
COVID-19 in India: Finance Ministry Announces Temporary Relief, Extends Tax and Compliance Deadlines

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- Finance ministry of India has eased a few financial and regulatory compliances for individuals and companies as COVID-19 has created economic uncertainty.
- Relief includes extension of deadlines for compliances, such as income tax returns and GST returns.
- Customs has been labeled an essential service till June 30, 2020.
- An economic package with policy reforms is expected to be announced soon.

The coronavirus (COVID-19) outbreak continues to impact India economically as [supply chains, business operations, and manufacturing for most of the sectors has been disrupted](#). The Indian government says that it is already working on an economic package to mitigate the impact of the pandemic on the economy.

The Economic Task Force led by Finance Minister Nirmala Sitharaman is expected to announce the economic package soon. In the meantime, Sitharaman announced relief for financial and regulatory compliances for businesses and individuals on Tuesday afternoon.

Understanding the concerns of importers and exporters, the government has classified customs as an essential service, and it is expected to be operational 24/7 until June 30, 2020. Some relief was also provided for [micro, medium, and small enterprises \(MSMEs\)](#).

Here are the key announcements by the [finance ministry](#) to deal with the economic fallout of the pandemic. Follow the latest India COVID-19 updates [here](#).

Deadline extension for various compliances

The finance ministry has extended deadlines until June 30, 2020 for the following compliances:

- Filing [income tax returns](#) for FY18-19;
- Linking Aadhaar with Permanent Account Number (PAN);
- All compliances under the Income Tax Act, Wealth Tax Act, Benami Transaction Act, Black Money Act, Securities Transaction Tax law, Equalization Levy Law, and the [Direct Tax Bill, Vivaad se Vishwaas](#);
- Sabka Vishwaas scheme – the indirect tax dispute redressal scheme;
- Due date for issue of notice for all laws linked to duty compliance extended; and
- All [goods and services tax \(GST\)](#) returns for March, April, May, and composition returns.

Meanwhile, for delayed deposit of tax deducted at source (TDS), the penalty has been halved – from 18 percent to nine percent.

The Central Board of Direct Taxes (CBDT) also announced relief for taxpayers whose application for lower or nil deduction of TDS and tax collected at source (TCS) is pending for disposal saying that cases where the application is pending and where withholding tax certificates were issued for FY 2019-20, the validity of the certificates will be extended to June 30.

However, if a business has been impacted by COVID-19, and the taxpayer wants to apply for a rate lower than the one mentioned in the certificate, then a fresh application will have to be submitted. In this case, the validity of the FY 2019-20 withholding certificate will not be extended.

If a fresh application under a new or a different tax deduction account number (TAN) has been submitted, then the extended validity of the certificate for FY 2019-20 will not be considered.

Relief for MSMEs

Understanding the economic fallout that MSMEs are facing amid COVID-19, the finance ministry has announced that no interest, penalty, or late fee will be charged on the late

GST return filing for companies showing less than INR 50 million (US\$657,400) turnover.

For companies showing over INR 50 million (US\$657,400) turnover, the interest rate levied will be nine percent instead of 18 percent.

Further, the government will issue all pending GST and custom refunds that will provide benefit to around 100,000 businesses including MSMEs. The total refund granted by the government is expected to be around INR 180 billion (US\$2.36 billion).

Relaxation for insolvency

Further, the threshold for default for MSMEs under the [Insolvency and Bankruptcy Code \(IBC\)](#) has been increased to INR 10 million (US\$131,501) from INR 100,000 (US\$1,315) to prevent smaller businesses from having to file for insolvency due to the impact of this pandemic.

If the situation does not improve by April 30, then the government might consider suspending Section 7,9, and 10 of the IBC for six months in order to stop companies being forced into insolvency.

Section 7 empowers the government to give direction to the Reserve Bank of India (RBI) on matters of public interest, while Section 9 and 10 talk about initiation of corporate insolvency resolution by financial creditor and initiation of insolvency resolution process by a corporate applicant.

Measures for companies in India

Following measures have been announced for companies and businesses operating in India:

- With respect to the MCA-21 Registry, moratorium has been issued from April 1 to September 30, 2020 and no additional fees will be levied for late filing;
- Newly incorporated companies will get an additional six months to file declaration for the commencement of business;

- Mandatory requirement of holding board meetings has been relaxed by a period of 60 days for the next two quarters;
- Applicability of Companies Auditors Report Order (CARO) deferred to 2020-21; and
- If a company director is unable to comply with the minimum residency requirement of 182 days in India, it will not be treated as a violation.

The finance ministry has also waived minimum balance charges for savings bank account, and allowed debit card holders to withdraw cash from any ATM free of charge for the next three months.

Income tax refunds

The Indian government has also directed immediate release of all pending income tax refunds of amount up to INR 0.5 million (US\$7,143). This will be applicable to businesses as well as individuals, and is expected to benefit around 1.4 million taxpayers in the country.

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