Ministry Of External Affairs
Government Of India

ECONOMIC DIPLOMACY & STATES DIVISION

Union Budget 2020-21

India's Foreign Trade & Investment

(Selected Budget Provisions)

Ease of Regulations

Investment provisions	Coverage
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
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)
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
Foreign portfolio investment (FPI) Limit for corporate bonds to be increased to 15%	Foreign portfolio investment
Non-availability of credit of Dividend distribution tax (DDT) to most of the foreign investors in their home country results in reduction of rate of return on equity capital for 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.	Removal of DDT and adoption of the classical system of dividend taxation

Ease of Regulations	
Investment provisions	**Coverage**
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.	Interest payment to FPIs and Qualified Foreign Investors
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.	Interest payment to non-residents in respect of moneys borrowed and bonds issued
Specified categories of government securities would be opened for non resident investors.	Investment in specific government securities
Setting up of an Investment Clearance Cell to provide end to end facilitation to investors.	Investment Clearance Cell
Issuance of Unique Registration Number to all charity institutions for easy tax compliance.	URN for charity institutions
In order to incentivise listing of 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.	Reduction of the withholding rate 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

<table>
<tr><th colspan="2">Ease of Regulations</th></tr>
<tr><th>Trade Provisions</th><th>Coverage</th></tr>
<tr><td>An international bullion exchange to be set up at Gujarat International Finance Tec-City (GIFT); to facilitate better price discovery of gold.</td><td>An international bullion exchange</td></tr>
<tr><td>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</td><td>Review of customs duty exemptions</td></tr>
<tr><td rowspan="6">Reduction in Customs duty on raw materials and inputs imported by Domestic Manufacturers</td><td>Fuels, Chemicals and Plastics:
Very low sulphur fuel oil meeting ISO 8217:2017 RMG380 Viscosity in 220-400 CST standards/Marine Fuel 0.5% (FO). From 10% to Nil</td></tr>
<tr><td>Calendered plastic sheets used in manufacturing smart cards. From 10% to 5%</td></tr>
<tr><td>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%</td></tr>
<tr><td>Spent Catalyst or Ash containing precious metal, subject to specified conditions. From 12.5% to 11.85%</td></tr>
<tr><td>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 body. From 10% to Nil</td></tr>
<tr><td>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</td></tr>
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Tightness of Regulations	
Trade provisions	**Coverage**
Rate of customs duty being increased on following goods:	**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%
	Footwear: (1) Footwear. From 25% to 35%; (2) Parts of footwear. From 15% to 20%
	Toys: Tricycles, scooters, scale models, dolls, etc. From 20% to 60%
	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%
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%
	Vibrator/Ringer of Mobile phones (with effect from 01.04.2020). From Nil to 10%
	Display Panel and Touch Assembly (with effect from 01.10.2020) From Nil to 10%

Tightness of Regulations	
Trade provisions	**Coverage**
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%
	Specified chargers and power adapters. From Applicable Rate to 20%
	Fingerprint readers for use in cellular mobile phones. From Nil to 15%
	Earphones and headphones. From Applicable Rate to 15%
Other changes in customs duty	Butyl Acrylate. From 5% to 7.5%
	Other prepared binders for foundry moulds or cores; Chemical products and preparations of the chemical or allied industries. From 10% to 17.5%
	Noble metal solutions and noble metal compounds used in manufacture of catalytic converter and its parts. From 5% to 10%
	Platinum or Palladium used in the manufacturing of catalytic converter and its parts. From 5% to Applicable Rate
	Parts and other specified inputs for manufacture of catalytic converters. From 5% to 7.5%
Increase in National Calamity Contingent duty (NCCD) on Cigarettes and tobacco products	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: • 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