

Union Budget 2020-21

India's Foreign Trade & Investment

<u>Easing of Regulations</u>		
Investment provisions	Coverage	Countries likely to be impacted
To incentivise investment by the Sovereign Wealth Fund of foreign governments in the priority sectors, Union Budget 2020-21 has proposed to grant 100% tax exemption to their interest, dividend and capital gains income in respect of investment made in infrastructure and other 36 notified sectors before 31st March, 2024 and with a minimum lockin period of 3 years.	Tax concession for sovereign wealth fund of foreign governments and other foreign investments	United Arab Emirates, Norway, Kuwait, Canada, Singapore, Saudi Arabia, Hong Kong, Qatar, Russia, Japan, Oman, China (Countries with the sovereign wealth funds)
Government is preparing to offer a special series of government securities (G-secs) without any limit for foreign portfolio investors (FPIs) in H1 2020-21.	Special series of government securities (G-secs)	Singapore, Norway, US, Hong Kong, Mauritius, etc.
The budget has proposed to align exemption from the provision of indirect transfer to FPIs in line with new SEBI FPI regulations. It is also proposed to rationalise the definition of royalty.	Exemption from the provision of indirect transfer to FPIs in line with new SEBI FPI regulations	Singapore, Norway, US, Hong Kong, Mauritius, etc.
Foreign portfolio investment (FPI) Limit for corporate bonds to be increased to 15%	Foreign portfolio investment	Singapore, Norway, US, Hong Kong, Mauritius, etc.
Non-availability of credit of DDT to most of the foreign investors in their home country results in reduction of rate of return on equity capital for	Removal of DDT and adoption of the classical system of dividend taxation	All



<p>them. In order to increase the attractiveness of the Indian Equity Market and to provide relief to a large class of investors, the budget has proposed to remove the DDT and adopt the classical system of dividend taxation under which the companies would not be required to pay DDT. The dividend shall be taxed only in the hands of the recipients at their applicable rate.</p>		
<p>The Budget has proposed to extend the period up to 30th June, 2023 for lower rate of withholding of 5% under section 194LD for interest payment to FPIs and Qualified Foreign Investors (QFIs) in respect of bonds issued by Indian companies and government securities.</p>	<p>Interest payment to FPIs and Qualified Foreign Investors</p>	<p>Singapore, Norway, US, Hong Kong, Mauritius, etc.</p>
<p>In order to make available foreign funds at a lower cost, the Budget proposes to extend the period of concessional withholding rate of 5% under section 194LC for interest payment to non-residents in respect of moneys borrowed and bonds issued up to 30th June, 2023.</p>	<p>Interest payment to non-residents in respect of moneys borrowed and bonds issued</p>	<p>All</p>
<p>Specified categories of government securities would be opened for non resident investors.</p>	<p>Investment in specific government securities</p>	<p>All</p>
<p>Setting up of an Investment Clearance Cell to provide end to end facilitation to investors.</p>	<p>Investment Clearance Cell</p>	<p>All</p>
<p>Issuance of Unique Registration Number to all charity institutions for easy tax compliance.</p>	<p>URN for charity institutions</p>	<p>All</p>
<p>In order to incentivise listing of</p>	<p>Reduction of the withholding rate</p>	<p>All</p>

bonds at IFSC exchange, the budget has proposed to further reduce the withholding rate from 5% to 4% on interest payment on the bonds listed on its exchange.	from 5% to 4% on interest payment on bonds listed on IFSC exchange	
Tax benefits to startups by way of deduction of 100% of their profits are enhanced by increasing turnover limit and period of eligibility.	Tax benefits to startups	All
Trade Provisions	Coverage	Countries likely to be impacted
An international bullion exchange to be set up at Gujarat International Finance Tec-City (GIFT); to facilitate better price discovery of gold.	An international bullion exchange	UK, US, China, Dubai, Japan, Singapore and Hong Kong
Indian customs authorities can now check for valuation of imports under free trade agreements (FTA) for up to 5 years	Check for valuation of imports under FTAs	SAFTA, ASEAN and MERCOSOUR countries, S. Korea, Japan, Singapore
Customs Act being amended, including a review Rules of Origin requirements, to ensure that imports under Free Trade Agreements (FTAs) are competitive with local production	Customs Act being amended, including a review Rules of Origin requirements	SAFTA, ASEAN and MERCOSOUR countries, S. Korea, Japan, Singapore
Government to review customs duty exemptions by September 2020 to ensure that they are relevant to the need of the time. Customs laws and procedures will also be reviewed	Review of customs duty exemptions	All
Reduction in Customs duty on raw materials and inputs imported by Domestic Manufacturers	Fuels, Chemicals and Plastics: Very low sulphur fuel oil meeting ISO 8217:2017 RMG380 Viscosity in 220-400 CST standards/Marine Fuel	China, US, Hong Kong, Belgium, Germany, Ireland, the Netherlands, Japan, Switzerland, Saudi Arabia, France, Taiwan, UK, Poland, Czech Republic, Italy, Belgium, Mexico, etc.



	0.5% (FO). From 10% to Nil	(FTA/PTA countries: South Korea, Singapore)
	Calcined Petroleum Coke. From 10% to 7.5%	US, South Korea, Singapore, Spain, Canada, etc. (FTA/PTA countries: Singapore)
	Calendered plastic sheets used in manufacturing smart cards. From 10% to 5%	China, Germany, US, Italy, France, Poland, the Netherlands, Czech Republic, Mexico, Taiwan, Hong Kong, UK, Belgium, etc. (FTA/PTA countries: Japan, South Korea)
	Polyester Liquid Crystal Polymers for use in manufacture of connectors. From 7.5% to Nil	China, US, Thailand, Japan, Italy, etc. (FTA/PTA countries: Thailand)
	Precious Metals: Platinum or Palladium used in manufacture of: (1) Colloidal precious metals, inorganic or organic compounds of precious metal, amalgams of precious metals; (2) Catalyst with precious metal or precious metal compounds as the active substance. From 12.5% to 7.5%	Switzerland, Hong Kong, UK, US, UAE, Australia, Canada, Ghana, South Africa, Germany, Namibia, Botswana, Zambia, Mexico, China, Poland, Russia, Kazakhstan, Belgium, etc. (FTA/PTA countries: Singapore, Japan, Thailand, Peru, South Korea, Chile)
	Spent Catalyst or Ash containing precious metal, subject to specified conditions. From 12.5% to 11.85%	Switzerland, Hong Kong, UK, US, UAE, Australia, Canada, Ghana, South Africa, Germany, Namibia, Botswana, Zambia, Mexico, China, Poland, Russia, Kazakhstan, Chile, Belgium, etc. (FTA/PTA countries: Singapore, Japan, Thailand, Peru, South Korea)
	Machinery and Electronic Goods: Following parts of Microphone for use in manufacture of Microphone namely, (1) microphone cartridge; (2) microphone holder; (3) microphone grill; (4) microphone	Hong Kong, Taiwan, China, Malaysia, US, Italy, UK, Germany, the Netherlands, Philippines, France, Ireland, etc. (FTA/PTA countries: Singapore,



	body. From 10% to Nil	Japan, Thailand, South Korea, Vietnam,)
	Micro-fuse base, sub-miniature fuse base, Micro-fuse Cover and subminiature fuse cover for use in manufacture of micro fuse and subminiature fuse. From 7.5% to Nil	Hong Kong, Taiwan, China, Malaysia, US, Japan, Germany, the Netherlands, France, Ireland, etc. (FTA/PTA countries: Singapore, Japan, Thailand, South Korea, Vietnam, Philippines)
	Sports Goods: Willow is being included in the list of items allowed duty free import up to 3% of FOB value of sports goods exported in the preceding financial year. From Applicable Rate to Nil	China, Canada, US, Germany, Russia, Austria, Finland, Sweden, etc. (FTA/PTA countries: Chile, Brazil)
	Newsprint: (1) Newsprint, when imported by an importer registered with the Registrar of Newspapers, India; (2) Uncoated paper used for printing newspaper when imported by importer registered with Registrar of Newspapers, India; (3) Lightweight coated paper used for printing magazines subject to actual user condition. From 10% to 5%	Canada, Russia, Sweden, France, Germany, Belgium, Finland, UK, Switzerland, Austria, US, Spain, Australia, Slovenia (FTA/PTA countries: South Korea)
Revocation of Anti-Dumping Duty on Purified Terephthalic Acid	Revocation of Anti-dumping duty on import of Purified Terephthalic Acid originating in or exported from: - <ul style="list-style-type: none"> ● South Korea and Thailand imposed vide notification No. 28/2019- Customs (ADD) dated 24.7.2019 ● China, Iran, Indonesia, Malaysia and Taiwan imposed vide notification No. 28/2016-Customs (ADD) dated 5.7.2016 	Iran, China, Taiwan. (FTA/PTA countries: South Korea, Malaysia, Indonesia, Thailand)



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Tightening of Regulations

Trade provisions	Coverage	Countries likely to be impacted
<p>Customs exemption have been reviewed to weed out such entries that are redundant, outdated or have outlived their utility. On such review, 80 exemptions are being withdrawn by making suitable amendment/rescission of relevant notifications. The exemptions being pruned on review, inter-alia, include withdrawal of exemption/concessional rates on the following goods, namely:</p>	<p>Agro and animal based products: Tuna bait, skimmed milk and certain milk products, sugar beet seeds, raw sugar, certain alcoholic beverages, whey and isolated soya protein, soya fibre, etc.</p>	<p>US, UK, Netherlands, Germany, New Zealand, China, Australia, Canada, South Africa, Turkey, etc. (FTA/PTA countries: Argentina, Myanmar, Brazil, Indonesia, Malaysia)</p>
	<p>Items of Metal: (1). Lead bars, rods and wire; (2) Zinc tubes, pipes and tubes; (3) Tin plates, sheets and strips</p>	<p>China, Australia, South Africa, US, Mexico, Canada, etc. (FTA/PTA countries: Peru, Brazil, Myanmar, Vietnam, Malaysia)</p>
	<p>Machinery: Machinery imported for use in certain projects such as specified electricity generation projects, specified Metro projects, certain other specified purposes; Specified goods required for construction of roads</p>	<p>China, US,UK, the Netherlands, Sweden, Germany, France, Italy, Australia, South Africa, etc. (FTA/PTA countries: South Korea, Japan, Singapore, Malaysia, Indonesia)</p>
	<p>Electronic items: Copper and articles thereof used in manufacturing of specified electronic items; Parts for manufacture of printers, CD Writers, MP3 or MP4 or MPEG 4 players, pre-recorded cassettes, audio cassettes, colour television tubes, etc.</p>	<p>China, Germany, US, UK, Italy (FTA/PTA countries: South Korea, Japan, Thailand, Singapore, Malaysia)</p>
	<p>Miscellaneous: (1) Peanut butter, preserved potatoes; (2) Instant print film, exposed cinematographic films; (3) A few redundant and outdated customs duty exemptions are being withdrawn. Further, a few exemptions are being re-aligned for consistency</p>	<p>US, New Zealand, China, Myanmar, Australia, Canada, South Africa, Turkey, etc. (FTA/PTA countries: South Korea, Japan, Argentina, Brazil, Indonesia, Malaysia)</p>



Rate of customs duty being increased on following goods:	<p>Household goods and appliances: Tableware and kitchenware of porcelain or china, ceramic, clay, iron, steel, copper and aluminium, glassware, padlocks, brooms, hand-sieves, combs, vacuum flasks, etc. From 10% to 20%</p>	<p>China, Myanmar, South Africa, Japan, Italy, France, Australia, US, Germany, UK, Norway, Saudi Arabia, UAE, DR Congo, Zambia, Mexico, etc. (FTA/PTA countries: Vietnam, South Korea, Indonesia, Malaysia, Sri Lanka, Thailand, Japan, Brazil, Peru)</p>
	<p>Electrical Appliances: Fans, food grinders/mixers, shavers and hair removing appliances, water heaters, hair/hand drying apparatus, ovens, cookers, toasters, coffee/ tea makers, insect repellents, heaters, irons, etc. From 10% to 20%</p>	<p>China, Hong Kong, US, Germany, UK, Italy, Taiwan, Japan, Mexico, etc. (FTA/PTA countries: South Korea, Japan, Singapore, Vietnam)</p>
	<p>Footwear: (1) Footwear. From 25% to 35%; (2) Parts of footwear. From 15% to 20%</p>	<p>China, Italy, Germany, Belgium, France, Hong Kong, Spain, Netherlands, etc. (FTA/PTA countries: Vietnam, Indonesia)</p>
	<p>Furniture goods: Seats, articles of bedding including mattresses, lamps, lighting, illuminated signs, and other articles of furniture. From 20% to 25%</p>	<p>Netherlands, Czech Republic, Canada, Vietnam, Mexico, US, Poland, Italy, Germany, China, UK, Sweden (FTA/PTA countries: Japan)</p>
	<p>Stationery items: Filing cabinets, paper trays, binders, clips, staples, sign-plates, name plates, numbers and symbols etc. made from base metal. From 10% to 20%</p>	<p>China, US, France, Germany, UK, Mexico, Spain Iran, Netherlands, Italy, Switzerland, France, etc. (FTA/PTA countries: Japan, South Korea, Indonesia)</p>
	<p>Toys: Tricycles, scooters, scale models, dolls, etc. From 20% to 60%</p>	<p>China, Hong Kong, US, Germany, Czech Republic, Netherlands, Poland, UK, Italy, Spain, etc. (FTA/PTA countries: Japan, South Korea, Vietnam, Malaysia)</p>



	<p>Machinery: (1) Specified goods used in high voltage power transmission projects. From 5% to 7.5%; (2) Railway carriage fans. From 7.5% to 10%; (3) Compressors of refrigerators and air conditioners. From 10% to 12.5%; (4) Commercial freezers. From 7.5% to 15%; (5) Welding and plasma cutting machine. From 7.5% to 10%; (6) Rotary tillers/weeder. From 2.5% to 7.5%</p>	<p>China, Hong Kong, Taiwan, US, UK, the Netherlands, Sweden, Germany, France, Italy, Mexico, Australia, South Africa, etc. (FTA/PTA countries: Japan, South Korea, Singapore, Vietnam, Malaysia, Indonesia)</p>
	<p>Other miscellaneous items: (1) Glass beads; (2) Artificial flowers; (3) Bells, gongs, statuettes, trophies and like, statuettes, ornaments, photograph, frames, mirrors etc. of base metal. From 10% to 20%</p>	<p>China, South Africa, Japan, Italy, France, Australia, US, Germany, UK, Norway, Saudi Arabia, UAE, the Netherlands, Mexico, Belgium, Canada, etc. (FTA/PTA countries: Myanmar, Vietnam, South Korea, Indonesia, Malaysia, Sri Lanka, Thailand)</p>
Changes in customs duty under Phased Manufacturing Programme for electric vehicles	<p>Completely Built Units of Bus and Trucks (with effect from 01.04.2020). From 25% to 40%</p>	<p>Mexico, US, UK, Germany, France, Spain, Italy, Turkey, Canada, Belgium, Poland, South Africa, China, the Netherlands, etc. (FTA/PTA countries: Japan, Thailand, Argentina, South Korea)</p>
	<p>Semi Knocked Down (SKD) units of bus, trucks and two wheelers (with effect from 01.04.2020). From 15% to 25%</p>	<p>Germany, US, China, Mexico, France, Czech Republic, Italy, Poland, Spain, Canada, Romania, UK, etc. (FTA/PTA countries: Japan, South Korea, Thailand)</p>
	<p>Semi Knocked Down (SKD) units of passenger vehicles and three wheelers (with effect from 01.04.2020). From 15% to 30%</p>	<p>Germany, US, Japan, China, Mexico, France, Czech Republic, Italy, Poland, Spain, Canada, Romania, UK, etc. (FTA/PTA countries: South Korea, Thailand)</p>
	<p>Completely Knocked Down (CKD) units of passenger vehicles, three</p>	<p>Mexico, US, UK, Germany, France, Spain, Italy, Turkey, Canada,</p>



	wheelers, two wheelers, bus and trucks (with effect from 01.04.2020). From 10% to 15%	Belgium, Poland, South Africa, China, the Netherlands, etc. (FTA/PTA countries: Japan, South Korea, Thailand, Argentina)
Changes in customs duty under Phased Manufacturing Programme for cellular mobile phones	PCBA of Mobile phones (with effect from 01.04.2020). From 10% to 20%	China, Hong Kong, UAE, US, Czech Republic, Germany, Austria, Slovakia, Sweden, Netherlands, Italy, etc. (FTA/PTA countries: Vietnam, South Korea, Thailand, Singapore)
	Vibrator/Ringer of Mobile phones (with effect from 01.04.2020). From Nil to 10%	China, Hong Kong, UAE, US, Czech Republic, Germany, Austria, Slovakia, Sweden, Netherlands, Italy, etc. (FTA/PTA countries: Vietnam, South Korea, Thailand, Singapore)
	Display Panel and Touch Assembly (with effect from 01.10.2020) From Nil to 10%	China, Hong Kong, UAE, US, Czech Republic, Germany, Austria, Slovakia, Sweden, Netherlands, Italy, etc. (FTA/PTA countries: Vietnam, South Korea, Thailand, Singapore)
Changes in Customs duty to promote MAKE IN INDIA in Electronics sector	Motors like Single Phase AC motors, Stepper motors, Wiper Motors, etc. From 7.5% to 10%	China, Hong Kong, US, Germany, France, Canada, Switzerland, Sweden, Czech Republic, Taiwan, Mexico, UK, US, etc. (FTA/PTA countries: Vietnam, South Korea, Malaysia, Indonesia, Thailand, Sri Lanka, Singapore, Japan)
	Specified chargers and power adapters. From Applicable Rate to 20%	China, Hong Kong, US, Germany, France, Canada, Switzerland, Sweden, Czech Republic Mexico, UK, US, Taiwan, etc. (FTA/PTA countries: South Korea, Vietnam, Malaysia, Indonesia, Thailand, Sri Lanka, Singapore, Japan)
	Fingerprint readers for use in cellular mobile phones. From Nil to	China, Hong Kong, US, Germany, France, Canada, Switzerland,



	15%	Sweden, Czech Republic, Taiwan, Mexico, UK, US, etc. (FTA/PTA countries: South Korea, Vietnam, Malaysia, Indonesia, Thailand, Sri Lanka, Singapore, Japan)
	Earphones and headphones. From Applicable Rate to 15%	China, Hong Kong, US, Germany, France, Canada, Switzerland, Sweden, Czech Republic, Taiwan, Mexico, UK, US, etc. (FTA/PTA countries: South Korea, Vietnam, Malaysia, Indonesia, Thailand, Sri Lanka, Singapore, Japan)
Other changes in customs duty	Food processing: Walnuts, shelled. From 30% to 100%	US, Mexico, Chile, China, Germany, France, Ukraine, Moldova, the Netherlands, Turkey, Romania, Belgium, Uzbekistan, Austria, etc. (FTA/PTA countries: Argentina)
	Chemicals and Plastics: Colloidal precious metals, inorganic or organic compounds of precious metal, amalgams of precious metals From 7.5% to 10%	Switzerland, Hong Kong, UK, US, UAE, Australia, Canada, Ghana, South Africa, Germany, Namibia, Botswana, Zambia Mexico, China, Poland, Russia, Kazakhstan, Belgium, etc. (FTA/PTA countries: Singapore, Peru, Japan, South Korea, Thailand, Chile)
	Butyl Acrylate. From 5% to 7.5%	China, US, Hong Kong, Belgium, Germany, Ireland, the Netherlands, Japan, Switzerland, Saudi Arabia, France, Taiwan, UK, Poland, Czech Republic, Italy, Belgium, Mexico, etc. (FTA/PTA countries: South Korea, Singapore)
	Other prepared binders for foundry moulds or cores; Chemical products and preparations of the chemical or allied industries. From 10% to 17.5%	China, US, Hong Kong, Belgium, Germany, Ireland, the Netherlands, Switzerland, Singapore, Saudi Arabia, France, Taiwan, UK, Poland, Czech Republic, Italy, Belgium, Mexico, etc.



		(FTA/PTA countries: South Korea, Japan, Singapore)
	Auto and auto parts: Catalytic converter. From 10% to 15%	China, Mexico, France, Czech Republic, Italy, Poland, Spain, Canada, Romania, UK, etc. (FTA/PTA countries: Japan, South Korea, Thailand)
	Noble metal solutions and noble metal compounds used in manufacture of catalytic converter and its parts. From 5% to 10%	Switzerland, Hong Kong, UK, US, UAE, Australia, Canada, Ghana, South Africa, Germany, Namibia, Botswana, Zambia Thailand, Mexico, China, Poland, Russia, Kazakhstan, Belgium, etc (FTA/PTA countries: Singapore, Peru, Japan, South Korea, Chile)
	Platinum or Palladium used in the manufacturing of catalytic converter and its parts. From 5% to Applicable Rate	South Africa, UK, Russia, US, Germany, Italy, Hong Kong, Switzerland, Japan, Belgium, Canada, Norway, Taiwan, Austria, Finland, France, etc.
	Parts and other specified inputs for manufacture of catalytic converters. From 5% to 7.5%	China, US, Germany, Netherlands, France, Hong Kong, Italy, UK, Taiwan, Switzerland, Sweden, Mexico, Canada, Australia, etc. (FTA/PTA countries: Japan, South Korea, Brazil)
	Completely Built Units (CBUs) of commercial vehicles (other than electric vehicles) (with effect from 01.04.2020) From 30% to 40%	Mexico, US, UK, Germany, France, Thailand, Spain, Italy, Turkey, Canada, Belgium, Poland, South Africa, China, the Netherlands, etc. (FTA/PTA countries: Japan, Argentina, South Korea)
Imposition of Health cess on specified medical equipment	Health Cess at the rate of 5% is proposed to be imposed on the import of medical devices. This Health Cess shall be a duty of Customs. Health Cess shall not apply to medical devices which are	US, Germany, China, the Netherlands, France, Switzerland, Ireland, Canada, UK, etc. (FTA/PTA countries: Japan, South Korea)



	<p>exempt from BCD. Further, inputs/parts used in the manufacture of medical devices shall also be exempt from Health Cess. The proceeds of Health Cess shall be used for financing the health infrastructure and services.</p>	
<p>Increase in National Calamity Contingent duty (NCCD) on Cigarettes and tobacco products</p>	<p>National Calamity Contingent Duty is levied as a duty of excise on certain manufactured goods specified under the Seventh Schedule of Finance Act, 2001. NCCD is being proposed to be increased on tobacco products (except bidi) as detailed below:</p> <ul style="list-style-type: none"> ● On cigarettes, NCCD is being increased ranging from Rs. 200 – 735 per thousand, depending upon length of cigarette and on filter/non-filter basis ● On smoking mixtures for pipes and cigarettes, NCCD is being increased from 45% to 60% ● On other forms of smoking tobacco (other than smoking mixtures for pipes and cigarettes) and forms of chewing tobacco, NCCD is being increased from 10% to 25% ● NCCD on Bidis remains unchanged 	<p>Poland, Germany, Netherlands, Hong Kong, US, Lithuania, South Korea, Czech Republic, China, Romania, Portugal, Switzerland, Turkey (FTA/PTA countries: Singapore, Indonesia)</p>
