CNK & Associates LLP

News Flash – Ordinance on relief measures announced in response to lockdown

In Brief

Keeping in mind the economic hardship faced by taxpayers as well as the challenges in undertaking compliance during the current lockdown on account of Coronavirus, the Hon'ble Finance Minister announced certain relaxation measures on 24th March 2020. Pursuant to the said announcement, the Taxation and Other Laws (Relaxation of Certain Provisions) Ordinance, 2020 ('the Ordinance') was promulgated on 31st March 2020. Some of the key tax and regulatory related relaxation measures announced in the Ordinance as well as other circulars/ notifications/ announcements have been provided below.

Ordinance – Direct tax compliance

The Ordinance covers compliance under the following laws:

- Wealth Tax Act, 1957;
- Income Tax Act, 1961;
- Prohibition of Benami Property Transactions Act, 1988;
- Securities Transaction Tax;
- Commodities Transaction Tax;
- Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015;
- Equalisation Levy;
- Direct Tax Vivaad Se Vishwas Scheme, 2020

The Ordinance has deferred the time limit under the above laws for the following to 30th June 2020 if the erstwhile time limit expired during the period 20th March 2020 to 29th June 2020:

Particulars	*Earlier time limit*	*Revised time limit*
Completion of any proceedings or passing of any order, issue of any notice, intimation, notification, sanction or approval by the authorities	During the period 20th March 2020 to 29th June 2020	30th June 2020
Due date for re-opening of assessment proceedings for FY 2014-15	31st March 2020	30th June 2020
Filing of any appeal, reply or application or furnishing of any report, document, return, statement or such other record	During the period 20th March 2020 to 29th June 2020	30th June 2020
Due date for filing belated return for FY 2018-19	31st March 2020	30th June 2020
Due date for filing revised return for FY 2018-19	31st March 2020	30th June 2020
Due date for filing e-TDS returns for Q4 FY 2019-20	31st May 2020	30th June 2020
Any investment, deposit, payment, acquisition, purchase, construction or	31st March 2020	30th June 2020

Particulars	Earlier time limit	Revised time limit
such other action for claiming deduction under: a. Section 54 to 54GB; or b. Chapter VI-A under the headings "B- Deductions in respect of certain payments"		
Beginning of manufacture or production of articles or things or providing any services referred to in section 10AA of the Income Tax Act, 1961 if the letter of approval is received before 31st March 2020	31st March 2020	30th June 2020

CNK Comments:

The extension of the compliance calendar is a welcome move and would assist taxpayers in complying with the laws after the lockdown has ended without any penal consequences.

The extension of the time limit for deduction under section 54EC (purchase of specified bonds) would apply only if the 6-month period from the date of transfer of the land or building which is subject to tax, is expiring between 20th March 2020 and 29th June 2020.

Taxpayers would now be able to claim deduction under section 80C, 80D, 80G, etc. for FY 2019-20 even if they make the relevant investment, deposit, payment, etc. till 30th June 2020. However, given that the due date for deposit of TDS has not been extended (refer ensuing paragraph for reduced interest on delay) an employer may not consider such extended timelines for deduction under Chapter VI-A while computing the TDS on salary and the employee may need to claim a refund in the return of income.

For Corporate taxpayers making donations after 31st March 2020 but on or before 30th June 2020, they would have an option to claim deduction under section 80G in FY 2019-20 (AY 2020-21). This may be relevant to corporates opting for lower rate rates under section 115BAA where deduction under section 80G is not admissible for FY 2020-21 (AY 2021-22).

Ordinance – Direct tax payments

While the Ordinance has not deferred the due date for payment due between 20th March and 29th June 2020 under the above laws, the interest on such delay for the period between the due date and the date of payment shall not exceed 0.75% per month if such payment has been made before 30th June 2020.

Further, no penalty or prosecution shall be sanctioned in respect of the above delay.

CNK Comments:

While there is no deferral, the reduction in the interest rates is a welcome move. Such lower rate of interest shall apply to the following payments:

Particulars	Earlier time limit	Earlier interest rate for delay	Interest rate for delay
Interest under section 234B for delayed payment of advance tax	31st March 2020	1% per month	0.75% per month

Particulars	Earlier time limit	Earlier interest rate for delay	Interest rate for delay
Interest under section 201 for delay in deposit of TDS for March, April and May 2020	30th April, 7th May and 7th June 2020 respectively	1.5% per month	0.75% per month
Interest on delayed payment of Equalisation Levy for March, April and May 2020	7th April, 7th May and 7th June 2020 respectively	1% per month	0.75% per month
Interest on delayed payment of TCS for March, April and May 2020	7th April, 7th May and 7th June 2020 respectively	1% per month	0.75% per month
Dividend Distribution tax	Within 14 days from date of declaration, distribution or payment, whichever is earliest	1% per month	0.75% per month
Interest on delayed payment of STT/ CTT for March, April and May 2020	7th April, 7th May and 7th June 2020 respectively	1% per month	0.75% per month

Further, the deferral applies only if the payment is due between 20th March 2020 and 29th June 2020. Therefore, if there is already a delay, for example of TDS for the month of February 2020 due on 7th March 2020, is paid before 30th June 2020, the lower rate of interest would not apply. Moreover, the lower rate of interest, to be computed only for the specified period, shall not apply at all if the payment is made after 30th June 2020.

FEMA related measures - Extension of the time period for realization and repatriation of export proceeds

The RBI vide Press Release 2019-2020/2167 dated 1st April 2020 has extended the time period for realization and repatriation of export proceeds for exports made up to or on 31st July 2020 to 15 months from the date of export from the present 9 months from the date of export due to the COVID-19 pandemic.

This will enable exporters to realize their receipts, especially from COVID-19 affected countries within the extended period and also provide greater flexibility to the exporters to negotiate future export contracts with buyers abroad.

Other regulatory measures

Extension of time limit for payment of ESIC

Employee State Insurance Corporation (ESIC) has issued a notification to extend the time limit for payment of ESI contributions to 45 days as against the earlier time limit of 15 days. Accordingly, the due date for contribution payable on 15th March 2020 has been extended up to 15th April 2020 and the contributions payable on 15th April 2020 can be paid up to 15th May 2020.

Extension of time limit for filing Profession Tax return in Maharashtra

The state government of Maharashtra has extended the due date of 31st March 2020 for filing of Profession Tax (PT) return to 30th April 2020.

Other measures - RBI's loan EMI moratorium proposal for borrowers

In order to mitigate the burden of debt servicing brought about by disruptions on account of Covid-19 pandemic and to ensure continuity of business and availability of cash flows, Reserve Bank of India (RBI) has announced certain regulatory measures. One such measure was to instruct banks to give borrowers a grace period of 3 months for payment of equated monthly installments (EMIs). Accordingly, all term loans (including Agricultural Term Loans, Retail, Crop Loans and loans under Pool Purchases) and Cash Credit/Overdraft as well as Credit Cards are eligible to avail the benefit of grace period. This will ensure liquidity of funds in the hands of borrower. However, one would need to consult their bankers before exercising this option as interest will continue to be charged during the moratorium period and will be added to their future EMIs.

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This e-publication is published by CNK & Associates, LLP, Chartered Accountants, India, solely for the purposes of providing necessary information to employees, clients and other business associates. This publication summarises the key relief measures announced in response to the COVID-19 lockdown. Whilst every care has been taken in the preparation of this publication, it may contain inadvertent errors for which we shall not be held responsible.

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