

TAX FLASH NEWS

13 May 2020

The Finance Minister announces several measures (including tax measures) to revive the economy from the Covid-19 outbreak

Yesterday, the Prime Minister announced INR 20 lakh crore stimulus package, to make the country self-reliant and to revive the stalled economy due to Covid-19. It was stated that the finance minister will unveil the package in detail in coming days.

Today, to give effect to the five pillars of 'Aatmanirbhar Bharat' announced by the Prime minister¹, the Finance Minister announced² the first set of package containing several measures³. The direct tax related announcements are as follows:

- In order to provide more funds at the disposal of the taxpayers, the rates of Tax Deduction at Source (TDS) for non-salaried specified payments made to residents and rates of Tax Collection at Source (TCS) for the specified receipts shall be reduced by 25 per cent of the existing rates.
 - Payment for contract, professional fees, interest, rent, dividend, commission, brokerage, etc. shall be eligible for this reduced rate of TDS.
 - This reduction shall be applicable for the remaining part of the Financial Year (FY) 2020-21 i.e. from tomorrow to 31 March 2021.
- All pending refunds to charitable trusts and non-corporate businesses & professions including proprietorship, partnership, limited liability partnership and co-operatives shall be issued immediately.
- Due date of all income-tax return for FY 2019-20 will be extended from 31 July 2020 and 31 October 2020 to 30 November 2020 and tax audit from 30 September 2020 to 31 October 2020.

- Date of assessments getting barred on 30 September 2020 extended to 31 December 2020 and those getting barred on 31 March 2021 will be extended to 30 September 2021.
- Period of Vivad se Vishwas Scheme for making payment without additional amount will be extended to 31 December 2020.

Our comments

Various measures announced by the Finance Minister will help the taxpayers in this critical time of Covid-19 outbreak. The 25 per cent reduction in TDS/TCS rates with effect from tomorrow and immediate issuance of refund will provide liquidity to the taxpayers and will help them to manage their cash flows.

In view of prolonged lockdown due to Covid-19, due dates for various procedural compliances under the Income-tax Act were extended to 30 June 2019. Now, to provide further relief to the taxpayers, due dates for filing income-tax returns for FY 2019-20 have been extended to 30 November 2020. Further the due date for filing tax audit report has also been extended to 31 October 2020.

Due date for availing the Vivaad se Vishwas Scheme without payment of an additional amount was extended to 30 June 2020. Now the taxpayer may opt for the Scheme without payment of any additional amount till 31 December 2020.

The government has declared that they will announce some more measures in forthcoming days.

¹ Economy, Infrastructure, System, Vibrant Demography and Demand

² Presentation and press release issued by the Ministry of Finance

³ Measures announce for MSME, EPF, NBFC, contract, real estate, direct tax measures, etc.

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