

A high-angle photograph of a business meeting. Several people are gathered around a table, looking at various documents and a tablet. One person is pointing at the tablet screen, which displays a bar chart. Another person has their hands clasped. The scene is filled with papers, a spiral notebook, and a calculator, suggesting a collaborative work environment.

COVID-19: EY India Tax tracker

Overview

- ▶ The Union Minister of Finance and Corporate Affairs announced several important relief measures in view of COVID-19 outbreak, especially on statutory and regulatory compliance matters. These relate to income tax, Goods and Services Tax (GST), customs and central excise, corporate affairs, Insolvency and Bankruptcy Code (IBC) and fisheries, banking sector and commerce.

Income tax

- ▶ The government has extended the last date for filing income tax returns for (FY18-19) from 31 March 2020 to 30 June 2020.
- ▶ There has been an extension in Aadhaar-PAN linking date from 31 March 2020 to 30 June 2020.
- ▶ The 'Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund' (PM CARES Fund)' has been set up. Donations to the fund will be exempted from income tax under section 80(G).
- ▶ The deadline of Direct Tax Amnesty Scheme (Vivad se Vishwas) has been extended from 31 March 2020 to 30 June 2020 at no additional 10% amount, which otherwise was required to be paid if disputed tax was paid after 31 March 2020.
- ▶ There has been an extension of the due dates under the Income Tax Act, Wealth Tax Act, Prohibition of Benami Property Transaction Act, Black Money Act, Securities Transaction Tax (STT) law, Commodities Transaction Tax (CTT) Law, Equalization Levy law. The time limit expiring between 20 March 2020 to 29 June 2020 has been changed to 30 June 2020.
- ▶ For delayed payments of advanced tax, self-assessment tax, regular tax, tax deduction at source, tax collection at source, equalization levy, STT, CTT made between 20 March 2020 and 30 June 2020:
 - ▶ The interest rate has been reduced to 9% from 12% and 18% per annum.
 - ▶ Late fee/penalty has been waived off.

Indirect tax

- The government has announced the following:
- ▶ 24X7 clearance at all customs stations till 30 June 2020 to address any congestion, delay or surge on account of the prevailing conditions under COVID 19.
 - ▶ No late fee shall be payable for delayed filing of statement (Form GSTR-1) and return (Form GSTR-3B).
 - ▶ Payment of tax for February, March and April 2020 can be made till the last week of June 2020 without any interest. However, if the person has annual turnover of more than INR5 crores, interest shall be levied after 15 days of the due date of filing return, at a reduced rate of 9% per annum.

Links and resources

- ▶ <https://pib.gov.in/PressReleaseDetail.aspx?PRID=1607942>
- ▶ https://main.sci.gov.in/supremecourt/2020/10787/10787_2020_1_12_21570_Order_23-Mar-2020.pdf

Overview

- ▶ On 31 March 2020, the Ministry of Finance issued the Taxation and Other Laws (Relaxation of Certain Provisions) Ordinance, 2020 to provide relaxation in the provisions of certain acts.

Income tax

- ▶ The date for making various investments under Chapter-VIA-B of the Income-tax Act, 1961 (IT Act) which includes Section 80C (LIC, PPF, NSC, etc.), 80D (Mediclip), 80G (Donations), etc. has been extended to 30 June 2020.
- ▶ The date for making investment/construction/purchase for claiming roll over benefit/deduction in respect of capital gains under sections 54 to 54GB of the IT Act has also been extended to 30 June 2020.
- ▶ The date for commencement of operation for the Special Economic Zone (SEZ) units for claiming deduction under section 10AA of the IT Act is extended to 30 June 2020 for the units which received necessary approval by 31 March 2020.
- ▶ Any donation made to the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES FUND) shall be eligible for 100% deduction under section 80G of the IT Act. The limit on deduction of 10% of gross income shall also not be applicable for donations made to this fund.
- ▶ For taxpayers who have filed application for lower or nil deduction of Tax Deducted at Source (TDS)/Tax Collected at Source (TCS) for FY 2020-21 and whose applications are pending for disposal, the certificates issued for FY 2019-20 would be applicable till 30 June 2020 or disposals of their applications, whichever is earlier.
- ▶ Immediate refunds for cases where refund due under the Income-tax Act, 1961 is up to INR5 lakh.

Indirect taxes

- ▶ Restriction on availment of unmatched ITC shall not apply for February 2020 to August 2020. However, return for September 2020 shall be furnished with cumulative adjustment of ITC for February 2020 to August 2020.

Links and resources

- ▶ <https://pib.gov.in/PressReleaseDetail.aspx?PRID=1609734>

LIC: Life Insurance Corporation, PPF: Public Provident Fund, NSC: National Savings Certificates

Overview

- ▶ 25 March 2020: The central government has announced several important relief measures in view of COVID-19 outbreak.

Indirect tax

- ▶ Due date for opting composition scheme has been extended till last week of June 2020.
- ▶ Due dates for making payments for the quarter ending 31 March 2020 and filing of return for tax year 2019-20 by the composition dealers has been extended till last week of June 2020.
- ▶ Due date for issue of notice, notification, approval order, sanction order, filing of appeal, furnishing of return, statements, applications, reports, any other documents, time limit for any compliance under GST, central excise, service tax and customs, where the time limit is expiring between 20 March 2020 to 29 June 2020, has been extended till 30 June 2020.
- ▶ Foreign Trade Policy and export promotion schemes have been extended by one year, i.e., till 31 March 2021.
- ▶ Supreme Court has extended the period of limitation for all the proceedings before all courts and tribunals w.e.f. 15 March 2020 till further orders.
- ▶ Courts and tribunals have restricted hearings to urgent matters.

Other measures

- ▶ The central government has asked all the states to start a COVID-19 helpline for those already in quarantine.

Links and resources

- ▶ <https://pib.gov.in/PressReleaseDetail.aspx?PRID=1608089>
- ▶ <https://pib.gov.in/PressReleaseDetail.aspx?PRID=1608404>

Exchange rate: US\$1=INR70.4, Average of FY 2019-20

Overview

- ▶ 26 March 2020: The central government has announced several important relief measures addressing the immediate concerns of the vulnerable sections of the society including the farmers, construction workers and poor women.

INR1,700 billion (US\$24 billion) relief fund has been sanctioned for those who need immediate help

- ▶ The benefits include providing food security and direct cash benefit transfers
- ▶ Medical insurance cover to be provided for healthcare workers such as doctors, nurses and other frontline workers
 - ▶ Allocation of INR5 million (US\$71,000) per person
 - ▶ 2 million health services and ancillary workers to be covered

Food related measures include:

- ▶ Scheme to cover 800 million poor people, which is about two-thirds of India's population
- ▶ Each person to get 5 kg of rice/wheat free additional to the current 5 kg allocation for the next three months.
- ▶ Each household to be provided with 1 kg of preferred pulses free for the next three months. This can be availed in two instalments.

Direct benefit transfers (DBT) include:

- ▶ Eight specific announcements covering DBT were made. These include benefits for:
 - ▶ 87 million farmers
 - ▶ 136 million rural families under Mahatma Gandhi Employment Guarantee Act (MREGA)
 - ▶ Poor widows
 - ▶ Pensioners, disabled people and poor women
 - ▶ Women in self-help groups dealing with livelihood missions
 - ▶ Women with accounts under Jan Dhan Yojana
 - ▶ 80 million poor families who will get free gas cylinders
 - ▶ Organized sector workers, construction workers and those under district mineral fund coverage

Links and resources

- ▶ <https://pib.gov.in/PressReleaseDetail.aspx?PRID=1608345>

Exchange rate: US\$1=INR70.4, Average of FY 2019-20

Overview

- ▶ 26 March 2020: The central government has announced several important relief measures addressing the immediate concerns of the vulnerable sections of the society including the farmers, construction workers and poor women.

INR1,700 billion (US\$24 billion) relief fund has been sanctioned for those who need immediate help (Cont'd.)

Specifics of the DBT include:

- ▶ 86.9 million farmers to benefit from the first instalment of PM KISAN Scheme which has been frontloaded.
- ▶ Wage increase under MNREGA from INR182 (US\$2.6) to INR202 (US\$2.9) per day for 50 million families and each worker will get an additional INR2,000 (US\$28.4) annually.
- ▶ 30 million poor senior citizens, widows and disabled to get one-time ex-gratia amount of INR1,000 (US\$14) in two instalments.
- ▶ 200 million women who are Jan Dhan accounts holders will get an ex-gratia amount of INR500 (US\$7) per month.
- ▶ Women in 830 million Below Poverty Line (BPL) families covered under Ujjwala Scheme will get free gas cylinders for the next three months.
- ▶ Doubling of collateral free loan amount to INR2 million (US\$28,000) for women in self-help groups.
- ▶ Government to pay for Employee's Provident Fund (EPF) contribution for employer + employee for the next three months. This includes those establishments which have up to 100 employees with 90% employees earning less than INR15,000 (US\$213) per month.
 - ▶ 8 million beneficiaries to be covered under the initiative
- ▶ Employees' Provident Fund regulations to be amended to allow non-refundable advance of 75% of amount in the account or three months of wages, whichever is lower.
 - ▶ To benefit families of 40 million workers registered under EPF
- ▶ State governments are directed to utilize the construction welfare fund to support 350 million construction sector workers.
- ▶ District Mineral Fund to be utilized for funding medical testing and screening.

Links and resources

- ▶ <https://pib.gov.in/PressReleaseDetail.aspx?PRID=1608345>

Exchange rate: US\$1=INR70.4, Average of FY 2019-20

Overview

- ▶ 27 March 2020: The Reserve Bank of India has announced several measures with the objective of providing stimulus to the economy due to the economic distress created by COVID-19 induced lockdowns.

Measures undertaken by the central bank

- ▶ Reduction in the policy repo rate under the Liquidity Adjustment Facility (LAF) by 75 basis points to 4.4% from 5.15% with immediate effect.
 - ▶ Marginal standing facility (MSF) rate and the bank rate stand reduced to 4.65% from 5.4%
 - ▶ Reverse repo rate under LAF reduced by 90 basis points to 4%

A. Measures to expand liquidity to ensure smooth functioning of financial institutions include:

Targeted Long Term Repo Operations (TLTROs): This is aimed at addressing the intensification of redemption pressures, surge of liquidity premia on instruments such as corporate bonds, commercial paper and debentures and thinning of trading activity due to COVID-19 outbreak.

- ▶ The central bank will conduct auctions of targeted long-term repo operation (TLTRO) of up to three years tenor of appropriate sizes for a total amount up to INR1,000 billion (US\$14 billion) at a floating rate, linked to policy repo rate.
- ▶ Liquidity availed under this by banks have to be deployed in commercial papers, investment-grade corporate bonds and non-convertible debentures, over and above their investments in these as of 25 March 2020.
- ▶ Banks shall be required to acquire up to 50% of their incremental holdings of eligible instruments from primary market issuances and the remaining 50% from the secondary market, including from mutual funds and non-banking finance companies (NBFCs).
- ▶ Investments made by banks under this facility will be classified as held-to-maturity (HTM) even in excess of 25% of total investment permitted to be included in HTM portfolio.
- ▶ First TLTRO auction of INR250 billion (US\$3.6 billion) was conducted on 27 March 2020.

Links and resources

- ▶ <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR2129F5E23A447E0F4A00955429716C53F5A2.PDF>
- ▶ <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR21302E204AFFBB614305B56DD6B843A520DB.PDF>
- ▶ https://www.rbi.org.in/Scripts/B_S_PressReleaseDisplay.aspx?prid=49584

Exchange rate: US\$1=INR70.4, Average of FY 2019-20

Overview

- ▶ 27 March 2020: The Reserve Bank of India has announced several measures with the objective of providing stimulus to the economy due to the economic distress created by COVID-19 induced lockdowns.

Measures undertaken by the central bank (Cont'd.)

Cash Reserve Ratio

- ▶ While liquidity in the banking system remains ample, its distribution is highly asymmetrical.
- ▶ Reduction in Cash Reserve Ratio (CRR) by 100 basis points to 3% beginning 28 March 2020 for one year uniformly across the banking system in proportion to liabilities of constituents rather than in relation to holdings of excess statutory liquidity ratio (SLR).
- ▶ This is expected to release liquidity of INR1,370 billion (US\$19.5 billion) across the banking system.
- ▶ Due to hardships faced by banks in terms of social distancing of staff and consequent strains on reporting requirements, the central bank reduced the requirement of minimum daily CRR balance maintenance from 90% to 80% from 28 March 2020 up to 26 June 2020.

Marginal Standing Facility (MSF)

- ▶ In view of the exceptionally high volatility in domestic financial markets which bring in phases of liquidity stress and to provide comfort to the banking system, MSF has been raised from 2% to 3% with immediate effect and is applicable up to 30 June 2020, providing additional liquidity of INR1,370 billion (US\$19.5 billion).
- ▶ The total liquidity through these measures amounts to INR3,740 billion (US\$53 billion) into the system.

Widening of Monetary Policy Rate Corridor

- ▶ Policy rate corridor has been widened from 50 basis points to 65 basis points.
- ▶ Reverse repo rate under the LAF to be 40 basis points lower than the policy repo rate.

Links and resources

- ▶ <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR2129F5E23A447E0F4A00955429716C53F5A2.PDF>
- ▶ <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR21302E204AFFBB614305B56DD6B843A520DB.PDF>

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Overview

- ▶ 27 March 2020: The Reserve Bank of India has announced several measures with the objective of providing stimulus to the economy due to the economic distress created by COVID-19 induced lockdowns.

Measures undertaken by the central bank (Cont'd.)

B. Measures on regulation and supervision include:

- ▶ Measures have been undertaken to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic. Such efforts, will prevent the transmission of financial stress to the real economy, and will ensure the continuity of viable businesses.

Moratorium on term loans

- ▶ All lending institutions are being permitted to allow a moratorium of three months on repayment of instalments for term loans outstanding as on 1 March 2020.

Deferment of interest on working capital facilities

- ▶ The moratorium on deferment of payment of term loans will not lead to asset classification downgrade
- ▶ Lending institutions permitted to allow deferment of three months on payment of interest w.r.t all such working capital facilities outstanding as of 1 March 2020.
- ▶ Deferring of interest paid on working capital will also not result in asset classification downgrade.

Deferment of implementation of Net Stable Funding Ratio (NSFR)

- ▶ 100% Net Stable Funding Ratio (NSFR) has been deferred by six months from 1 April 2020 to 1 October 2020.

Deferment of last tranche of Capital Conservation Buffer

- ▶ The implementation of last tranche of 0.625% of Capital Conservation Buffer (CCB) has been further deferred from 31 March 2020 to 30 September 2020.

Links and resources

- ▶ <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR2129F5E23A447E0F4A00955429716C53F5A2.PDF>
- ▶ <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR21302E204AFFBB614305B56DD6B843A520DB.PDF>

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- ▶ 27 March 2020: The Reserve Bank of India has announced several measures with the objective of providing stimulus to the economy due to the economic distress created by COVID-19 induced lockdowns.

Measures undertaken by the central bank (Cont'd.)

C. Measures pertaining to financial markets:

- ▶ Steps were taken to improve depth and price discovery in the forex market segments by reducing arbitrage between onshore and offshore markets. This measure assumes greater importance in the context of the increased volatility of the rupee caused by the impact of COVID-19 on currency markets.
- ▶ Permitting banks to deal in Offshore Non-Deliverable Rupee Derivative Markets (Offshore NDF Rupee Market)
- ▶ Banks in India that operate International Financial Services Centres (IFSC) banking units are now permitted to participate in the rupee non-deliverable forward (NDF) market with effect from June 1, 2020.

Based on this, the injected liquidity would amount to 3.2% of the GDP.

Links and resources

- ▶ <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR2129F5E23A447E0F4A00955429716C53F5A2.PDF>
- ▶ <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR21302E204AFFBB614305B56DD6B843A520DB.PDF>

Exchange rate: US\$1=INR70.4, Average of FY 2019-20

Overview

- ▶ 27 March 2020: Announcement by Small Industries Development Bank of India (SIDBI).

Provide loan to micro and small enterprises (MSEs)

SIDBI announced loans up to INR5 million (US\$71,000) to MSEs that are manufacturing medical supplies to combat COVID-19.

Links and resources

- ▶ <https://economictimes.indiatimes.com/small-biz/sme-sector/sidbi-to-provide-loans-up-to-rs-50-lakh-to-mses-manufacturing-medical-supplies-to-fight-covid-19/articleshow/74841315.cms?from=mdr>

Exchange rate: US\$1=INR70.4, Average of FY 2019-20

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