GIST OF PROPOSED CHANGES IN DIRECT TAX CODE RELEASED ON 12TH OF AUGUST 2009.

1. Proposed to be implemented from **1st day of April 2011 (applicable from FY 2011-12)**.

2. Previous Year and Assessment year – replaced by Financial year**.**

3. All rates of taxes are mentioned in First to Fourth Schedule to the code, this will obviate the need for an Annual Financial Bill. Changes in Rates if any will be done through appropriate amendments to the Schedule brought before the Parliament in the form of an Amendment Bill.

4. Company considered as resident in India even if control and management of its affairs is partly in India. Eg: Even a Board meeting held in India is good enough to make the 'Foreign Company' a 'Resident' in India.

5. Income is taxable under "Special source" (presumptive taxation) and "Ordinary Source".

6. Loss can be carried forward to indefinite period. If in any year return is not filed within due date, the whole of the loss i.e. current year as well as all previous year's loss carried forward will get lapsed.

7. Total Income will be arrived at by Adding TI from Ordinary source (after deductions) plus TI from Special source.

8. EET based taxation for all permitted savings like PF, Superannuation fund, LIC and New Pension System Trust, i.e. contribution is **E**xempt, accumulation/accretions is **E**xempt and all withdrawals at any time will be subject to **T**ax (taxed under Income from residuary source). However, rollover of balance from one account to other won't be taxed.

9. The EET based taxation will not be applicable for balance Accumulated as on 31st March 2011. That is any contribution/accumulation/accretions to PPF from 1st April 2011 when withdrawn will only be taxed, withdrawal of contribution/accumulation made upto 31st March 2011 and accretions in case of PPF will be exempt.

10. Taxing of House Property Income –
    Gross Rent = Higher of Contractual rent or 6% of ratable value fixed by local authority
    If ratable value is not available then 6% of Cost of construction or acquisition.
    Deduction for Rental Income – a) Taxes levied by local authority
    b) 20% of Gross rent
    c) Interest payable on housing loan (only in case of Let out property)

    No deduction in respect of Interest paid on Housing loan will be allowed in case of Self occupied property.

11. Loss on sale of business capital assets treated as capital assets under Income tax act 1961 will be treated as Intangible asset and allowed depreciation under new code.

12. Distinction between Long term & Short term capital gains will be abolished.

13. All assets sold beyond one year of acquisition will be indexed for calculating Capital gains.

14. The base year for indexation has been changed to 2000 (presently 1981).

15. Securities Transaction tax will be abolished, which will lead to taxing of Capital gains on Sale of Shares.

16. Deductions have been proposed to be increased to Rs. 3 Lakhs. (Permitted savings + Tuition fees of children)

17. Medical Insurance premium – Deduction upto Rs. 15,000 (Rs. 20,000 for senior citizens)

18. Medical treatment of disabled dependent – Deduction of Fixed amount of Rs. 50,000 (Rs. 75,000 for severe disability)

19. Medical treatment for prescribed diseases – Deduction of Rs. 40,000 (Rs. 60,000 for senior citizens)

20. Handicapped assessee – Deduction of Fixed amount of Rs. 50,000 (Rs. 75,000 for severe disability).

21. Company assesses only – Deduction of Capital or revenue expenditure for promoting family planning and preventing HIV/AIDS amongst its employees.

22. Date of Filing returns – 30^{th} June for non business non corporate tax payers
30^{th} August for others.

23. Due dates for issue of Notice & completion of assessments:

PARTICULARS	TIME ALLOWED
Notice to Non-filers & Stop-filers	Within 21 months from the end of relevant FY Eg: FY 2011-12 – Due date 31^{st} December 2013
Processing of return (presently 143(1))	Within 1 year from the end of the month in which return is furnished. Eg: Return filed on 29^{th} June 2012 – Return processing last date is 30^{th} June 2013.
Notice for Scrutiny assessment	Served within four months from the end of financial year in which return is filed. Eg: Return filed for FY 2011-12 on 15^{th} August 2012 (FY 2011-12) – Notice can be served within 31^{st} July 2013.
Completion of Scrutiny assessment	Within 21 months from the end of financial year in which return is filed. Eg: Return file for FY 2011-12 on 15^{th} August 2012(FY 2012-13) – Assessment to be completed within 31^{st} December 2014.
Re opening of assessments	Not beyond **7 yrs** from the end of relevant FY (few exceptions). Eg: FY 2011-12, cannot be reopened after 31^{st} March 2019. Note: under the present act the period of reopening is only 4 years.

24. Rates applicable for TDS on Foreign remittance will be applicable as under:
    a) Rate as per DTAA or
    b) Rate as per Code

    Whichever is prescribed later.

    (Note: Protocol is proposed to be inserted in DTAA to keep them effective subject to successful negotiations with those countries).

25. In case of disallowance of expense on which TDS is applicable, the following amendments are applicable:
    a) The Tax deducted at source during the **last quarter** of the financial year if not remitted before filing of return, the expense will be disallowed. (earlier it was only for TDS of last month of the financial year)
    b) If not paid during the above mentioned limit, it shall be allowed in the FY in which it is actually paid, but will not be allowed as deduction if it is remitted after 2 yrs from the end of FY in which TDS was actually deductible (2 yrs limit was not prescribed earlier).

26. Wealth Tax is applicable to Individuals, HUF and Private discretionary trusts (under the present Income tax act even company assessee's were included; they are excluded under the new code because they are charged to MAT based on gross assets).

27. Rent and Interest also included under expenses allowable on actual payment basis (presently Section 43B).

28. Depreciation will be available even on such block of assets wherein all the assets existing under the block have been sold but there is some balance still available. Depreciation can be continued until the whole block is written off.

29. 150% weighted depreciation is available towards R&D expenses for all industries.

30. Depreciation on assets will be available to lessee under a finance lease (presently as per income tax act it is available to lessor).

31. New Income tax rates proposed:

a)

SLAB for Individuals/HUF other than women Individual assesses & Individual senior citizens	RATE
< Rs. 1,60,000	**NIL**
> Rs. 1,60,000 < Rs. 10,00,000	10% (TI – 1,60,000)
> Rs. 10,00,000 < Rs. 25,00,000	Rs. 84,000 + 20% (TI – 10,00,000)
> Rs. 25,00,000	Rs. 3,84,000 + 30% (TI – 25,00,000)

b)

SLAB for women assesses	RATE
< Rs. 1,90,000	**NIL**
> Rs. 1,90,000 < Rs. 10,00,000	10% (TI – 1,90,000)
> Rs. 10,00,000 < Rs. 25,00,000	Rs. 81,000 + 20% (TI – 10,00,000)
> Rs. 25,00,000	Rs. 3,81,000 + 30% (TI – 25,00,000)

c)

SLAB for Senior citizens	RATE
< Rs. 2,40,000	**NIL**
> Rs. 2,40,000 < Rs. 10,00,000	10% (TI – 2,40,000)
> Rs. 10,00,000 < Rs. 25,00,000	Rs. 76,000 + 20% (TI – 10,00,000)
> Rs. 25,00,000	Rs. 3,76,000 + 30% (TI – 25,00,000)

d)

ASSESSEE	RATE
Unincorporated bodies (like Firm/AOP/BOI etc), Local authority & other society	30%
Company assessee (Domestic company as well as Foreign company)	25%
Non-profit organization & Tax on Branch profits	15%
Capital Gains Tax to residents	@ normal rates
Capital Gains Tax to nonresidents	30%

e) Minimum Alternative Tax – 0.25% of Value of Gross assets for Banking companies & 2% for Others, MAT paid not allowed for carried forward.
Value of Gross assets = Gross block of FA + Value of CWIP + Book value of all other assets – accumulated depn + Dr balance of P&L a/c if included in book value of assets.

f) Wealth tax rate - 0.25% if net wealth exceeds Rs. 50 crores. (threshold limit not applicable for private discretionary trusts).

g) TDS rate if PAN is not furnished by the payee:
Higher of 20% or rate as mentioned in the tax code.