS

Indian Railways ('IR') with over 68,000 route kms is the third largest network in the world under single management. During 2018-19, IR carried 1.2 billion tonnes of freight and 8.4 billion passengers making it the world's largest passenger carrier and 4th largest freight carrier. Revenue Earning Freight loading by IR during 2018-19 was 1.22 billion tonnes as against 1.16 billion tonnes during 2017-18, registering an increase of 5.34 per cent.

On account of steps taken to enhance safety, during 2018-19, train accidents decreased from 73 to 59 in comparison to the corresponding period of the previous year. In the year 2019-20 (April - October 2019), 41 train accidents have occurred.

Modernization / upgradation of Railway stations in IR is a continuous and on-going process. 1,253 stations have been identified for development under Adarsh Station Scheme by 2019-20. A dedicated SPV, Indian Railway Station Development Corporation Limited has been set up to carry out modernization of railway stations.

ROADS

Road transport is the dominant mode of transportation in terms of its contribution to Gross Value Added ('GVA') and traffic share. The share of transport sector in the GVA for 2017-18 was about 4.77 per cent of which the share of road transport is the largest at 3.06 per cent, followed by the share of the Railways 0.75 per cent, air transport 0.15 per cent and water transport 0.06 per cent.

As on March 31, 2018, India had a road network of about 5.96 million kms. The total length of National Highways was 0.13 million kms as on March 2019. The pace at which roads have been constructed has grown significantly from 17 kms per day in 2015-16 to 29.7 kms per day in 2018-19. Total investment in the Roads and Highway sector has gone up more than three times in five-year period of 2014-15 to 2018-19.

IMPORTANT FILING DATES FOR THE YEAR 2020-21

*(The dates may be revised
as per the notification by the regulators)*

REGULATORY MATTER	DUE DATE
Corporate Law	
Board Meeting	Four meetings every year with a gap not exceeding 120 days between two such meetings
Annual General Meeting ('AGM') (adoption of financials)	Within 6 months of end of the financial year
Annual Return with the ROC	Within 60 days from conclusion of AGM
Tax	
Corporate Tax Return	October 31st
Tax Audit Report	October 31st
Transfer Pricing Report	October 31st
TDS Returns (Tax Withholding)	Quarterly
Individual Tax Return	July 31st
GST Return	
• GSTR 3B	Monthly*
• GSTR 1	
- Turnover > ₹15 million)	Monthly*
- Turnover ≤ ₹15 million)	Quarterly/Monthly*
Compliance	
Deposit of TDS	7th of every month
Deposit of GST	20th of every month

*

As notified till date

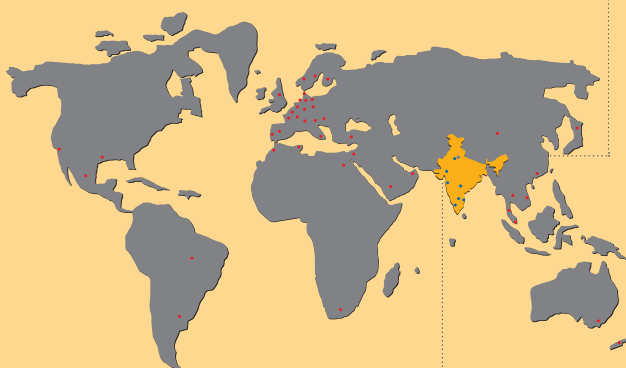
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