Income Tax Act Amendments by Finance Act, 2009

(Applicable for Nov. 2010 Exams)

Rates of Tax for AY 2010-11

Individual/ HUF/ AOP / BOI and every artificial juridical person

Level of total income	*Rate of income-tax*
Where the total income does not exceed ₹1,60,000	Nil
Where the total income exceeds ₹1,60,000 but does not exceed ₹3,00,000	10% of the amount by which the total income exceeds ₹1,60,000.
Where the total income exceeds ₹3,00,000 but does not exceed ₹5,00,000	₹14,000 plus 20% of the amount by which the total income exceeds ₹3,00,000.
Where the total income exceeds ₹5,00,000	₹54,000 plus 30% of the amount by which the total income exceeds ₹5,00,000.

The threshold exemption level will be ₹1,90,000 for resident women and ₹2,40,000 for resident individuals of the age of 65 years or more at any time during the previous year.

Firm

30% on the whole of the total income of the firm.

Company

Level of total income	Rate of income-tax
In the case of a Domestic Company	30% of the total income
In the case of a company other than a Domestic Company	40% of the total income

Surcharge

Individual/HUF/AOP/BOI/Firm– NIL
Domestic company (Where the total income exceeds ₹1 crore) – 10%
Foreign company (Where the total income exceeds ₹1 crore) – 2.5%

Education cess & Higher Secondary Cess on income-tax

3% on income-tax and surcharge

Rounding off of income – Section 288A – Nearest multiple of ₹ 10/-
Rounding off amount payable and refund due – Section 288B – Nearest multiple of ₹ 10/-

Income from Salaries

1. **Fringe benefit tax (FBT) is omitted**. Therefore, all the perquisites are now taxable in the hands of employees.

2. **Definition of Perquisites u/s 17(2)** has been amended. Perquisites now include:-
   (i) Sweat Equity or ESOP shares or securities issued by employer at concessional rate to the assessee.
   (ii) Employer's contribution to superannuation fund in excess of ₹ 1,00,000.

3. Section 10(10C) and Section 89 have been amended to provide that **double benefit in respect of VRS compensation shall not be allowed**. Therefore, if the benefit of one-time exemption u/s 10(10C) or relief of tax u/s 89 has been allowed in relation to any AY, the benefit of other section will not be allowed in same or any other AY.

4. The **revised valuation of perquisites** under Rule 3 of Income Tax Rules has been notified on 18.12.2009. The major amendment is in respect of :-
   (i) Sweat Equity or ESOP securities which shall be taxed at market price on the date of exercise of option.
   (ii) Value of Motor car for official/personal purpose @ ₹ 1,800 p.m. for 1.6 litres and ₹ 2,400 p.m. for motor car exceeding 1.6 litres. The perquisite value for driver shall be ₹ 900 p.m.

Profits and Gains from Business or Profession

1. The benefit of **weighted deduction** of 150% u/s 35(2AB) in case of in-house research and development facility has been **extended to <u>all companies</u>** engaged in the business of manufacture or production of any article or thing (except those specified in the list of the Eleventh Schedule)

2. 100% of capital expenditure (other than on land or goodwill or any financial instrument) incurred during PY in the following specified businesses will be allowed as **deduction under new Section 35AD** subject to certain conditions:-
   (i) setting-up and operating 'cold chain' facilities for specified products;
   (ii) setting-up and operating warehousing facilities for storing agricultural produce;
   (iii) laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network [including any expenditure incurred in any previous year and capitalized in its books, if the business has commenced operation b/w 1.4.2007 and 31.3.2009]

   ### *Example*

   A Ltd. commenced operations of the business of laying and operating a cross-country natural gas pipeline network for distribution on 1st April, 2009. The company incurred capital expenditure of ₹ 40 lakh during the period January to March, 2009 exclusively for the above business, and capitalized the same in its books of account as on 1st April, 2009. Further, during the financial year 2009-10, it incurred capital expenditure of ₹ 150 lakh (out of which ₹ 50 lakh was for acquisition of land) exclusively for the above business. Compute the deduction under section 35AD for the A.Y.2010-11, assuming that A Ltd. has fulfilled all the conditions specified in section 35AD.
   *

   Answer – Deduction allowable = Capital expenditure incurred during the P.Y.2009-10 (excluding the expenditure incurred on acquisition of land) + Capital expenditure incurred prior to 1.4.2009 (i.e., prior to commencement of business) and capitalized in the books of account as on 1.4.2009 = ₹ 150 lakh – ₹ 50 lakh + ₹ 40 lakh = ₹ 140 lakh.

3. ***Related Amendments to Section 35AD***:-
   (i) Transfer of any goods and services between specified business and other business of the assessee to be valued at market price
   (ii) Mandatory audit of Accounts
   (iii) Power of AO to re-compute profits from the specified business due to close connection between the assessee and any other person
   (iv) Any insurance claim in respect of asset claimed as deduction u/s 35D shall be chargeable under PGBP
   (v) Loss of specified business u/s 73A inserted to provide that loss from specified business shall be set off against PGBP of any other specified business only. However, there is no time limit for such carry forward of loss.
   (vi) The cost of asset claimed as deduction u/s 35AD shall be NIL for all purposes.

4. The pro-rata deduction in respect of discount on Zero Coupon Bonds u/s 36(1)(iiia) shall also be available to **ZCB issued by scheduled banks** also. Also, TDS u/s 194A(1) would not be applicable in respect of income paid or payable in relation to a ZCB issued by an infrastructure capital company or infrastructure capital fund or public sector company or scheduled bank on or after 1.6.2005.

5. **Remuneration allowable to partners u/s 40(b)** to all firms (professional or non-professional) shall be subject to following limits:-
   (i) On the first ₹ 3 lakh of book profit or in case of loss – ₹ 1,50,000 or 90% of book profit
   (ii) Balance of book profit – 60% of book profit

   Example

   A firm has paid ₹ 7,50,000 as remuneration to its partners for the P.Y.2009-10 in accordance with its partnership deed, and it has a book profit of ₹ 10 lakh, then, the allowable remuneration calculated as per the limits specified in section 40(b)(v) would be -
   On first ₹ 3 lakh of book profit = [3,00,000 × 90%] = ₹ 2,70,000
   On balance ₹ 7 lakh of book profit = [7,00,000 × 60%] = ₹ 4,20,000
   Total remuneration allowable = ₹ 6,90,000
   The excess amount of ₹ 60,000 (i.e., ₹ 7,50,000 – ₹ 6,90,000) would be disallowed as per section 40(b)(v).

6. The limit **of cash payments of ₹ 20,000 u/s 40A(3)** has been raised to ₹ 35,000 in case of payment made to transport operators for plying, hiring or leasing goods carriages. In all other cases, the limit would continue to be ₹ 20,000.

7. In case of assessees having composite income where income is derived in part from agricultural operations and in part from business chargeable to tax under the head PGBP (Rule 7A, 7B & 8), while computing **WDV of any block u/s 43(6)**, full depreciation shall be deducted to arrive at the WDV.

   Example

   In case of an assessee in the business of growing and manufacturing of tea gives the following particulars:-
   Turnover – ₹ 20 lakh

Value of block of Plant & Machinery – ₹ 8 lakh
Depreciation allowable – ₹ 1 lakh
Other Expenses – ₹ 4 lakh
Compute the total income of the assessee and the WDV of the assets for the successive year.
*
Answer
PGBP = 40% of [20 – 1 – 4] = 40% of ₹ 15 lakh = ₹ 6 lakh
WDV of block for successive year = 8 – 1 = ₹ 7 lakh

Capital Gains

1. Capital Gains on immovable property arising on **transfers executed through power of attorney** are now covered u/s 50C.
2. U/s 49(2AA), the **cost of acquisition in case of shares/debentures received under Sweat Equity or ESOP** [which have been taxed as perquisite u/s 17(2)] shall be the market value of the shares which was taken into consideration for the purpose of perquisite value under the head salary.
3. Cost Inflation Index (CII) for the financial year 2009-10 is 632.

Income from other sources

1. The **value of any "property"** (meaning immovable property being land or building or both, shares and securities, jewellery, archaeological collections, drawings, paintings, sculptures or any work of art) exceeding ₹ 50,000 received without consideration or for inadequate consideration will be chargeable to income-tax in the hands of the recipient under the head IFOS u/s 56(2)(vii).

2. In case an immovable property is received without consideration or for inadequate consideration, and the difference between the stamp duty value and such consideration exceeds ₹ 50,000, such difference would be taxed as the income of the recipient.
3. If the stamp duty value of immovable property is disputed by the assessee, the Assessing Officer may refer the valuation of such property to a Valuation Officer.
4. If movable property is received without consideration or for inadequate consideration, and the difference between the aggregate fair market value and such consideration exceeds ₹ 50,000, such difference would be taxed as the income of the recipient.
5. However, gifts received from relative, marriage, will/inheritance, in contemplation of death, local authority etc. shall continue to be outside the tax ambit.
6. Related Amendments:-
   (i) Definition of income u/s 2(24) now includes money or value of property referred to in section 56(2)(vii).
   (ii) U/s 49(4), where any capital gain arises from the transfer of any property taxed u/s 56(2)(vii), the cost of acquisition of the property shall be deemed to be the value taken into account for the purpose of section 56(2)(vii).

Example

Mr. B received the following gifts during the P.Y.2009-10 from his friend Mr.A –
(1) Cash gift of ₹ 1,00,000 on his birthday, 19th June, 2009.
(2) 50 shares of B Ltd., the fair market value of which was ₹ 1,00,000, on his birthday, 19th June, 2009.

(3) 100 shares of A Ltd., the fair market value of which was ₹ 55,000 on the date of transfer. This gift was received on the occasion of Diwali. Mr.A had originally purchased the shares on 1.7.2009 at a cost of ₹ 40,000.

Further, on 17th December, 2009, Mr.B purchased land from his brother's father-in-law for ₹ 3,50,000. The stamp value of land was ₹ 5,00,000.

On 1st March, 2010, he sold the 100 shares of A Ltd. for ₹ 80,000.

Compute the income of Mr.B chargeable under the head "Income from other sources" and "Capital Gains" for A.Y.2010-11.

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Answer

Computation of Income from Other Sources	**Amount – ₹**
Cash gift received before 1.10.2009 exceeding ₹ 50,000	1,00,000
Value of shares of B Ltd. gifted by Mr.A on 19.6.2009 - Not taxable since only gift of property after 1.10.2009 is chargeable to tax u/s 56(2)(vii).	Nil
FMV of shares of A Ltd. – Taxable as the gift is made after 1.10.2009 and the aggregate FMV exceeds ₹ 50,000.	55,000
Purchase of land for inadequate consideration – Taxable since made on 17.12.2009, difference b/w stamp value and consideration exceeds ₹ 50,000. (Brother's father-in-law is not a relative u/s 56(2)) = 5,00,000 – 3,50,000 =	1,50,000
IFOS – Total A	3,05,000
Computation of Capital Gains	**Amount – ₹**
Sale Consideration	80,000
Less: Cost of Acquisition = FMV charged to tax u/s 56(2)(vii)	55,000
Short-term Capital Gains – Total B	25,000
Total Income (A+B)	3,30,000

7. Any **interest received on compensation/enhanced compensation** shall be deemed to be income in the year of receipt and taxable under the head IFOS u/s 56(2)(viii) irrespective of method of accounting followed by the assessee.
   Further, a flat deduction of 50% shall be allowed on such income u/s 57.

   Example

   Mr. X received an interest on enhanced compensation during the PY 2009-10 for ₹ 5,00,000. Out of this interest, ₹ 1,50,000 relates to the PY 2006-07, ₹ 1,65,000 relates to PY 2007-08 and ₹ 1,85,000 relates to PY 2008-09. Discuss the tax implication, if any, of such interest income for A.Y.2010-11.

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   Answer

   The entire interest of ₹ 5,00,000 would be taxable in the year of receipt after allowing a deduction of 50%. Therefore, interest chargeable under the head IFOS for AY2010-11 shall be ₹ 2,50,000.

Exemption and Deductions from Gross Total Income

1. In order to remove the various **interpretations of word "manufacture"** based on which tax concessions are provided, a new Section 2(29BA) has been inserted to provide that 'manufacture', with all its grammatical variations, shall mean a change in a non-living physical object or article or thing,—

(a) resulting in transformation of the object or article or thing into a new and distinct object or article or thing having a different name, character and use; or
(b) bringing into existence of a new object or article or thing with a different chemical composition or integral structure.

2. The **time limits in Section 10A and 10B** in respect of PGBP from export and 100% EOU units have been extended to AY 2011-12.

3. The **anomaly u/s 10AA** in respect of deduction of profits have been removed as under:-

Earlier	Now Amended
$\frac{\text{PGBP of eligible undertaking X Export turnover}}{\text{Total turnover of assessee}}$	$\frac{\text{PGBP of eligible undertaking X Export turnover}}{\text{Total turnover of } \textbf{\textit{undertaking}}}$

Example

XY & Co. has an undertaking in SEZ (Unit A) and an undertaking in the DTA (Unit B). In PY 2009-10, the total turnover of Unit A is ₹ 60 lakh and Unit B is ₹ 40 lakh. The export turnover of Unit A in respect of computer software is ₹ 50 lakh and the profits of Unit A is ₹ 20 lakh. Compute the deduction under section 10AA for PY 2009-10.
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Answer

Earlier	Now Amended
$\frac{20 \text{ X } 50}{100}$ = ₹ 10 lakh	$\frac{20 \text{ X } 50}{60}$ = ₹ 16.67 lakh

4. **Section 80A** has been amended to provide that:-
(i) Profits claimed as deduction u/s 10A, 10AA, 10B, 10BA or any provision of Chapter VIA shall not be allowed as deduction under any other provision of the Act.
(ii) Further, the deductions under above provisions shall not exceed the profits the eligible undertaking.
(iii) Also, no deduction under any of the above provisions shall be allowed if the deduction has not been claimed in n the return of income.
(iv) The transfer price of any goods and services transferred between eligible business and any other business shall be determined at the market value.

5. **Deduction u/s 80CCD** in respect of contribution to National Pension Scheme is now extended to self-employed individuals also with a maximum limit of 10% of GTI.

6. **The limits u/s 80DD** in respect of medical treatment of a dependent with severe disability has been increased from ₹ 75,000 to ₹ 1 lakh.
7. Similarly, the limit u/s 80U in respect of assessee suffering from severe disability has also been increased from ₹ 75,000 to ₹ 1 lakh.

8. The **scope of section 80E** has been expanded to cover all fields of study after Class XII, including vocational study, for the purpose of interest deduction in respect of loan taken for pursuing such courses.
9. **Section 80G** has been amended to provide that the approval granted to institutions and funds for the purpose of recognition under section 80G shall be one-time and shall be valid in perpetuity.

10. **Deduction u/s 80GGB & 80GGC** in respect of the contribution made to registered political parties has been extended to include contribution/donation made to Electoral trusts approved by the CBDT. The deduction shall be 100% of the amount donated.
11. Also, voluntary contribution received by such electoral trust (working under rules framed by Central Govt.) shall be treated as its income under section 2(24), but shall be exempt under new section 13B if the trust distributes to a registered political party during the year, 95% of the aggregate donations received by it during the year along with the surplus if any, brought forward from any earlier previous year.

12. Amendments in **time limits in Section 80IA**
    (i) Extension of time limit for undertaking which develops, develops and operates or maintains and operates an industrial park extended till 31.3.2011.
    (ii) Extension of time limit for undertaking which set up for generation, generation or distribution of power, transmission of power by laying new lines extended till 31.3.2011.
13. The benefit of 100% deduction u/s 80IA shall not be available in relation to an eligible business which is in the nature of a works contract awarded by any person (including the Central or State Government) and executed by the undertaking or enterprise referred to in section 80-IA.

14. The **time limit u/s 80IB** for refineries in the private sector to begin refining of mineral oil has been extended to 31.3.2012. Also, the scope of Section 80IB has been expanded to commercial production on or after 1.4.2009 of natural gas in blocks licensed under Govt. Policy.
15. Deduction under section 80-IB has been extended to an undertaking deriving profit from the business of processing, preservation and packaging of meat and meat products or poultry or marine or dairy products, if it begins to operate such business on or after 1.4.2009. The deduction allowed shall be 100% for first 5 years and 25% (30% in case of company) for next 5 years.

Tax Deduction at Source & Advance Tax

1. There would no surcharge or cess on TDS in respect of all non-salary payments made to resident taxpayers with effect from 1st April, 2009.

2. **Section 194C** has been entirely revamped and the major changes are as follows:-
    (i) The rate of TDS u/s 194C has been reduced and uniformly applicable on payments to contractors and sub-contracts @ 1%, where the payee is an individual or HUF and @ 2% in respect of other payees.
    (ii) Also, u/s 194C in respect of payment to transport contractors and sub-contractors engaged in the business of plying, leasing and hiring goods carriages, TDS provisions would not apply if they furnish their PAN to the deductor. However, if they do not quote PAN, the rate will be 1% for an individual/ HUF transporter and 2% for other transporters upto 31.3.2010. (This provision has been extended to all cases and the rate of TDS shall be 20% in all cases w.e.f. 1.4.2010)
    (iii) To stop the practice of splitting of payments, now TDS will be made where the amount credited or paid or likely to be credited or paid to a contractor/sub-contractor exceeds ₹ 20,000 in a single payment or ₹ 50,000 in the aggregate during a financial year.
    (iv) TDS provisions u/s 194C will not be applicable if the payment is exclusively for personal purposes of the individual or HUF.
    (v) The definition of "work" under section 194C has been amended to now clearly provide that outsourcing will be covered u/s 194C except "sale" contracts. Therefore, "work" would include

manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer. In such a case, tax shall be deducted on the invoice value excluding the value of material purchased from such customer if such value is mentioned separately in the invoice. Where the material component has not been separately mentioned in the invoice, tax shall be deducted on the whole of the invoice value.

Comparative Rate of TDS u/s 194C

Payee	TDS rate applicable	
	Upto 30.9.2009	**From 1.10.2009**
Individual / HUF contractor	2%	1%
Other than individual / HUF contractor	2%	2%
Individual / HUF sub-contractor	1%	1%
Other than individual / HUF sub-contractor	1%	2%
Individual / HUF contractor/sub-contractor for advertising	1%	1%
Other than individual / HUF contractor/subcontractor for advertising	1%	2%
Contractor in transport business	2%	Nil
Sub-contractor in transport business	1%	Nil

3. The **rate of TDS u/s 194I** is reduced from 10% to 2% in respect of rent for plant, machinery or equipment and from 15%or 20% to 10% in respect of other rental payments with effect from 1st October, 2009.

4. With a view to strengthening the PAN mechanism, **new section 206AA** has been inserted w.e.f. 1.4.2010 to provide that any person whose receipts are subject to TDS, the deductee shall mandatorily furnish his PAN to the deductor or in Form 15G/H failing which the deductor shall deduct tax at source ***at higher of the following*** rates –
   (i) the rate prescribed in the Act;
   (ii) at the rate in force i.e., the rate mentioned in the Finance Act; or
   (iii) at the rate of 20%.

   Example
   AB & Co. is payer of a rent of equipment to Mr. X which is subject to TDS provisions u/s 194I. The TDS rate ordinarily applicable would be 2%. However, if Mr. X, the payee does not furnish his PAN to AB & Co., the payer, tax would be deductible @20%.

5. If the PAN provided to the deductor is invalid or it does not belong to the deductee, it shall be deemed that the deductee has not furnished his PAN to the deductor and accordingly, tax would be deductible u/s 206AA (as above).

6. **Advance tax** is payable only if the advance tax liability is ₹ 10,000 or more.

Taxation of Limited Liability Partnership (LLP)

1. The taxation scheme of LLPs is on the same lines as applicable for general partnerships, i.e. tax liability would be attracted in the hands of the LLP and tax exemption would be available to the partners.
2. The definition of 'partner' shall include within its meaning, a partner of a LLP.
3. The definition of 'firm' shall include within its meaning, a LLP; and

4. The definition of 'partnership' shall include within its meaning, a LLP.
5. The Return of Income of LLP shall be signed by "designated partner" as per LLP Act. However, where, for any unavoidable reason such designated partner is not able to sign and verify the return or where there is no designated partner as such, any partner can sign the return.
6. In case of conversion from a general partnership to LLP, if there is a change in rights and obligations of partners or there is a transfer of asset or liability after conversion, then the provisions of section 45 would get attracted.
7. The LLP shall be entitled to deduction of remuneration paid to working partners as per limits specified u/s 40(b)(v).
8. The interest paid to partners of LLP shall be allowed as deduction only if such payment is authorized by the partnership deed and the rate of interest does not exceed 12% simple interest per annum.
9. The LLPs cannot avail the presumptive taxation scheme under section 44AD. (However, this amendment shall be effective w.e.f. A.Y.2011-12)

Charitable Trusts

1. The **meaning of charitable purpose u/s 2(15)** has been expanded to include relief of the poor, education, medical relief, preservation of environment (including watersheds, forests and wildlife) and preservation of monuments or places or objects of artistic or historic interest and the advancement of any other object of general public utility.

2. The **time limit for filing of application for exemption u/s 10(23C)** have been extended to 30th Sept. (instead of 31st March) for FY 2008-09 onwards.

   Example

   The gross receipts of a charitable trust exceeds ₹ 1 crore in the FY 2008-09. As per the earlier provisions, if the trust wants to claim exemption, it had to file application for exemption by 31st March, 2009. Now as per the amended provisions, it can file an application for grant of exemption in the prescribed form to the prescribed authority on or before 30th September, 2009.

3. **Anonymous donations** received by wholly charitable trusts and institutions are taxable @ 30% u/s 115BBC. Anonymous donations received by partly charitable and partly religious trusts are taxable @ 30% if such anonymous donation is made with a specific direction that such donation is for any university or other educational institution or any hospital or other medical institution run by such trust or institution. Section 115BBC has been amended to provide an exemption limit as follows:-
   (i) 5% of the total donations received by the assessee; or
   (ii) ₹ 1 lakh
   whichever is higher.
4. The total tax payable by such institutions would be –
   (i) tax@30% on anonymous donations exceeding the exemption limit as calculated above; and
   (ii) tax on the balance income i.e. total income as reduced by the aggregate of anonymous donations received.

   Example

Case	*Total Donations – ₹*	*Anonymous Donations – ₹*	*Exemption – ₹*	*Anonymous Donations Taxable @ 30% - ₹*
1	15,00,000	4,00,000	1,00,000	3,00,000
2	30,00,000	7,00,000	1,50,000	5,50,000

3	50,00,000	10,00,000	2,50,000	7,50,000

Other Amendments – Applicable to Final Students Only

1. **Section 90** has been entirely substituted by a new section empowering Central Government to enter into agreement with specified non-sovereign territories for DTA agreements.

2. In determination of **Arm's length price u/s 92C**, no adjustment would be required if the variation between ALP and the transfer price is within 5% of transfer price.

   Example

Case	***Transfer Price – ₹***	***ALP computing by mean – ₹***	***ALP for adjustment – ₹***
1	100.00	105.10	105.10
2	100.00	104.90	100.00

3. A new section 92CB has been introduced to empower the CBDT to formulate safe harbour rules to determine the ALP u/s 92C and 92CA. Safe harbour means circumstances in which the income-tax authorities shall accept the transfer price declared by the assessee.

4. The **rate of Minimum Alternate Tax** from 10% to 15% of book profits.
5. Further, Section 115JB has been amended to override Supreme Court ruling in case of *CIT V HCL Comnet Systems & Services Ltd. – 2008* by specifically providing an Explanation 1 stating that for computing book profits, any amount debited to P&L Account as provision for diminution in the value of any asset (including debtors by providing for doubtful debts) shall be added back.
6. The **period for setting off MAT credit** u/s 115JAA has been increased from 7 years to 10 years.

Return and Assessment

7. Clarificatory retrospective **amendment u/s 132** to provide explicitly that Additional Director and Additional Commissioner, Joint Director and Joint Commissioner of Income Tax always had the power to issue search warrant (even if not specifically empowered by the CBDT to do so).
8. Similar **amendment in Section 132A** for power to requisition of books on orders made by Additional Director and Additional Commissioner as an authorized officer.
9. Time limit for issue of notification for relaxation, modification or adaptation of any provision of law to facilitate centralized processing of returns u/s 143(1B) has been extended to 31.3.2010.
10. **Constitution of Alternate Dispute Resolution Mechanism u/s 144C**. [Students may please refer to notes of Transfer Pricing – ***V. Important***]
11. **Section 147** has been amended by including therein Explanation 3 to provide explicitly that AO may assess or reassess the income in respect of any issue (which has escaped assessment) which comes to his notice subsequently in the course of proceedings under this section, even though the reason for such issue does not form part of the reasons recorded under section 148(2).
12. The scope of **Explanation 5A to Section 271 (Penalty for concealed income)** has been expanded retrospectively w.e.f. 1st June, 2007 to cover cases where the assessee has filed the return of income for any previous year before the date of search and the income found during the course of search relating the such previous year is not disclosed in the return of income.

Example

A search is conducted on 15.11.2010 and if the return for PY 2009-10 (for which the PY as well as due date of filing of return has ended before the date of search) has not been furnished, penalty would be levied @ 100% to 300% of tax sought to be evaded for the PY 2009-10.

13. New **Sections 282 and 282B** have been inserted for Document Identification Number and facility for electronic communication.
14. **The limit for Wealth Tax** has been enhanced to ₹ 30 lakh for the valuation of net wealth as on 31.3.2010 and thereafter.