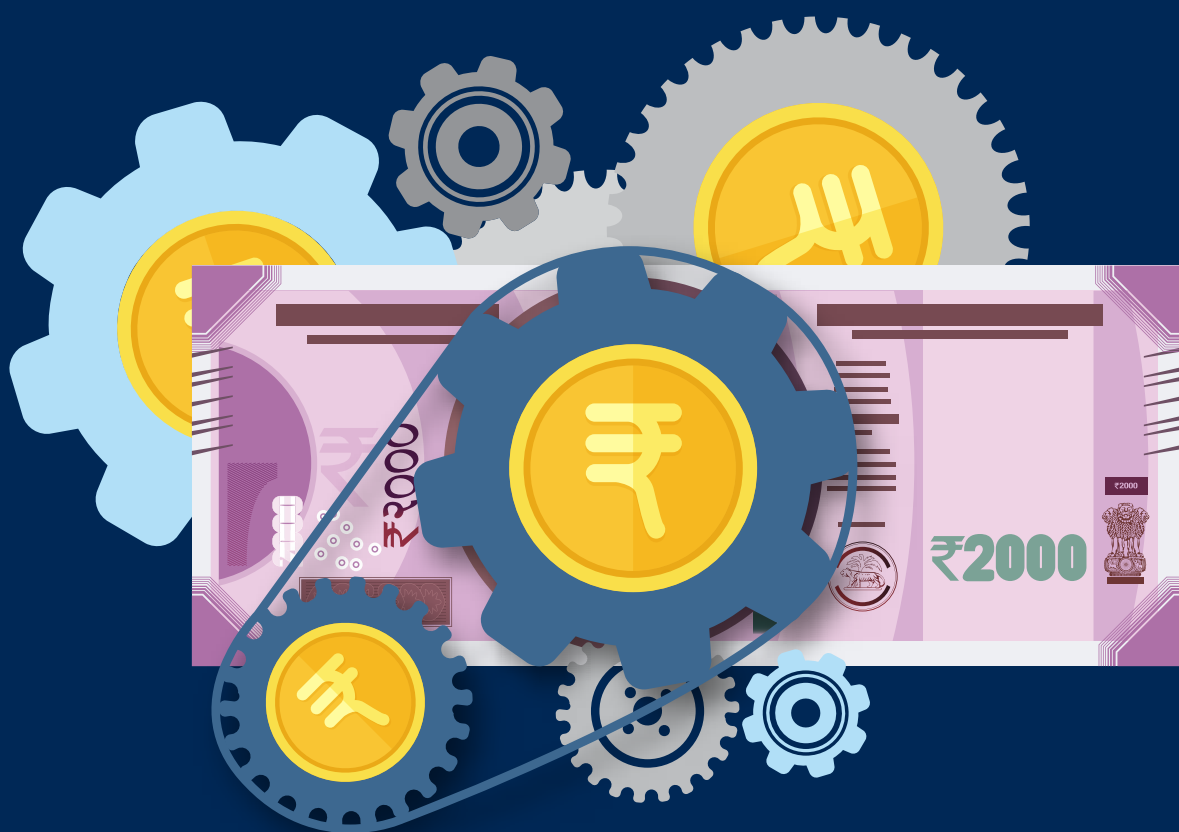


Shardul Amarchand Mangaldas

Budget Insights 2019





Direct Tax

Tax rates

- Increased surcharge of 25 per cent to now be levied (instead of 15 per cent) in case of Individuals/ AOPs/ BOIs having income between INR 20 million and INR 50 million. In case income exceeds INR 50 million, surcharge of 37 per cent to be levied. This translates to increase in effective tax rate by 3 per cent and 7 per cent, respectively.
- Beneficial corporate tax rate of 25 per cent is proposed to be extended to domestic companies with turnover up to INR 4 billion in financial year ("FY") 2017-18.

Start-ups

- To facilitate ease in doing business, the Finance Bill, 2019 ("Bill") proposes greater flexibility when it comes to carry forward and set-off of loss to eligible start-ups.
- To further incentivise investment in eligible start-ups, conditions for benefit of roll-over of long term capital gains arising from transfer of residential property to invest in eligible start-ups is proposed to be relaxed as follows:
 - Sunset date for transfer of residential property is proposed to be extended from 31 March 2019 to 31 March 2021;
 - De-minis condition of holding share-capital or voting rights is proposed to be reduced from 50 per cent to 25 per cent;
 - Restriction on transfer of new assets acquired by the eligible start-up is proposed to be reduced from 5 years to 3 years where such assets are in the nature of computers or computer software.
- Exemption from applicability of angel tax provisions is proposed to be extended to investments by Category II Alternative Investment Funds ("AIF").
- Currently, eligible start-ups have been provided exemption from angel tax if certain conditions are met. In case there is failure to comply going forward with such conditions, it is proposed that the consideration received for issue of shares which exceeds the face value of such shares shall be deemed to be the income of the company, in the year of such failure.

International tax and Transfer Pricing ("TP")

Relaxation of safe harbour conditions for offshore funds

- The current tax law, provides for a safe harbour to offshore

funds. It provides that in the case of an eligible investment fund, the fund management activity carried out through an eligible fund manager located in India and acting on behalf of such fund shall by itself not constitute a business connection in India of the said fund. Further, an eligible investment fund is not treated as a resident in India merely because the eligible fund manager, undertaking fund management activities on its behalf, is located in India. The safe harbour is available subject to fulfilment of certain conditions.

- The conditions that need to be fulfilled in order to avail the safe harbour have been further relaxed:
 - Condition to have a fund corpus of INR 1 billion at the end of the relevant FY has been relaxed in case of newly incorporated funds. Such fund shall need to have a corpus of INR 1 billion at the end of 6 months from the end of the month of their incorporation or end of the relevant FY, whichever is later; and
 - Requirement of remuneration paid to eligible fund manager at arm's length to be relaxed by prescribing a manner for computing the minimum remuneration for undertaking fund management activity.

Source rule for gift and receipt of property for inadequate consideration:

- The Bill proposes that gift of money, immoveable property or other specified properties situated in India, on or after 5 July 2019 by residents to non-residents shall be deemed to accrue or arise in India. Treaty benefits and other exemptions under Section 56(2)(x) of the Income-tax Act, 1961 ("IT Act"), if any, shall however be available.

Advance Pricing Agreements ("APA")

- Existing APA framework under the TP regulations allows a taxpayer to file modified return of income, and the income tax authority ("ITA") to complete the assessment basis thereon, in order to give effect to the APA.
- In an event the assessment or re-assessment of a certain assessment year is already completed before filing of the modified tax return by the taxpayer, the ITA is also empowered to assess or reassess or re-compute the total income of the said assessment year in accordance with the APA. These words have wide connotation and often raised apprehensions regarding the overreach of ITA's jurisdiction to commence fresh

assessment or re-assessment. Changes are now proposed in the existing framework to clarify that in such cases, the ITA's power will be limited to only modification of total income in accordance with the terms of the APA as opposed to 'assessment or re-assessment' of total income.

Secondary adjustments

- Currently, secondary adjustments are made in the taxable income of taxpayers even pursuant to APAs. The Bill clarifies that the scope of such secondary adjustments pursuant to APAs will be restricted to APAs that are signed on or after 1 April 2017. However, no refund of the taxes, already paid till date under the pre-amended law would be provided to the taxpayer.
- The existing framework of secondary adjustments mandates that the excess money [i.e., the difference between arm's length price ("ALP") and the transfer price] which is available with the associated enterprise ("AE") must be repatriated to India within the prescribed time, failing which, secondary adjustments would be carried out. It is now proposed that the repatriation of the excess money can be made by any of the overseas AEs of the taxpayer.
- A fresh levy in the form of an additional tax is proposed at the rate of 18 per cent on the excess money lying with the AE (such tax is to be further increased with a surcharge of 12 per cent such that effective tax rate comes to 20.16 per cent). This additional tax can be paid at the option of the taxpayer, as an alternative to secondary adjustments.
- No credit shall be allowed to the taxpayer in respect of this additional tax. Further, no deduction in respect of the amount on which additional tax is levied would be provided to the taxpayer.

International Financial Service Centres ("IFSC")

To bring Indian IFSC at par with other countries the following incentives have been proposed by the Bill:

- The benefit of tax-neutral transfer of global depositary receipts, derivatives, rupee denominated bonds and certain notified securities on a recognized stock exchange located in an IFSC is proposed to be extended to transfer of such securities by a Category III AIF (all unit holders of which are non-residents).
- To facilitate external borrowing by units located in an IFSC, interest income payable to a non-resident in respect of monies

borrowed on or after 1 September 2019 is proposed to be tax exempt.

- The exemption from dividend distribution tax in respect of dividends payable by a company being an IFSC unit out of its current profits is proposed to be extended to dividends paid out of accumulated profits.
- To incentivise relocation of mutual funds in IFSCs, no additional income-tax shall be chargeable in respect of distributions made on or after 1 September 2019 by such mutual fund (all unit holders of which are non-residents) out of income derived from transactions undertaken on a recognized stock exchange located in an IFSC.
- The profit linked 10 year tax holiday provided to units of an IFSC currently provides for 100 per cent deduction of the business income for the first 5 consecutive assessment years ("AYs") and 50 per cent deduction of business income in next 5 consecutive AYs. The tax holiday is proposed to be relaxed to provide a 100 per cent deduction for any 10 consecutive AYs. Further, the taxpayer will have the option to avail the proposed tax holiday for any period of 10 consecutive AYs out of a block of 15 years beginning with the year in which permission/registration to operate the unit is received from the relevant regulator.

Tax incentives

Non-banking financial companies ("NBFC"):

- The Bill proposes to provide a level playing field to NBFCs, which are adequately regulated, with public financial institutions such as scheduled banks, state financial corporations etc. In this respect, the special provisions applicable to such public financial institutions to account for interest income on bad and doubtful debts in the year in which such interest is either credited or actually received (whichever is earlier), are proposed to be extended to deposit taking NBFCs and systemically important non-deposit taking NBFCs.
- Corresponding amendments have also been proposed to allow for deduction of interest expenses to the borrower only if such interest is actually paid to the NBFC before the date of filing tax return.

Electric Vehicles

Deduction of interest on loan taken to purchase an electric vehicle



up to INR 150,000 is proposed to be introduced subject to following conditions:

- Loan should be sanctioned during the period beginning FY 2019-20 to FY 2022-23;
- Taxpayer does not own any other electric vehicle on the date of loan sanction.

Rupee Denominated Bonds

- Interest payable to a non-resident by any Indian company or business trust in respect of monies borrowed outside India by way of issue of rupee denominated bonds during the period beginning 17 September 2018 to 31 March 2019 proposed to be tax exempt (this is line with the earlier press release dated 17 September 2018).

Affordable Housing

- To provide impetus to the Government's 'Housing to all' objective, a deduction of up to INR 150,000 is proposed to be introduced in respect interest on loan taken for residential house property subject to the following conditions:
 - Loan should be sanctioned during FY 2019-20;
 - Stamp-duty value of residential house property should not exceed INR 4.5 million;
 - Taxpayer should not own any other residential property on the date of loan sanction.
- Further, currently 100 per cent of the business income derived from developing and building affordable housing projects is tax deductible. The definition of 'affordable housing' is proposed to be modified in order to align with GST laws in terms of size, value and location of the house.

Distressed companies

Minimum Alternate Tax ("MAT") and tax loss relief for companies in distress

- For companies in case of which an application has been filed with the National Companies Law Tribunal ("NCLT") for relief in cases of oppression, etc. under the applicable provisions of the Companies Act, and the NCLT has suspended the Board of the company and appointed new directors nominated by the Central Government, the following relaxations have been given:

- The restrictions on carry forward and set-off losses in case of change in shareholding by more than 49 per cent has been dispensed with for such companies. Further, the said relaxation has been extended to their subsidiary and subsidiary of such subsidiary. The jurisdictional Principal Commissioner of Income Tax or Commissioner of Income Tax, however, needs to be given a reasonable opportunity of being heard.
- For calculating book profits under MAT the aggregate of unabsorbed depreciation and brought forward loss shall be allowed to be reduced by such companies.

Exemption from fair valuation norms

- Fair valuation norms applicable on sale of shares/ other property to the transferor and transferee may be relaxed by the Central Board of Direct Taxes to avoid genuine hardship in cases where the consideration for transfer of shares is approved by certain authorities and the transferor has no control over the price discovery.

Tax deducted at source ("TDS")

- **TDS on payments to contractors and professionals:** TDS at 5 per cent shall have to be deducted by all individuals and HUFs on payments made to resident contractors or professionals exceeding INR 5 million. This will be regardless of whether the individual/HUF is subject to tax audit.
- **TDS on life insurance payments:** Payment received in respect of life insurance policy in excess of INR 100,000 which is not exempt shall now be subject to TDS at 5 per cent instead of 1 per cent.
- **TDS on immovable property:** TDS to be deducted on the amount paid on transfer of immovable property on or after 1 September 2019 to also include charges in the nature of membership fee, car parking fee, electricity or water facility fee, maintenance fee, advance fee etc. which are incidental to the transfer.
- **Reprieve from TDS default on payments to non-residents:** If a person fails to deduct TDS, he can be held liable for such TDS plus interest and penalties as an assessee in default. Currently, a reprieve is provided to the deductor from such consequences if the payee, being an Indian resident, timely reports such income in his tax return, pays due taxes and a certificate from an accountant is produced to that effect. The

deductor, however, will continue to be liable for interest on the TDS amount from the date on which tax was deductible until the payee files his tax return. Such reprieve is proposed to be extended even in respect of payments to non-resident payees.

Anti-evasion measures

Mandatory filing of tax return

- Currently, a person with no taxable income or income less than the taxable threshold is not required to file a tax return barring few exceptions. Filing of tax return has now been made mandatory for such persons if they enter into high value transactions in any financial year, as follows:
 - Deposit of cash in any bank account in excess of INR 10 million in current accounts maintained with banks
 - Incurred expenditure in excess of INR 2,00,000 on foreign travel on himself or others
 - Incurred expenditure in excess of INR 1,00,000 towards electricity bill
- Persons claiming rollover benefits for capital gains tax on investment in a house or a bond or other assets shall also mandatorily file tax returns, if, before claim of such rollover benefits, their income was taxable.

Interchangeability of Aadhar and Permanent Account Number ("PAN") and related reporting measures

- Every person who has not been allotted a PAN or has linked his PAN with his Aadhar number, can now furnish Aadhar in lieu of PAN
- Additionally, persons entering into prescribed transactions will be mandatorily required to quote either PAN or Aadhaar number, in the documents pertaining to such transaction and also authenticate such PAN or Aadhaar number in the prescribed manner.
- To gather data for pre-filled tax returns, the Government has proposed to widen the scope of reporting persons under the provisions relating to reportable financial transaction. It is also proposed to omit the monetary threshold for reportable financial transactions. Penalty provisions in case of inaccurate filing has also been put in place.

Prescription of electronic modes of payment

- Several provisions under the IT Act prohibit cash transactions

and allow or encourage payments or receipts only through account payee cheque, account payee draft or electronic clearing system through a bank account. To encourage a digital and less cash economy, the Bill proposes to amend such provisions to include other electronic modes of payments (which will be prescribed) within the permissible modes of payments.

TDS on cash withdrawals

- Cash withdrawals from bank accounts in excess of INR 10 million, in aggregate, in any financial year will be subject to TDS at 2 per cent. Exemptions have been provided to certain recipients such as the Government, banking companies and white label ATM operators.

Mandatory electronic payment facility

- Persons carrying on business with turnover exceeding INR 500 million (in the immediately preceding financial year) will mandatorily be required to provide the facility for accepting payment through prescribed electronic modes to their customers. Failure to provide such facility may be subject to a penalty of INR 5000 for every day of default. It is also proposed to amend the Payment and Settlement Systems Act, 2007 to provide that banks will not levy any charges on any one for using such prescribed electronic modes of payments.

Amendments to Black Money Act

- The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 ("**Black Money Act**") only applies to Indian tax residents. As such, there was ambiguity in law as regards whether the tax residency of the person needs to be tested in the financial year in which the Black Money Act was being invoked or the financial year in which the income had escaped assessment. The Bill clarifies that the Black Money Act will apply to both, a person who is (a) an Indian tax resident in the financial year in which the Black Money Act is invoked; or (b) currently a non-resident but was resident in India in the financial year in which the income had escaped assessment or in which the undisclosed asset outside India was acquired. Such amendments are retrospective and will take effect from 1 July 2015.

Amendments to Income Declaration Scheme, 2016



- Certain amendments have been proposed to the Income Declaration Scheme, 2016 to address hardship for a class of declarants (yet to notified) in case they are unable to discharge tax dues within the notified due date. The proposed amendment will allow them to make delayed payments before a newly notified due date with 1 per cent monthly interest. Similarly, refunds of excess tax paid under such scheme by a notified class of declarants will be enabled.

Tax administration

Electronic filings

- The filing and processing of (a) lower or nil withholding certificates in respect of payments to be made to a non-resident; and (b) statements in respect of payment of interest income to residents without tax withholding; shall now be done electronically as well. This will help reduce the processing time and enable tax administration to monitor such payments.

Prosecution threshold for non-filing of tax return

- It is clarified that prosecution for failure to file an annual tax return will be proceeded against a person (not being a company) if the total income of such person determined on regular assessment as reduced by any self-assessment tax paid before the expiry of the relevant AY, tax collected/ deducted at source, does not exceed the prescribed threshold. Further, in this regard, the prescribed threshold is proposed to be increased from INR 3000 to INR 10,000.

Assistance in recovery of foreign taxes

- The provisions for tax recovery pursuant to agreements with foreign countries, are proposed to be rationalized to provide for recovery of taxes of (i) such foreign country, where details of property of such defaulting person are not available, but such person is resident in India; and (ii) in respect of Indian taxes, where details of property of such defaulting person are not available, but such person is resident in contracting a foreign country.

Claim of tax refund

- The procedure for claiming a refund of taxes is simplified to a mere filing of an annual tax return.

Sale of attached property for recovery of tax dues

- The time limitation for sale of immoveable property attached towards recovery of taxes is proposed to be increased from 3 years from the end of the FY in such tax demand is crystallized to 7 years.

Other notable proposals

Securities Transaction Tax ("STT") on options

- The Bill provides that the taxable value of an option in securities for purposes of STT, in case of sale of an option, which is exercised, will be the difference between strike price and settlement price.

Buyback tax on listed companies

- Buyback tax of 23.3 per cent which was hitherto applicable to only unlisted companies has now been extended to listed companies for share buybacks undertaken on or after 5 July 2019. A corresponding tax exemption is also proposed to the shareholder in respect of income on account of buy-back of shares.

Tax exempt registration of charitable trusts/ institutions

- To ensure that the activities of the charitable entities do not deviate from their objects, it is now proposed (with effect from 1 September 2019) that :
 - At the time of granting of the registration, the appropriate tax authority will also satisfy itself about the compliance to requirements under any other law, as may be applicable, and,
 - In an event registration has been granted to the charitable entity and subsequently it is noticed that the entity has violated any law, which was material for achieving its objects, the appropriate authority is empowered to cancel the registration of the charitable entity after providing an opportunity of being heard.

Facilitating Demerger of Indian Accounting Standards ("Ind-AS") compliant companies

- Tax neutral demerger, amongst other conditions under existing laws, requires that resulting company should record the assets and liabilities of the undertaking at their respective book values. Ind-AS on the other hand requires that the assets and liabilities of the undertaking are to be recorded by the

resulting company at their respective fair values, i.e. a value different from book value.

- To remove this anomaly, it is proposed to remove this condition for companies which have to record the value of assets and liabilities at their fair value in compliance with Ind-AS.

Pass through status for losses in cases of Category I and Category II AIFs

- Category I & II AIF are allowed a pass through status in respect of all income (other than business income). However, pass through of losses is not permissible, which are retained at the AIF level to be carried forward for future set-offs.
- To rationalize the provisions concerning pass through of losses of AIFs, it is now proposed :

- Business losses will not be accorded pass through status and will be retained at the AIF level as before;
- Losses (other than business losses) shall also be ignored for the purpose of pass through to its unit holders if such loss has arisen in respect of units, which have been held for a period less than 12 months;
- Losses (other than above) as on 31 March 2019 shall be deemed to be losses of the unit holder and shall be allowed to be carried forward by such unit holder for the remaining period calculated from the year in which the loss occurred for the first time (taking that year as the first year);



Indirect Tax

Goods and Services Tax

Following changes have been proposed in the Central Goods and Services Tax Act, 2017:

Composition scheme

- Certain changes have been proposed for the applicability of the composition scheme:
 - Casual taxable persons and non-resident taxable persons are excluded from availing the composition scheme.
 - Supplier of goods or services or both, having a turnover of less than INR 5 million is allowed to avail the composition scheme subject to the general restrictions applicable on composition dealer of goods, such as not making inter-state supplies, etc.

Threshold requirement for registration

- It is proposed that upon request by a State, the Central Government may increase threshold limit for registration for a person exclusively supplying goods from INR 2 million to INR 4 million.

Electronic cash ledger flexibility

- It is proposed that flexibility for transferability of cash balances across respective cash ledgers of IGST, CGST and SGST may be given to a taxpayer.

Interest on net cash liability

- Proposal has been made to compute interest on net tax liability after setting off input tax credits as available in the electronic credit ledger.

National Appellate Authority for Advance Ruling constituted

- It is proposed that the distinct persons would be allowed to file an appeal against conflicting rulings pronounced on the same issue by appellate advance ruling authorities of different States. Once an order is passed by the national appellate

authority on such appeal, then such order is binding on the Company as well as State GST authorities on 'Pan-India' basis.

Penalty prescribed in cases of profiteering

- Penalty equivalent to 10 per cent of the amount profiteered is proposed to be prescribed in cases of profiteering. It is proposed that no penalty would be payable if it is deposited within 30 days from the date of passing of the order.

Proposed changes in GST laws will come into effect once the State/ Union Territories make appropriate changes in respective State GST enactments.

Customs

Introduction of "Verification of Identity and Compliance"

- A new chapter has been proposed to be inserted in the Customs Act, 1962 ("**Customs Act**"), wherein, specific provision has been inserted and customs authorities have been empowered to carry out verification of any person to ascertain compliance with customs laws or other laws. The proposed identity verification will be done through Aadhaar numbers or such other alternative means as may be prescribed.

Increasing the powers of customs authorities

- Amendments have been proposed to enlarge the powers of customs authorities by providing that:
 - Scanning/screening of persons for detection of secreted goods inside their bodies can be done by customs authorities without prior approval of the Magistrate;
 - Customs authorities to be given the power to arrest a person outside India or outside Indian customs waters for specified offences committed under the Customs Act.

Proposal for stricter penalties and prosecution provisions for frauds relating to drawback, exemption and Foreign Trade Policy ("FTP") benefits

- To curb frauds in relation to availment, utilization of drawback, exemptions and FTP benefits, amendments have been proposed in the customs laws to make such frauds, where evasion exceeds INR 5 million, as 'cognizable' and 'non-bailable' offences. Such offences are proposed to be punishable with imprisonment up to 7 years with fine. Additionally, penalty is proposed to be prescribed for an offence relating to availment and utilization of FTP benefits.

Customs authorities empowered to provisionally attach bank accounts

- It is proposed that the customs authorities shall be vested with the power to provisionally attach bank accounts for safeguarding the interests of revenue, in cases entailing confiscation of goods.

Higher penalty

- The general penalty for any offence not specifically mentioned in customs laws is proposed to be increased from INR 100,000 to INR 400,000. Similarly, penalty for general violation of any rules or regulations is proposed to be increased to INR 200,000 from INR 50,000.

Measures introduced for curbing circumvention of countervailing duty








- Customs Tariff Act, 1975 ("Tariff Act") is proposed to be amended to empower Central Government to levy countervailing duty under Section 9 of the Tariff Act on any article, where it is of the opinion that such article is being imported to circumvent the applicable countervailing duty already imposed on some other article by altering the description or name or composition of the said other article or by import of such other article in unassembled or disassembled form or by changing country of origin.

Appeal against orders determining anti-dumping, safeguard duty

- Provisions have been proposed to provide for filing of an appeal against the orders determining anti-dumping or subsidy or safeguard duty before the CESTAT. Till now, there

was no statutory mechanism to appeal against such orders.

Movement in customs duty rate:

Industry/Sector (Indicative list)	Movement
Construction <ul style="list-style-type: none"> Floor covering of plastics, wall or ceiling of plastics Ceramic roofing tiles, ceramic flags, paving, hearth or wall tiles Base metal fittings, mountings suitable for furniture, doors, staircases, windows, blinds etc. 	
Precious metals <ul style="list-style-type: none"> Silver Gold Platinum etc. 	
Automobile parts <ul style="list-style-type: none"> Oil filters, air filters, cleaners etc. Lights, horns, mirrors, wipers Chassis fitted with engines, bodies for vehicles 	
Electronics and electrical equipment <ul style="list-style-type: none"> Split air conditioners Loud speakers Digital video recorder, CCTV camera, IP camera, optical fibres 	
Iron & Steel <ul style="list-style-type: none"> Stainless steel Alloy steel 	
Petrochemicals <ul style="list-style-type: none"> Motor spirit (petrol) High speed diesel oil Petroleum crude 	
Capital goods (such as testing equipment) used in manufacture of <ul style="list-style-type: none"> Populated PCBA Camera module of cellular mobile phones Charger/adaptor of cellular mobile phone Lithium ion cell Display module Set top box Compact camera module 	



Industry/Sector (Indicative list)	Movement
Textiles <ul style="list-style-type: none"> Wool fibre Wool tops 	⬇️
Nuclear energy <ul style="list-style-type: none"> Uranium ores and concentrates Goods for use in generation of nuclear power 	⬇️
Electric vehicles <ul style="list-style-type: none"> Specified parts for exclusive use in electric vehicles 	⬇️

Boost to “Make in India”: Please note that some of the changes in the basic customs duty rate, as indicated above, have been made in line with the ‘Make in India’ initiative, in order to give impetus to domestic manufacturing.

Specific exemptions from customs duties

- Defence equipment such as fighter aircrafts, attack helicopters, missiles etc. imported by Ministry of Defence, Government of India or defence forces has been exempted from customs duty till 1 July 2024.

All the rate changes have been made effective from 6 July 2019.

Central Excise

Movement in excise duty rate:

Industry/Sector	Movement
Tobacco <ul style="list-style-type: none"> Cigarettes Hookah 	⬆️
Petrochemicals <ul style="list-style-type: none"> Motor spirit (petrol)¹ High speed diesel oil² Petroleum crude 	⬆️

¹ Inclusive of Special Additional Duty of Excise and Road and Infrastructure cess

² Inclusive of Special Additional Duty of Excise and Road and Infrastructure cess

Specific exemption from excise duty

- Crude oil produced in specified oil fields (e.g. Panna and Mukta fields, Hazira fields) under production sharing contracts or in the exploration blocks offered under the New Exploration Licencing Policy (NELP) have been exempted from applicable excise duty.

All the rate changes have been made effective from 6 July 2019.

Service Tax

Following changes have been proposed in the Finance Act, 1994 with retrospective effect:

- Retrospective exemption, for the period between 1 April 2016 to 30 June 2017, proposed to be granted on service by way of grant of liquor licence. The amendment is in line with the GST Council’s decision not to levy GST on grant of liquor licences.
- Proposal made with respect to the retrospective exemption from service tax for the period between 1 October 2013 to 30 June 2017 on long term leasing of plots for development of infrastructure for financial business. In line with the GST exemption, a retrospective exemption is granted to upfront amounts, called as premium, salami, cost, price, development charges etc. payable for grant of long term lease of 30 years or more, of plots for development of infrastructure for financial business by Government.

Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019 (“Scheme”)

This Scheme is proposed to be introduced to settle the legacy disputes under the erstwhile Central indirect tax laws. The Scheme seeks to provide for partial relaxation from payment of tax along with interest and penalty. It also provides for a complete immunity from prosecution.



Proposed relief available under the Scheme

Scenario	Relief	Payable
Tax dues (< INR 5 million) are in relation to a show cause notice or a pending appeal (as on 30 June 2019) arising from a show cause notice	70 per cent of the tax dues	30 per cent of the tax dues
Tax dues (> INR 5 million) are in relation to a show cause notice or a pending appeal (as on 30 June 2019) arising from such show cause notice	50 per cent of the tax dues	50 per cent of the tax dues
Tax dues are in relation to a show cause notice for demand of late fee or penalty only, and either duty has been paid or there is no demand of duty	Full late fee and penalty	Nil
Where the tax dues (<INR 5 million) are relatable to an amount in arrears	60 per cent of the tax dues	40 per cent of the tax dues

Scenario	Relief	Payable
Where the tax dues (>INR 5 million) are relatable to an amount in arrears	40 per cent of the tax dues	60 per cent of the tax dues
Where tax dues (< INR 5 million) are linked to enquiry, investigation or audit and the amount is quantified prior to 30 June 2019	70 per cent of the tax dues	30 per cent of the tax dues
Where tax dues (>INR 5 million) are linked to enquiry, investigation or audit and the amount is quantified prior to 30 June 2019	50 per cent of the tax dues	50 per cent of the tax dues
Tax dues are payable on account of voluntary disclosure	No relief	100 per cent of the tax dues

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Shardul Amarchand Mangaldas, founded on a century of legal achievement, is one of India's leading full service law firms. Our mission is to enable business by providing solutions as trusted advisors through excellence, responsiveness, innovation, and collaboration.

We are one of India's most well recognised firms, and are known globally for our integrated approach. With approximately 600 lawyers including over 110 partners, we provide exceptional services across practice areas which include General Corporate, Merger & Acquisition, Private Equity, Banking & Finance, Insolvency & Bankruptcy, Competition Law, Dispute Resolution, Projects & Project Finance, Capital Markets, Tax, Intellectual Property and Venture Capital. We are at the forefront of global and Indian M&A and private equity transactions, cutting edge high risk litigation and advice on strategically important matters across a spectrum of practices and industries for our multi-jurisdictional clients.

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