<u>For Individual/HUF</u>

- Income tax exemption limit raised from Rs.1,80,000 to Rs.2,00,000; upper limit of 20 percent tax slab raised from Rs.8 lakh to Rs.10 lakh

- Senior citizens not having any business income exempt from advance tax and their age limit in IT Act has been reduced to sixty from sixty-five

- **Amendment in Sec.80C**

  <u>Existing Provision</u> Sec.80C (3) provide, in computing the total income of an assessee, being an individual or an HUF, that the deduction for life insurance premium shall be allowed for only so much of any premium or other payment made on an insurance policy as is not in excess of 20% of the actual capital sum assured, with in overall limit of Rs. 1 lac/p.a.

  Amendment proposed by Finance Bill 2012

  It is proposed to provide that the deduction for life insurance premium as regards insurance policies issued on or after 1st April, 2012 shall be allowed for only so much of the premium payable as does not exceed 10% of the actual capital sum assured with in overall limit of Rs. 1 lac/p.a.

- Sec.80TTA: Deduction up to Rs. 10000/- in case of Interest on saving accounts with Banking companies/Co-operative societies engaged in banking business or Post-office

- Sec.80D: Deduction up to Rs.5,000 in aggregate for preventive health check-up of self, spouse, dependent children or parents in addition to existing provision, even if paid in cash

- Deduction u/s 80CCF (Investment in Infra Bond) is being discontinued

- Proposal to enhance the Tax Audit limit from 15 lakh rupees to 25 lakh rupees for person carrying profession.

- In case of unexplained income/credit, tax shall be charged at flat rate 30% without slab benefit

- No deduction of cash donations exceeding Rs.10000 during a year

- Sec.44AD: Presumptive taxation not to apply to professionals, persons earning commission or brokerage income, persons carrying on agency business.

- Exemption of Long term Capital Gain Tax to an Individual or HUF on transfer of residential property (a house or a plot of land) on or before 31st March, 2017 upon reinvestment of sale consideration before the due date of furnishing the return of income as specified section 139 (1) in the Equity of ELIGIBLE BUSINESS (a new start up SME company in the manufacturing sector) and that amount is utilized by the company for purchase of new plant & machinery

- Rajiv Gandhi Equity Saving Scheme: To encourage flow of savings in financial instruments and improve the depth of domestic capital market, it is proposed to introduce a new scheme called 'Rajiv Gandhi Equity Savings Scheme'. The scheme would allow for income tax deduction of 50 per cent to new retail investors, who invest up to Rs.50, 000 directly in equities and whose annual income is below Rs.10 lakh. The scheme will have a lock-in period of 3 years. Further details will be announced in due course.

For Companies/Firms

- Turnover limit for compulsory tax audit for SMEs raised from Rs.60 lakh to Rs.1 crore

- No change in corporate tax rate and tax structures

- Sec.35 (2AB): Proposal to extend time period for further 5 years beyond March 31, 2012.

- Sec.35AD: Investment linked deduction of capital expenditure incurred in the following businesses is proposed to be provided at the enhanced rate of 150 percent, as against the current rate of 100 per cent.
  - Cold chain facility
  - Warehouses for storage of food grains
  - Hospitals
  - Fertilisers
  - Affordable housing

  The following new sectors are proposed to be added for the purposes of investment linked deduction:
  - Bee keeping and production of honey and beeswax
  - Container freight station and inland container depots
  - warehousing for storage of sugar

- New Sec.35CCC: Deduction equal to 1.5 times of expenditure incurred on agriculture extension project notified by the Board.

- New Sec.35CCD: Considering the shortage of skilled manpower in the manufacturing sector and to generate employment, it is proposed to provide weighted deduction at the rate of 150 per cent of expenditure incurred on skill development in manufacturing sector in accordance with specified guidelines.

- Sec.115JB: Not required to prepare P/L a/c as per Schedule VI of Companies Act, P/L a/c prepared as per their respective regulatory Act shall be taken as basis for computing MAT.

TDS/TCS

- Tax rates applicable for AY 2013-14 has been given in separate sheet

- **Section 194LA of the Act- Exemption on enhanced compensation**

  Existing Provision Presently, as per Section 194LA of the Act, a person responsible for paying any sum to a resident in the nature of compensation or the enhanced compensation or the consideration or the enhanced consideration on account of compulsory acquisition of any immovable property (other than agricultural land) is required to deduct an amount equal to 10% of such sum as income-tax. However, as per the proviso to the Section, no deduction is to be made in case the amount of payment does not exceed Rs. 100,000 during the financial year.

Amendment proposed by Finance Bill 2012 Finance Bill 2012 proposes to increase the exemption limit from Rs. 100,000 to Rs. 200,000. This amendment will take effect from 01 July 2012.

❖ **Section 194LAA- Tax deduction at source from payment for immovable property in certain cases Proposal by the Finance Bill 2012**

♦The Finance Bill 2012 proposes to insert a new Section 194LLA with effect from 01 October 2012 whereby any person responsible for paying any sum to a resident transferor by way of consideration for transfer of any immovable property (other than agricultural land), shall deduct an amount equal to 1% of such sum as income-tax thereon.

♦It is further provide that no deduction shall be made where the consideration for transfer of an immovable property is less than Rs 50 lakhs in case such property is situated in a 'specified urban agglomeration area' or is less than Rs 20 lakhs in case such property is situated in any area other than specified areas. 'Specified areas' have been categorically listed down and include metro and cities and other areas.

♦It is further proposed to provide that where the consideration paid or payable for the transfer of such property is less than the value adopted or assessed or assessable by any authority of a State Government for the purposes of payment of stamp duty, the value so adopted or assessed or assessable shall be deemed as consideration paid or payable for the transfer of such immovable property.

♦For effective administration and to ensure compliance with these provisions, it is proposed that a registering officer appointed under the Indian Registration Act, 1908 (Registrar) shall not register the transfer of any immovable property, where taxes are required to be deducted under this provision, unless the transferee furnishes proof of deduction and payment of TDS.

♦It is proposed that the provisions of Section 203A (Tax deduction and collection account number) shall not apply to the person required to deduct tax in accordance with the provisions of this section.

♦As per Memorandum Explaining the provisions of Finance Bill 2012, it is proposed that a simple one page challan for payment of TDS would be prescribed containing details (including PAN) of transferor and transferee and also certain details of the property. The transferee would not be required to obtain any Tax Deduction and Collection Account Number (TAN) or to furnish any TDS statement as this would be mostly a one-time transaction. The transferor would get credit of TDS like any other pre-paid taxes on the basis of information furnished by the transferee in the challan of payment of TDS.

Impact of the amendment

♦The present Act has provisions for deduction of tax at source on transfer of immovable property situated in India by a non-resident. However, there is no such requirement of deduction of tax on transfer of immovable property by a resident except in the case of compulsory acquisition of certain immovable properties.

♦The proposed amendment would help in reducing the flow of black money in the market and would ensure the adequate reporting of these sale / purchase transactions.

♦The proposed amendment seeks to widen the scope of withholding tax on payments made on transfer of immovable property by a resident. This would also ensure collection of tax at the earliest point of time and proper reporting mechanism.

♦ However, the proposed amendment would have an adverse impact on the individuals who purchase a property above the specified limit since this would result in an extra compliances burden on them.

❖ **Amendment in Section 197A of the Act**

Existing Provision Presently, as per sub-section (1C) of Section 197A of the Act, no deduction of tax shall be made in the case of an individual resident in India, who is of the age of sixty-five years or more at any time during the previous year, if such individual furnishes to the person responsible for paying any income of the nature referred to in section 193 or section 194 or section 194A or section 194EE or section 194K, as the case may be, a declaration in writing in duplicate in the prescribed form and verified in the prescribed manner to the effect that the tax on his estimated total income of the previous year in which such income is to be included in computing his total income will be nil.

Proposed by Finance Bill 2012 and impact Finance Bill 2012 proposes to reduce the age limit from sixty-five to sixty. This amendment will take effect from 01 July 2012.

This is a welcome change for the individual tax payers of the age of sixty, who are in receipt of income in the nature of interest on securities, dividends, interest other than interest on securities, in respect of deposits under National Savings Scheme and units of mutual funds specified in Section 10(23D). They have to furnish a declaration in Form 15H verified by him to the effect that the tax on his estimated total income in the previous year will be nil.

❖ **Section 201- Assessee in Default- Amendment**

Existing Provision under the Act, in case person fails to deduct taxes on specified payments, he is considered as 'assessee in default' and interest and penalty implications follow such default.

Proposed by Finance Bill 2012 The Finance Bill, 2012 proposes to dilute the responsibility of the 'assessee in default' by providing that a person, including the principal officer of a company, who fails to deduct tax on the sum paid to a resident shall not be deemed to be an 'assessee in default' in respect of such tax if such resident-

i. has duly furnished his return of income;
ii. has taken into account such sum for computing income in such return of income; and
iii. has paid the tax due on the income declared by him in such return of income,

Further, the person is required to furnish a certificate to this effect from a Chartered Accountant in the prescribed form.

Impact of the amendment The amendment seeks to absolve the 'assessee in default' in case the tax has been duly paid to the Government Exchequer, though by the payee and not by the payer. Accordingly, in case the taxes have been paid and the income has been duly reported in the return of income by the resident payee, the person making the default would not be regarded as 'assessee in default'. Thus, no interest and penalty would be leviable.

- **Collection of Tax at Source (TCS) –Sec. 206C**

  <u>Existing Provision</u> Sec. 206C (1) provides that every person, being a seller shall, at the time of debiting of the amount payable by the buyer to the account of the buyer or at the time of receipt of such amount from the said buyer whichever is earlier, collect from the buyer of any goods (i.e. alcohol liquor, Tendu leaves, Timber, any forest product & Scrap), a sum equal to the percentage (ranging from 1% to 2.5%).

  However no collection of tax shall be made in the case of a buyer, who is resident in India, if such buyer furnishes to the person responsible for collecting tax, a declaration to the effect that the goods referred to above are to be utilised for the purposes of manufacturing, processing or producing articles or things and not for trading purposes.

  Proposed by Finance Bill 2012

  It is proposed to amend the aforesaid sub-section so as to insert few more items under (vii) the 'goods' relating to minerals, **being coal or lignite or iron ore** to provide for collection of tax at source at the rate of 1%.

  However no collection of tax shall be made in the case of a buyer, who is resident in India, if such buyer furnishes to the person responsible for collecting tax, a declaration to the effect that the goods referred to above are to be utilised for the purposes of manufacturing, processing or producing articles or things and not for trading purposes.

  UTCL working

  UTCL is consuming the coal/ Lignite or Iron ore for Manufacturing, processing or production of Cement, so UTCL should give the declaration in the prescribed form to the 'Seller of these mineral' to avoid the deduction of TCS @1% .

The <u>tax provisions & amendments relevant to Individuals & VCW</u> have been extracted from Finance Bill, 2012 presented by Sh. Pranab Mukharjee in Lok Sabha on 16th March, 2012. We had taken due care in compilation of above points and simplified them to make readily understand for a layman. If you have any good suggestion, feel free to contact us.

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