

Key highlights of Taxation & Other Laws (Relaxation & Amendment) Bill, 2020

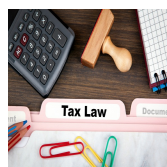
Sep 18, 2020

The Taxation & Other Laws (Relaxation & Amendment of Certain Provisions) Bill, 2020 introduced in Lok Sabha today, seeks to replace the Taxation and Other Laws (Relaxation of Certain Provisions) Ordinance, 2020 [introduced in March, 2020 to provide relaxation in timelines amid Covid-19 pandemic and amended on June 24th granting further reliefs]; The Bill proposes to legislate the Faceless Assessment Scheme by bringing in new Sections [i.e Sections 144B, 157A, 264A, 264B] and proposing amendments in various sections [i.e. Sections 92CA(8), 253(8)], whereby it is proposed that all functions including assessments, rectification, appeal filing, transfer pricing, appeal effect, DRP will become faceless; Also, the Bill proposes various amendments to the Income-tax Act; The Bill further proposes to amend the Direct Tax Vivad se Viswas Act, 2020 to extend the date for payment without additional amount to 31st December, 2020 and to empower the Central Government to notify certain dates relating to filing of declaration and making of payment; Lastly, it proposes to amend the Finance Act, 2020 to clarify regarding capping of surcharge at 15% on dividend income of the FPIs.

Faceless Assessment Scheme

• Proposes to insert the following sections to legislate and support faceless assessment scheme with effect from 1st November 2020 for which the Central Govt. may make a scheme, by notification in the Official Gazette

- o Sec. 130 [Faceless jurisdiction of income-tax authorities],
- o Sec.135A [Faceless collection of information.]
- o Sec. 142B [Faceless inquiry or Valuation]
- o Sub-section (8) to Sec.92CA [Reference to TPO]
- o Sub-section (14B) in Sec.144C [Reference to DRP]
- o Sec.151A [Faceless assessment of income escaping assessment]
- o Sec.157A [Faceless rectification, amendments and issuance of notice or intimation]
- o Sec.231 [Faceless collection and recovery of tax.]
- o Sec.264A [Faceless revision of orders]
- o Sec.264B [Faceless effect of orders]
- o Sec.293D [Faceless approval or registration]
- o Sec.253(8) [Appeal to ITAT]
- o Sec.279(4) [Prosecution and Compounding of Offenses]



• Proposes to insert new sub-section 3D to Sec.143 providing that provisions of Sec. 143(3A) and (3B) shall not apply to the assessment made u/s. 143(3) & 144 on or after the 1st day of April, 2021.

• The Bill proposes to insert new Sec.144B legislating the faceless assessment scheme notified on 13th August 2020. The new section details the faceless assessment process through National Faceless Assessment Centre [Erstwhile NeAC] and Regional Faceless Assessment Centre [erstwhile ReAC] as notified in [CBDT notification 60 and 61 of 2020](#)

• Additionally specifies the procedure for faceless assessment in transfer pricing cases where reference is made to DRP [Clauses xxvii to xxxi].

o where the eligible assessee files his objections with the DRP, the National Faceless Assessment Centre shall upon receipt of the directions issued by the DRP u/s.144C(5) forward such directions to the concerned assessment unit;

o the assessment unit shall in conformity of the directions issued by the DRP u/s.144C(5), prepare a draft

assessment order in accordance with Sec.144C(13) and send a copy of such order to the National Faceless Assessment Centre

o the National Faceless Assessment Centre shall, upon receipt of draft assessment order referred above, finalise the assessment within the time allowed Sec.144C(13) and serve a copy of such order and notice for initiating penalty proceedings, if any, to the assessee, along with the demand notice, specifying the sum payable by, or refund of any amount due to, the assessee on the basis of such assessment

• Proposes setting up of National Faceless Assessment Centre, Regional Faceless Assessment Centre and other units (Assessment Unit, Technical Unit, Verification Unit and Review Unit) under Sec.144B(3)

• Proposes that the units (Assessment Unit, Technical Unit, Verification Unit and Review Unit) shall have the following authorities:

(a) Additional Commissioner or Additional Director or Joint Commissioner or Joint Director, as the case may be;

(b) Deputy Commissioner or Deputy Director or Assistant Commissioner or Assistant Director, or Income-tax Officer, as the case may be;

(c) such other income-tax authority, ministerial staff, executive or consultant, as considered necessary by the Board.

• Proposed Sec.144B(7) [dealing with electronic communication] provides that any notice/order or any other communication shall be by way of:

o Placing an authenticated copy thereof in the assessee's registered account; or

o sending an authenticated copy thereof to the registered email address of the assessee or his authorised representative; or

o uploading an authenticated copy on the assessee's Mobile App [application software of the Income-tax Department], and followed by a real time alert;



Other amendments proposed:

Section

35 - Expenditure on Scientific Research

• Rationalization of provisions u/s 35 [to provide relaxation in respect of scientific research companies referred in section 35(1)(ia) of the Act that where the payment has been made to such companies, deduction should be allowed even where approval granted to them is subsequently withdrawn], which was to be effective from 1.6.2020 has now been made applicable from 1.4.2021.

• Further, the addition of the 5th and 6th proviso [will now be effective from 1.4.2021 as against 1.6.2020] requiring research associations, university colleges, scientific research companies and other institutions to make an intimation in the prescribed manner within 3 months of such a provision coming into effect and that the notification will remain valid for a period of 5 AYS commencing on/after 1 April 2022.

• The requirement to deliver a statement to the income-tax authorities in the prescribed form and manner & furnish a certificate to the donor for such research associations, university colleges, scientific research companies and other institution will now be effective from 1.4.2021 as against 1.6.2020.

Section

35AC - Expenditure on eligible projects or schemes

• The authority to withdraw approval to specified association or institution / eligible project or scheme has been granted to Principal Chief Commissioner of Income Tax (Exemption) or the Chief Commissioner of Income Tax (Exemption) [as against National Committee] w.e.f. 1 November 2020.

Section

56(2) - Income from other sources

• The exemption for application of Sec 56(2) for any sum of money/ property received from any trust or

institution registered u/s 12AB [Procedure for fresh registration] shall be effective from 1.4.2021 [as against 1.6.2020] in line with applicability of Sec 12AB.

Section 80G - Deduction in respect of donations to certain funds, charitable institutions, etc.

- Insertion of Sec 80G(viii) that stipulates the framework for the donee to prepare and file such statement setting forth particulars of donations received within specified timelines and furnishing certificates to the donors in such manner as prescribed will be effective from 1.4.2021 [as against 1.6.2020]

Section

115AD - Tax on income of Foreign Institutional Investors (FII) from securities or capital gains arising from their transfer

- The rate income tax on income in respect of securities w.e.f. 1 April 2020 will be as follows:

- o 20% in case of FII; and

- o 10% in case of specified fund.

- In case of specified fund, it is clarified that the provision will apply only to the extent of income that is attributable to units held by non-resident (not being a permanent establishment of a non-resident in India) calculated in the prescribed manner.

Other amendments:

- Proposes Sec.197B and Sec.206C(10A) to legislate the [reduction of TDS/TCS by 25%](#) w.e.f 14th May 2020
- Proposes to omit Sec.271K dealing with penalty for failure to furnish statements, etc. w.e.f 1st June 2020 and proposes to insert Sec.271J for the same.

[Click here](#) to read and download the copy of bill.