India Budget 2017

Presented by Hon'ble Finance Minister in the Parliament On 1st February, 2017

Effects of Income Tax Proposals - Computation of Income

India Budget 2017

Effects on Income Computation

Effects are categorised on changes affecting computation of -

- Income from Salaries
- Income from House Properties
- Income from Business or Profession
- Capital Gains
- Income from Other Sources
- Deductions
- Set-off of Losses
- Carried forward and Set-off of Losses

Income from Salaries

Exempt Income u/s 10 -

- New clause (12B) in Section 10 inserted to exempt any payment from the National Pension System Trust to an employee under the pension scheme referred to in section 80CCD, on partial withdrawal made out of his account in accordance with the terms and conditions, specified under the Pension Fund Regulatory and Development Authority Act, 2013 and the regulations made thereunder, to the extent it does not exceed 25% of the amount of contributions made by him.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Property Income

Annual Value u/s 23 -

- Sub-section (5) of Section 23 inserted to provide that where the property consisting of any building or land appurtenant thereto is held as stock-in trade and the property or any part of the property is not let during the whole or any part of the previous year, the annual value of such property or part of the property, for the period up to one year from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority, shall be taken to be nil.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Business Income

Income to be taxed only on receipt basis u/s 43D -

- Section 43D amended to provide for chargeability of the income by way of interest in relation to such categories of bad or doubtful debts as may be prescribed in the previous year in which it is credited to its profit and loss account for that year or, as the case may be, in which it is actually received, whichever is earlier, which was applicable in the case of scheduled bank earlier is now also extended to a co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Business Income

Exempt Income -

- New clause (48B) in Section 10 inserted to exempt any income accruing or arising to a foreign company on account of sale of leftover stock of crude oil, if any, from the facility in India after the expiry of the agreement or the arrangement referred to in clause (48A) subject to such conditions as may be notified by the Central Government in this behalf.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Deduction in respect of newly established Units in Special Economic Zones-

- An Explanation to sub-section (1) of Section 10AA inserted to clarify that the amount of deduction under this section shall be allowed from the total income of the assessee computed in accordance with the provisions of this Act, before giving effect to the provisions of this section and the deduction under this section shall not exceed such total income of the assessee.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Actual Cost of Asset u/s 43(1) -

- Second Proviso to sub-section (1) of Section 43 inserted to provide that where the assessee incurs any expenditure for acquisition of any asset or part thereof in respect of which a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account, exceeds Rs.10,000/-, such expenditure shall be ignored for the purposes of determination of actual cost.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Expenditure not eligible u/s 35AD -

- Clause (f) in sub-section (8) of Section 35AD modified to state that any expenditure of capital nature shall also not include any expenditure in respect of which the payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account, exceeds Rs.10,000/-.

Actual Cost in respect of Capital Asset covered u/s 35AD(7B) –

- Proviso to Explanation 13 of Section 43(1) inserted to provide that where any capital asset in respect of which deduction or part of deduction allowed under section 35AD is deemed to be the income of the assessee in accordance with the provisions of sub-section (7B) of the said section, the actual cost of the asset to the assessee shall be the actual cost to the assessee, as reduced by an amount equal to the amount of depreciation calculated at the rate in force that would have been allowable had the asset been used for the purposes of business since the date of its acquisition.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Business Income

Expenditure Allowable u/s 36 -

- Sub-clause (a) of Clause (viia) in sub-section (1) of Section 36 modified to increase the limit of 7.5% of total income to 8.5% of total income in respect of the provision for bad and doubtful debts made by scheduled bank.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Business Income

Deduction in respect of payments to related parties u/s 40A(2)(a)

- Applicability of proviso to clause (a) of sub-section (2) of Section 40A restricted upto Assessment year commencing on or before the 1st day of April 2016 which provides that no disallowance, on account of any expenditure being excessive or unreasonable having regard to the fair market value, shall be made in respect of a specified domestic transaction referred to in section 92BA, if such transaction is at arm's length price as defined in clause (ii) of section 92F.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Deduction in respect of cash payments of expenditure u/s 40A(3) & 40A(3A) -

- The limit for making cash payments in respect of expenditure incurred in current year or subsequently for allowability of expenditure reduced to Rs.10,000/- from the existing Rs.20,000/- and payment by use of electronic clearing system through a bank account along with an account payee cheque drawn on a bank or account payee bank draft is included in allowable method of payment.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Business Income

Deductions only on actual payment u/s 43B

- Clause (e) of Section 43B allows deduction of any sum payable by the assessee as interest on any loan or advances from a scheduled bank in accordance with the terms and conditions of the agreement governing such loan or advances and

  the said provision is extended to the any sum payable by the assessee as interest on any loan or advances from a a co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Limitation on Interest deduction in certain cases u/s 94B -

- New Section 94B inserted to provide that where an Indian company, or a permanent establishment of a foreign company in India, being the borrower, pays interest or similar consideration exceeding one crore rupees which is deductible in computing income chargeable under the head "Profits and gains of business or profession" in respect of any debt issued by a non-resident, being an associated enterprise of such borrower, the interest shall not be deductible in computation of income under the said head to the extent that it arises from excess interest, as specified in sub-section (2).
- It is also provided that where the debt is issued by a lender which is not associated but an associated enterprise either provides an implicit or explicit guarantee to such lender or deposits a corresponding and matching amount of funds with the lender, such debt shall be deemed to have been issued by an associated enterprise.
- "the excess interest" shall mean an amount of total interest paid or payable in excess of 30% of earnings before interest, taxes, depreciation and amortisation of the borrower or interest paid or payable to associated enterprises, whichever is less.

Limitation on Interest deduction in certain cases u/s 94B (continued…) -

- Nothing contained in Section 94B(1) shall apply to an Indian Company or a permanent establishment of foreign company which is engaged in banking or insurance business.

Carry Forward of interest expenditure not deducted –

- Where for any assessment year, the interest expenditure is not wholly deducted against income under the head "Profits and gains of business or profession", so much of the interest expenditure as has not been so deducted, shall be carried forward to the following assessment year or assessment years, and it shall be allowed as a deduction against the profits and gains, if any, of any business or profession carried on by it and assessable for that assessment year to the extent of maximum allowable interest expenditure in accordance with sub-section (2) of Section 94B.
- However, no interest expenditure shall be carried forward under this sub-section for more than eight assessment years immediately succeeding the assessment year for which the excess interest expenditure was first computed.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Business Income

Profits and gains of business on presumptive basis u/s 44AD-

- Section 44AD provides that in the case of an eligible assessee engaged in an eligible business, a sum equal to 8% of the total turnover or gross receipts of the assessee in the previous year on account of such business or, as the case may be, a sum higher than the aforesaid sum claimed to have been earned by the eligible assessee, shall be deemed to be the profits and gains of such business chargeable to tax under the head "Profits and gains of business or profession".
- Proviso to sub-section (1) of Section 44AD is inserted to provide that this sub-section shall have effect as if for the words "eight per cent.", the words "six per cent." had been substituted, in respect of the amount of total turnover or gross receipts which is received by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account during the previous year or before the due date specified in sub-section (1) of section 139 in respect of that previous year.
- **Provision will be effective with effect from the 1st day of April, 2017.**

Meaning of specified domestic transaction u/s 92BA-

- Clause (i) of Section 92BA omitted and accordingly for the purposes of this section and sections 92, 92C, 92D and 92E, "specified domestic transaction" in case of an assessee will not include any of the transactions, not being an international transaction, of the nature –
- any expenditure in respect of which payment has been made or is to be made to a person referred to in clause (b) of sub-section (2) of section 40A.
- **Provision will be effective with effect from the 1st day of April, 2017.**

Capital Gains

Non Chargeability of Capital Gains on certain Transfer -

- The following transactions will not attract Section 45 -
  - Clause (viiaa) to Section 47 inserted to cover any transfer, made outside India, of a capital asset being rupee denominated bond of an Indian company issued outside India, by a non-resident to another non-resident.
  - Similarly, clause (xb) to Section 47 inserted to cover any transfer by way of conversion of preference shares of a company into equity shares of that company.
- **Provision will be effective with effect from the 1st day of April, 2018**

Capital Gains

Determination of Short-term and Long-term

- Third Proviso to Section 2(42A) amended to include an immovable property being land or building or both and accordingly period of holding shall be less than 24 months for it to be treated as short term capital asset instead of 36 months.
- In determining the period for which any capital asset is held by the assessee, sub-clause (hf) in clause (i) of Explanation to Section 2(42A) inserted to include the period for which the preference shares were held by the assessee in the case of a capital asset, being equity shares in a company, which becomes the property of the assessee in consideration of a transfer referred to in clause (xb) of section 47.
- Similarly, In determining the period for which any capital asset is held by the assessee, sub-clause (hg) in clause (i) of Explanation to Section 2(42A) inserted to include the period for which the unit or units in the consolidating plan of a mutual fund scheme were held by assessee in case of a capital asset, being a unit or units, which becomes the property of assessee in consideration of a transfer referred to in section 47(xix).
- **Provision will be effective with effect from the 1st day of April, 2018**

Capital Gains

Exempt Income -

- New clause (37A) in Section 10 inserted to exempt any income chargeable under the head "Capital gains" in respect of transfer of a specified capital asset arising to an assessee, being an individual or a Hindu undivided family, who was the owner of such specified capital asset as on the 2nd day of June, 2014 and transfers that specified capital asset under the Land Pooling Scheme (herein referred to as "the scheme") covered under the Andhra Pradesh Capital City Land Pooling Scheme (Formulation and Implementation) Rules, 2015 made under the provisions of the Andhra Pradesh Capital Region Development Authority Act, 2014 and the rules, regulations and Schemes made under the said Act.
- **Provision will be effective with effect from the 1st day of April, 2015**

Exempt Income -

- As per clause (38) of section 10, any income arising from the transfer of a long-term capital asset, being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust is exempt where the transaction of sale of such equity share or unit is entered into on or after the date on which Chapter VII of the Finance (No. 2) Act, 2004 comes into force and such transaction is chargeable to securities transaction tax under that Chapter.
- However, Third Proviso is inserted to restrict / deny the exemption in the cases where any income arising from the transfer of a long-term capital asset, being an equity share in a company, if the transaction of acquisition, other than the acquisition notified by the Central Government in this behalf, of such equity share is entered into on or after the 1st day of October, 2004 and such transaction is not chargeable to securities transaction tax under Chapter VII of the Finance (No. 2) Act, 2004.
- **Provision will be effective with effect from the 1st day of April, 2018**

Capital Gains

Taxability Year in the case of specified agreements -

- New sub-section (5A) of section 45 inserted to provide that where the capital gain arises to an assessee, being an individual or a Hindu undivided family, from the transfer of a capital asset, being land or building or both, under a specified agreement, the capital gains shall be chargeable to income-tax as income of the previous year in which the certificate of completion for the whole or part of the project is issued by the competent authority; and for the purposes of section 48, the stamp duty value, on the date of issue of the said certificate, of his share, being land or building or both in the project, as increased by the consideration received in cash, if any, shall be deemed to be full value of consideration received or accruing as a result of transfer of capital asset.
- **Provision will be effective with effect from the 1st day of April, 2018**

Taxability Year in the case of specified agreements (continued…) -

- However, these provisions shall not apply where the assessee transfers his share in the project on or before the date of issue of said certificate of completion, and the capital gains shall be deemed to be the income of the previous year in which such transfer takes place and the provisions of this Act, other than the provisions of this sub-section, shall apply for the purpose of determination of full value of consideration received or accruing as a result of such transfer.
- "specified agreement" means a registered agreement in which a person owning land or building or both, agrees to allow another person to develop a real estate project on such land or building or both, in consideration of a share, being land or building or both in such project, with or without payment of part of the consideration in cash.
- **Provision will be effective with effect from the 1st day of April, 2018**

Capital Gains

Mode of Computation u/s 48 -

- As per existing fifth proviso to Section 48, in the case of an assessee being a non-resident, any gains arising on account of appreciation of rupee against a foreign currency at the time of redemption of rupee denominated bond of an Indian company subscribed by him, shall be ignored for the purposes of computation of full value of consideration under this section.
- The word "subscribed" is substituted by "held" and accordingly this exemption is extended to holder of rupee denominated bond of an Indian company.
- For calculation of indexed cost, the base year is changed to year beginning on the 1st day of April, 2001 replacing the old base year beginning on the 1st day of April, 1981.
- Accordingly, for calculation of indexed cost the denominator will be the Cost Inflation Index for the first year in which the asset was held by the assessee or for the year beginning on the 1st day of April, 2001, whichever is later.
- **Provision will be effective with effect from the 1st day of April, 2018**

Cost with reference to certain modes of acquisition u/s 49 -

- As per existing sub-section (1) to Section 49, where the capital asset became the property of the assessee by certain modes of acquisition, the cost of acquisition of the asset is deemed to be the cost for which the previous owner of the property acquired it, as increased by the cost of any improvement of the assets incurred or borne by the previous owner or the assessee, as the case may be.
- In the said list of certain modes of acquisition, acquisition by way of transfer referred to in clause (vic) of Section 47 is included.
- Clause (vic) of Section 47 refers to any transfer in a demerger, of a capital asset, being a share or shares held in an Indian company, by the demerged foreign company to the resulting foreign company.
- **Provision will be effective with effect from the 1st day of April, 2018**

Cost with reference to certain modes of acquisition u/s 49 (continued…) -

- New sub-section (2AE) to Section 49 inserted to provide that where the capital asset, being equity share of a company, became the property of the assessee in consideration of a transfer referred to in clause (xb) of section 47, the cost of acquisition of the asset shall be deemed to be that part of the cost of the preference share in relation to which such asset is acquired by the assessee.
- Clause (xb) of Section 47 refers to any transfer by way of conversion of preference shares of a company into equity shares of that company.
- **Provision will be effective with effect from the 1st day of April, 2018**

Cost with reference to certain modes of acquisition u/s 49 (continued…) –

- New sub-section (2AF) to Section 49 inserted to provide that where the capital asset, being a unit or units in a consolidated plan of a mutual fund scheme, became the property of the assessee in consideration of a transfer referred to in clause (xix) of section 47, the cost of acquisition of the asset shall be deemed to be the cost of acquisition to him of the unit or units in the consolidating plan of the scheme of the mutual fund.
- Clause (xb) of Section 47 refers to any transfer by a unit holder of a capital asset, being a unit or units, held by him in the consolidating plan of a mutual fund scheme, made in consideration of the allotment to him of a capital asset, being a unit or units, in the consolidated plan of that scheme of the mutual fund.
- **Provision will be effective with effect from the 1st day of April, 2017.**

Cost with reference to certain modes of acquisition u/s 49 (continued…) -

- As per existing sub-section (4) to Section 49, where the capital gain arises from the transfer of a property, the value of which has been subject to income-tax under clause (vii) or clause (viia) of sub-section (2) of section 56, the cost of acquisition of such property shall be deemed to be the value which has been taken into account for the purposes of the said clause (vii) or clause (viia).
- In the said list, clause (x) of sub-section (2) of Section 56 is included.
- Clause (x) of sub-section (2) of Section 56 refers to any person receiving, in any previous year, from any person or persons on or after the 1st day of April, 2017 any sum of money or immovable property or property without or less consideration exceeding Rs.50,000/- subject to certain conditions and exceptions taxed as income from other sources u/s 56.
- **Provision will be effective with effect from the 1st day of April, 2017.**

Cost with reference to certain specified capital assets u/s 49 (continued…) -

- New sub-section (6) to Section 49 inserted to provide that where the capital gain arises from the transfer of a specified capital asset referred to in clause (c) of the Explanation to clause (37A) of section 10, which has been transferred after the expiry of two years from the end of the financial year in which the possession of such asset was handed over to the assessee, the cost of acquisition of such specified capital asset shall be deemed to be its stamp duty value as on the last day of the second financial year after the end of the financial year in which the possession of the said specified capital asset was handed over to the assessee.
- Clause (c) of the Explanation to clause (37A) of Section 10 refers to the reconstituted plot or land, as the case may be, received by the assessee in lieu of land or building or both owned by the assessee as on the 2nd day of June, 2014 and which has been transferred under the scheme covered under the Andhra Pradesh Capital City Land Pooling Scheme (Formulation and Implementation) Rules, 2015.
- **Provision will be effective with effect from the 1st day of April, 2018**

Cost with reference to certain specified capital assets u/s 49 (continued…) -

- New sub-section (7) to Section 49 inserted to provide that where the capital gain arises from the transfer of a capital asset, being share in the project, in the form of land or building or both, referred to in sub-section (5A) of section 45, not being the capital asset referred to in proviso to said sub-section, the cost of acquisition of such asset, shall be the amount which is deemed as full value of consideration in that sub-section.
- **Provision will be effective with effect from the 1st day of April, 2018.**
- New sub-section (8) to Section 49 inserted to provide that where the capital gain arises from the transfer of an asset, being the asset held by a trust or an institution in respect of which accreted income has been computed and the tax has been paid thereon in accordance with the provisions of Chapter XII-EB, the cost of acquisition of such asset shall be deemed to be the fair market value of the asset which has been taken into account for computation of accreted income as on the specified date referred to in sub-section (2) of section 115TD..
- **Provision will be effective with effect from the 1st day of June, 2016.**

Full value of Consideration for transfer of share other than quoted Share -

- New Section 50CA inserted to provide that where the consideration received or accruing as a result of the transfer by an assessee of a capital asset, being share of a company other than a quoted share, is less than the fair market value of such share determined in such manner as may be prescribed, the value so determined shall, for the purposes of section 48, be deemed to be the full value of consideration received or accruing as a result of such transfer.
- "quoted share" means the share quoted on any recognised stock exchange with regularity from time to time, where the quotation of such share is based on current transaction made in the ordinary course of business.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Other Sources

- Clause (x) in sub-section (2) of Section 56 is introduced similar to existing clause (vii) which provides that any person receiving, in any previous year, from any person or persons on or after the 1st day of April, 2017 any sum of money or immovable property or property without or less consideration exceeding Rs.50,000/- subject to certain conditions and exceptions will be taxed as income from other sources u/s 56.
- The scope of the provision is widened as clause (vii) refers only to an individual or a Hindu undivided family, whereas clause (x) refers to any person and correspondingly clause (vii) and clause (viia) both now applies to receipts before 1st April 2017 only.
- In addition to existing exclusions, it shall also not apply to money or property received
  - by any fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or (v) or (vi) or (via) of clause (23C) of section 10.
  - by way of transaction not regarded as transfer under clause (i) or clause (vi) or clause (via) or clause (viaa) or clause (vib) or clause (vic) or clause (vica) or clause (vicb) or clause (vid) or clause (vii) of section 47.

Amounts not deductible –

- Sub-section (1A) of Section 58 provides that the provisions of sub-clause (iia) of clause (a) of section 40 shall, so far as may be, apply in computing the income chargeable under the head "Income from other sources" as they apply in computing the income chargeable under the head "Profits and gains of business or profession".
- In the above sub-section (1A) of Section 58, sub-clause (ia) of clause (a) of section 40 is added.
- Sub-clause (ia) of clause (a) of section 40 refers to disallowance of 30% of any sum payable to a resident, on which tax is deductible at source under Chapter XVII-B and such tax has not been deducted or, after deduction, has not been paid on or before the due date specified in sub-section (1) of section 139.
- Sub-clause (iia) of clause (a) of section 40 refers to disallowance of any sum paid on account of wealth-tax.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Other Sources

Dividend Income chargeable to tax u/s 115BBDA –

- As per Section 10(34), dividend income chargeable to tax u/s 115BBDA is not exempt.
- The applicability is widened by substituting "an assessee, being an individual, a Hindu undivided family or a firm" by "a specified assessee".
- Explanation to Section 115BBDA inserted and clause (b) defines specified assessee to mean a person other than, -
  - (i) a domestic company; or
  - (ii) a fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10; or
  - (iii) a trust or institution registered under section 12AA.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Income of Trust

Conditions for applicability of sections 11 and 12 -

- Clause (ab) inserted in sub-section (1) of Section 12A to state that the person in receipt of the income has made an application for registration of the trust or institution, in a case where a trust or an institution has been granted registration under section 12AA or has obtained registration at any time under section 12A [as it stood before its amendment by the Finance (No. 2) Act, 1996], and, subsequently, it has adopted or undertaken modifications of the objects which do not conform to the conditions of registration, in the prescribed form and manner, within a period of thirty days from the date of said adoption or modification, to the Principal Commissioner or Commissioner and such trust or institution is registered under section 12AA.
- Clause (ba) inserted in sub-section (1) of Section 12A to add condition that the person in receipt of the income has furnished the return of income for the previous year in accordance with the provisions of sub-section (4A) of section 139, within the time allowed under that section.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Income of Trust

Application of Income -

- Twelfth Proviso to clause (23C) of section 10 inserted to clarify that any amount credited or paid out of income of any fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or (v) or (vi) or (via), to any trust or institution registered under section 12AA, being voluntary contribution made with a specific direction that they shall form part of the corpus of the trust or institution, shall not be treated as application of income to the objects for which such fund or trust or institution or university or educational institution or hospital or other medical institution, is established.
- Similar provision is made vide Explanation 2 under Section 11(1) that any amount credited or paid, out of income referred to in clause (a) or (b) read with Explanation 1, to any other trust or institution registered under section 12AA, being contribution with a specific direction that they shall form part of the corpus of the trust or institution, shall not be treated as application of income for charitable or religious purposes.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Income of Political Parties

Conditions for exclusion of certain income -

- Clause (b) in first proviso of Section 13A modifies the condition of maintaining records of voluntary contributions in excess of Rs.20,000/- to exclude contribution by way of electoral bond.
- Clause (d) in first proviso of Section 13A inserted to add condition that no donation exceeding Rs.2,000/- is received by such political party otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through electoral bond.
- Third proviso to Section 13A inserted to add condition that such political party furnishes a return of income for the previous year in accordance with the provisions of sub-section (4B) of section 139 on or before the due date under that section.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Deductions

Deduction for contribution to pension scheme of Central Government u/s 80CCD

- Maximum amount limit for deduction u/s 80CCD for assessees other than employees increased to 20% of his Gross Total Income from present limit of 10%.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Deduction for investment made under an equity savings scheme u/s 80CCG -

- NO deduction under this section shall be allowed in respect of any assessment year commencing on or after the 1st day of April, 2018.
- However, an assessee, who has acquired listed equity shares or listed units of an equity oriented fund in accordance with the scheme referred to in sub-section (1) and claimed deduction under this section for any assessment year commencing on or before the 1st day of April, 2017, shall be allowed deduction under this section till the assessment year commencing on the 1st day of April, 2019, if he is otherwise eligible to claim the deduction in accordance with the other provisions of this section.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Deductions

Deduction for donations to certain funds, charitable institutions, etc. u/s 80G -

- As per present sub-section (5D), No deduction shall be allowed under this section in respect of donation of any sum exceeding Rs.10,000/- unless such sum is paid by any mode other than cash.
- The said limit is reduced to Rs.2,000/- and accordingly, No deduction shall be allowed under this section in respect of donation of any sum exceeding Rs.2,000/- unless such sum is paid by any mode other than cash.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Special provision in respect of eligible start-up u/s 80-IAC -

- As per present sub-section (2), the deduction may, at the option of the assessee, be claimed by him for any three consecutive assessment years out of five years beginning from the year in which the eligible start-up is incorporated.
- The period of five years is increased to seven years.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Deductions

Deductions in respect of profits and gains from housing projects u/s 80-IBA -

- For deduction under Section 80-IBA, a housing project should be a project which fulfils the conditions specified in sub-section (2) which are modified as under –
  - condition regarding the period in which project to complete increased to five years from present three years, from the date of approval by the competent authority.
  - Conditions with respect to built-up area changed with respect to carpet area.
  - Area "within the distance, measured aerially, of 25 kilometres from the municipal limits of the cities of Chennai, Delhi, Kolkata or Mumbai" removed and thus -
    - It is on a plot of land measuring not less than 1,000 square metres, where the project is located within the cities of Chennai, Delhi, Kolkata or Mumbai or 2,000 square metres, where the project is located in any other place;
    - the carpet area of the residential unit does not exceed 30 square metres, where the project is located within the cities of Chennai, Delhi, Kolkata or Mumbai or 60 square metres, where the project is located in any other place;
- **Provision will be effective with effect from the 1st day of April, 2018.**

Set-off of Losses

Set off of loss from one head against income from another u/s 71 -

- New sub-section (3A) in Section 71 inserted to provide that Notwithstanding anything contained in sub-section (1) or sub-section (2) of Section 71, where in respect of any assessment year, the net result of the computation under the head "Income from house property" is a loss and the assessee has income assessable under any other head of income, the assessee shall not be entitled to set off such loss, to the extent the amount of the loss exceeds Rs.2,00,000/-, against income under the other head.
- As per Section 71B where for any assessment year loss cannot be or is not wholly set off against income from any other head of income in accordance with the provisions of section 71, so much of the loss be carried forward to following assessment year and
- (i) be set off against income from house property assessable for that A.Y.; and
- (ii) the loss, if any, which has not been set off wholly, the loss not so set off, shall be carried forward to following assessment year, not being more than 8 assessment years immediately succeeding the assessment year for which the loss was first computed.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Carry-forward and Set-off of Losses

Carry forward and set off of losses in case of certain companies -

- Clause (b) of Section 79 as per new substituted Section 79 provides special conditions for an eligible start-up as referred to in section 80-IAC as,
  - the loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year,
  - if, all the shareholders of such company who held shares carrying voting power on the last day of the year or years in which the loss was incurred,
  - continue to hold those shares on the last day of such previous year and
  - such loss has been incurred during the period of seven years beginning from the year in which such company is incorporated.
- **Provision will be effective with effect from the 1st day of April, 2018.**

Thank you!

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