

RECENT AMENDMENTS

The amendments as applicable to AY 2014-15 are given below. These amendments have been incorporated at all relevant places in this book. For any clarification / suggestion, please feel free to contact 9414130248 or biyanisir@rediffmail.com / bmbiyani@yahoo.com.

COMPUTATION OF TOTAL INCOME

The income-tax law requires computation of total income of every person. The total income can be computed as under:

Taxable income from salary	XXX
Taxable income from House-Property	XXX
Taxable income from B/P/V	XXX
Taxable income from Capital Gain	XXX
Taxable income from Other Sources	XXX
Gross Total Income	XXX
Less: Deductions under Chapter VI-A	XXX
Total Income	XXX
Rounded off u/s 288A (in the multiple of Rs. 10/-)	XXX

COMPUTATION OF TAX

The tax liability of a **company** shall be **HIGHER** of –

- (i) Regular tax,
- or**
- (ii) Minimum Alternate Tax (MAT)

The tax liability of a **non-company** shall be **HIGHER** of –

- (i) Regular tax,
- or**
- (ii) Alternate Minimum Tax (AMT)

HOW TO COMPUTE REGULAR TAX

The Regular Tax shall be computed on total income as under --

Basic tax on income chargeable at special rates	XXX
Basic tax on income chargeable at normal rates (<i>If the assessee is an individual, HUF, artificial juridical person, AOP or BOI, agricultural income shall be considered for rate purpose</i>).	XXX
Total Basic Tax	XXX
Less: Rebate u/s 87A	XXX
Add : Surcharge	XXX
Less: Marginal relief of surcharge	XXX
Basic tax + Surcharge	XXX
Add: Education Cess @ 2% of (Basic tax + Surcharge)	XXX
Add: Secondary and Higher Education Cess @ 1% of (Basic tax + Surcharge)	XXX
Tax before Relief	XXX
Less: Relief u/s 86 / 89 / 90 / 90A / 91	XXX
Regular Tax	XXX

BASIC TAX ON INCOMES CHARGEABLE AT SPECIAL RATES:

Certain incomes are chargeable at the special rates. A brief discussion of these incomes is given below:

Chapter	Section	Nature of income	Tax Rate
XII	111A	Short-term capital gain on transfer of equity shares or equity oriented mutual funds which has suffered STT	15%
	112	Tax on long-term capital gain	10% / 20%
	115A	Tax on royalty, FTS and interest income in some cases	5% / 10% / 20% / 25% / 30%
	115AB	Tax on income of OFO	10%
	115AC	Tax on income of NR from FCCB and GDR	10%
	115ACA	Tax on income of Residents from GDR	10%
	115AD	Tax on income of FII	10% / 15% / 20% / 30%
	115B	Tax on income from life insurance business	12.50%
	115BB	Tax on Seven Special Incomes (i.e. casual incomes)	30%
	115BBA	Tax on income of non-resident sportsman / sports associations / entertainers	20%
	115BBC	Tax on anonymous donations	30%
	115BBD	Tax on certain dividend income of an Indian Company	15%
	115BBE	Tax on deemed income of section 68, 69, 69A, 69B, 69C and 69D	30%
XII-A	115C to 115-I	Tax on investment income and long-term capital gain of NRIs	10% / 20%
Finance Act, 2013	Finance Act, 2013	Royalty received from Govt. or an Indian concern in pursuance of an agreement made during 01.04.1961 to 31.03.1976, or fee for technical service received from Govt. or an Indian concern in pursuance of an agreement made during 01.03.1964 to 31.03.1976 provided the relevant agreement in both cases is approved by the Central Govt.	50%

BASIC TAX ON INCOMES CHARGEABLE AT NORMAL RATES:

Incomes, other than those which are chargeable at special rates, shall be taxable at the normal rates as given below:

Assesses	Amount of income	Tax rate
Normal individual – (i.e. other than those individuals who are covered under special categories discussed below)	First 2,00,000	Nil
	2,00,001 to 5,00,000	10%
	5,00,001 to 10,00,000	20%
	Balance	30%
Senior resident individual (male or female) (a resident male or female aged 60 years or more but less than 80 years at any time during the previous year)	First 2,50,000	Nil
	2,50,001 to 5,00,000	10%
	5,00,001 to 10,00,000	20%
	Balance	30%
Very senior resident individual (male or female) (a resident male or female aged 80 years or more at any time during the previous year)	First 5,00,000	Nil
	5,00,001 to 10,00,000	20%
	Balance	30%
HUF, AOP, BOI, Artificial Juridical Person (AJP)	First 2,00,000	Nil
	2,00,001 to 5,00,000	10%
	5,00,001 to 10,00,000	20%
	Balance	30%
Partnership firm (including a Limited Liability Partnership)	Any amount	30%
Domestic company	Any amount	30%

Foreign company	Any amount	40%
Local authority	Any amount	30%
Co-operative Society	First 10,000	10%
	10,001 to 20,000	20%
	Balance	30%

REBATE U/S 87A:

This section has been inserted to allow a rebate in computation of tax liability. The provisions of this section are as under:

- ✓ The rebate shall be allowed only to a **resident individual** whose **total income does not exceed Rs. 5,00,000/-**.
- ✓ The amount of rebate shall be Rs. 2,000/- or income-tax on total income, *whichever is less*. In other words, the maximum amount of rebate shall be Rs. 2,000/-.
- ✓ The rebate shall be allowed before surcharge.
- ✓ The rebate shall be allowed in all cases. To clarify further, the rebate shall be allowed even if the total income includes special incomes such as casual income, long-term capital gain, short-term capital gain u/s 111A etc.

SURCHARGE:

The rates of surcharge are as under:

Assesses	Total income upto Rs. 1 Crore	Total income exceeding Rs. 1 Crore but not exceeding Rs. 10 Crore	Total income exceeding Rs. 10 Crore
Domestic company	0%	5%	10%
Foreign company	0%	2%	5%
Individual, HUF, AOP, BOI, Artificial Juridical Person (AJP), firm (including LLP), local authority, co-operative society	0%	10%	10%

Note: Marginal relief of surcharge is allowed in appropriate situations.

EDUCATION CESS AND SECONDARY & HIGHER EDUCATION CESS:

All assessee are liable to pay Education Cess @ 2% and Secondary & Higher Education Cess @1%.

HOW TO COMPUTE MAT / AMT

Section	Provision	Basic Rate	Surcharge			E.C.	S&H E.C.
			Book-Profit or Adjusted Total Income upto Rs. 1 Crore	Book-Profit or Adjusted Total Income exceeds 1 Crore but upto 10 Crore	Book-Profit or Adjusted Total Income exceeds Rs. 10 Crore		
115JB	MAT payable by a domestic company	18.50% of Book-Profit	Nil	5%	10%	2%	1%
	MAT payable by a foreign company	18.50% of Book-Profit	Nil	2%	5%	2%	1%
115JC	AMT payable by a non-company	18.50% of Adjusted Total Income	Nil	10%	10%	2%	1%

Note: Marginal relief of surcharge is allowed in appropriate situations.

RATES OF DISTRIBUTION TAX

Section	Nature of payment	Payment made by	Payment made to	Basic Rate	Surcharge	E.C.	S&H E.C.	Effective rate
115-O	Dividend covered u/s 2(22)(a)/(b)/(c)/(d)	Domestic company	Shareholder	15%	10%	2%	1%	16.995 %
115-QA	Income paid on buy-back of unlisted shares	Domestic company	Shareholder	20%	10%	2%	1%	22.66%
115R	Income distributed by an equity-oriented mutual fund (EOMF)	EOMF	Any	Nil	Nil	Nil	Nil	Nil
	Income distributed by a debt fund (DF) / Unit Trust of India (UTI)	DF / UTI	Individual / HUF	25%	10%	2%	1%	28.325 %
		DF / UTI	Other than individual / HUF	30%	10%	2%	1%	33.99%
	Income distributed by infrastructure debt fund (IDF)	IDF	Foreign company / NRNC	5%	10%	2%	1%	5.665%
115TA	Income distributed by a securitization trust (ST)	ST	Persons exempt from tax	Nil	Nil	Nil	Nil	Nil
		ST	Individual / HUF	25%	10%	2%	1%	28.325 %
		ST	Any other person	30%	10%	2%	1%	33.99%

RATES OF TDS

The rates of TDS are not given here. Please refer the chapter titled "TDS". However, the amendments in TDS Rates are as under:

- (1) In the newly inserted section 194-IA, the rate of TDS shall be 1%.
- (2) In the newly inserted section 194LD, the rate of TDS shall be 5%.
- (3) In the existing section 194E, the rate of TDS shall be 20% [This is due to amendment in section 115BBA].
- (4) In the existing section 195, in the case of royalty / fee for technical services payable to a foreign company or non-resident non-corporate (NRNC) covered u/s 115A(1)(b), the rate of TDS shall be 25% [This is due to amendment in section 115A(1)(b)].
- (5) The surcharge shall be deducted as a part of TDS as under:
 - (a) **If the payee (i.e. deductee) is a foreign company** – (i) Surcharge @ 2% if the amount / aggregate of amounts paid / credited or likely to be paid / credited during the previous year exceeds Rs. 1 Crore but does not exceed Rs. 10 Crore, and (ii) Surcharge @ 5% if the amount / aggregate of amounts paid / credited or likely to be paid / credited during the previous year exceeds Rs. 10 Crore.
 - (b) **If the payee (i.e. deductee) is a non-resident non-corporate (NRNC)** – Surcharge @ 10% if the amount / aggregate of amounts paid / credited or likely to be paid / credited during the previous year exceeds Rs. 1 Crore.
 - (c) **In all other cases** – No surcharge.

RATES OF TCS

The rates of TCS are not given here. Please refer the chapter titled “TCS”. The only amendment in the rate of TCS is on account of surcharge. The surcharge shall be collected as a part of TCS as under:

- (a) **If the collectee is a foreign company** – (i) Surcharge @ 2% if the amount / aggregate of amounts received / debited or likely to be received / debited during the previous year exceeds Rs. 1 Crore but does not exceed Rs. 10 Crore, and (ii) Surcharge @ 5% if the amount / aggregate of amounts received / debited or likely to be received / debited during the previous year exceeds Rs. 10 Crore.
- (b) **If the collectee is a non-resident non-corporate (NRNC)** – Surcharge @ 10% if the amount / aggregate of amounts received / debited or likely to be received / debited during the previous year exceeds Rs. 1 Crore.
- (c) **In all other cases** – No surcharge.

DEFINITIONS

Section 2(1A) / 2(14) / 194-IA amended / inserted:

- ❖ The amendment seeks to change the definition of “rural agricultural land”.
- ❖ Under the provisions of Income-tax Act, 1961, there are certain concessions attached to “Rural agricultural land”, particularly as under --
 - (i) Section 2(1A) – Annual value of farm house situated over rural agricultural land is treated as an agricultural income and therefore exempted u/s 10(1).
 - (ii) Section 2(14) – Rural agricultural land is excluded from the definition of “capital asset” and hence the capital gain arising on transfer of rural agricultural land is not taxable.
 - (iii) Section 194-IA – TDS is not required out of payment of consideration for purchase of rural agricultural land **[This is a new section. It shall be discussed later in detail]**.

Further the definition of “rural agricultural land” is also relevant for the purpose of section 2(ea) of Wealth-tax Act, 1957.

Hence we have to understand what is “rural agricultural land”.

- ❖ Under the existing law – “Rural land” means a land **not situated** –
 - (i) within the jurisdiction of a municipality or cantonment area having population of 10,000 or more; or
 - (ii) within the **notified distance of a municipality or cantonment area notified by CBDT**.
- ❖ After amendment -- “Rural land” means a land **not situated** –
 - (i) within the jurisdiction of a municipality or a cantonment area having population of 10,000 or more; or
 - (ii) within the **following distances (shortest distance measured aerially) of any municipality or cantonment area** --

Population of the municipality / cantonment board	Distance
Exceeding 10,000 but not exceeding 1,00,000	2 Kms
Exceeding 1,00,000 but not exceeding 10,00,000	6 Kms
Exceeding 10,00,000	8 Kms

- ❖ Following points should be noted carefully –
 - (i) First limb of the definition remains same but there is a substantial difference in the second limb of the definition.
 - (ii) Population of latest census (of which the relevant figures have been published before the first day of the previous year) shall be taken.
 - (iii) The distance shall be measured aerially (i.e. the crow flight). The **Memorandum to Finance Bill, 2013** clearly states “**shortest aerial distance**”.
 - (iv) Please note that the distance shall not be measured from any village, town etc. It shall be measured from municipality or cantonment area.

EXEMPTIONS

Section 10(10D) amended:

- ❖ This section grants exemption to any sum received under a life insurance policy.
- ❖ Following amendments have been prescribed:
 - *First amendment* -- Under the existing law, the exemption u/s 10(10D) is not allowed if the premium payable for any of the years during the term of the policy exceeds 20% (if the policy is issued upto 31.03.2012) or 10% (if the policy is issued after 31.03.2012) of actual capital sum assured. The amendment seeks to introduce a new-limit of 15% if the policy is issued after 31.03.2013 for insurance on the life of any person suffering from disability prescribed u/s 80U or disease prescribed u/s 80DDB.
 - *Second amendment* – Under the existing section 10(10D), any sum received under a “life insurance policy” is fully exempt. However, this section does not grant exemption to any sum received under a “keyman insurance policy”. Explanation 1 to section 10(10D) prescribes definition of “keyman insurance” but the definition has created a doubt. Sometimes an employer takes “keyman insurance policy” in the name of an employee (i.e. keyman) and premium is paid by employer. Subsequently the policy is assigned in favour of the concerned keyman. Thereafter, the keyman pays premium to insurance company. On maturity of policy, the keyman receives amount from insurance company. The keyman claims that there is a change in the character of policy from “keyman insurance” to a normal “life insurance”. On this basis, the keyman claims that the maturity proceed is eligible for exemption u/s 10(10D). This view has also been accepted by **Hon’ble Delhi High Court** in the case of **Escorts Heart Institute and Research Centre Ltd.** Now, the amendment seeks to modify Explanation 1 to section 10(10D). After amendment, the “*keyman insurance policy*” would mean a life insurance policy taken by a person on the life of another person who is or was his employee or who is or was connected with his business in any manner and includes such policy which has been assigned to any person, at any time during the term of the policy, with or without consideration. The effect of amendment is that the maturity proceed of keyman insurance policy (even if such policy is assigned) shall not be exempt u/s 10(10D).

Note: The amendments in section 10(10D) and 80C should be read together.

Section 10(23DA) inserted:

- ❖ The amendment seeks to grant 100% exemption to the income of a **Securitisation Trust from the activity of securitisation**.
- ❖ “Securitisation Trust” shall have the same meaning as in section 115TC.

Section 10(23ED) inserted:

- ❖ This section has been inserted to grant exemption to an **Investor Protection Fund** set up by a Depository and notified by the Central Govt.
- ❖ Please note that the section grants 100% exemption only to the income of Investor Protection Fund by way of **contributions received from Depository**. Any other income of Investor Protection Fund shall not be exempted.
- ❖ It is further provided that if any amount standing to the credit of the Investor Protection Fund is subsequently shared, wholly or partly, with the Depository, the amount so shared shall be taxable as income of the previous year in which it is shared.

Section 10(23FB) amended:

- ❖ Section 10(23FB) grants 100% exemption to income derived by a Venture Capital Company (VCC) or Venture Capital Fund (VCF) from investment in Venture Capital Undertaking (VCU). Further section 115U prescribes that the income accruing or arising to a person out of investment in VCC or VCF shall be taxable in the hands of such person in the same manner as if the person had made investment directly in VCU. Thus, the cumulative effect of section 10(23FB) and 115U is that a “Pass-through status” is granted in the case of venture capital financing system.
- ❖ The amendment seeks to substitute the definitions of “VCC”, “VCF” and “VCU”.
- ❖ The new definitions shall be as under:
 - **Definition of “VCC”** – “VCC” means a company which –
 - (a) has been granted a certificate of registration, before 21.05.2012, as a VCF and is regulated under SEBI (Venture Capital Funds) Regulations, 1996; or
 - (b) has been granted a certificate of registration as VCF as a sub-category of Category I Alternative Investment Fund and is regulated under SEBI (Alternative Investment Funds) Regulations, 2012 and which fulfils the following conditions –
 - (i) It is not listed on a recognized stock exchange;
 - (ii) It has invested not less than 2/3rd of its investible funds in unlisted equity shares or equity linked instruments of VCU, and
 - (iii) It has not invested in any VCU in which its director or a substantial shareholder (being a beneficial owner of equity shares exceeding 10% of its equity share capital) holds, either individually or collectively, equity shares in excess of 15% of the paid-up equity share capital of such VCU.
 - **Definition of “VCF”** – “VCF” means a fund which –
 - (a) has been granted a certificate of registration, before 21.05.2012, as a VCF and is regulated under SEBI (Venture Capital Funds) Regulations, 1996; or
 - (b) has been granted a certificate of registration as VCF as a sub-category of Category I Alternative Investment Fund and is regulated under SEBI (Alternative Investment Funds) Regulations, 2012 and which fulfils the following conditions –
 - (i) The units, issued by it, are not listed in any recognized stock exchange;
 - (ii) It has invested not less than 2/3rd of its investible funds in unlisted equity shares or equity linked instruments of VCU, and
 - (iii) it has not invested in any VCU in which its trustee or the settler holds, either individually or collectively, equity shares in excess of 15% of the paid-up equity share capital of such VCU.

- **Definition of “VCU”** – “VCU” means –
 - (a) a VCU as defined in SEBI (Venture Capital Funds) Regulations, 1996; or
 - (b) a VCU as defined in SEBI (Alternative Investment Funds) Regulations, 2012

Section 10(34A) inserted:

- ❖ Any income arising to a shareholder on account of buy back of unlisted shares by a domestic company u/s 115QA shall be fully exempt.

Note: The amendments in section 10(34A) and 115QA should be read together.

Section 10(35A) inserted:

- ❖ Any income received by an investor from a Securitisation Trust covered u/s 115TA shall be fully exempt.

Note: The amendments in section 10(35A) and 115TA should be read together.

Section 10(48) amended:

- ❖ This section grants exemption to a foreign company in respect of income received in India in Indian currency on account of sale of crude oil to any person in India.
- ❖ Till now the exemption was available only in respect of income relatable to sale of crude oil.
- ❖ The amendment seeks to extend benefit of this section in relation to income relatable to **any other goods or rendering of services, as may be notified by the Central Govt.**

Section 10(49) inserted:

- ❖ Entire income of **National Financial Holdings Company Limited** shall be fully exempt.

INCOME FROM BUSINESS OR PROFESSION

Section 32AC inserted:

- ❖ This new section has been inserted to grant **investment-linked allowance** so as to encourage huge investment in plant or machinery.
- ❖ The provisions of this section are as under:
 - (i) The assessee should be a **company**.
 - (ii) The assessee should be engaged in the business of **manufacture or production of any article or thing**.
 - (iii) The assessee must acquire and install **eligible plant and machinery** during the period **01.04.2013 to 31.03.2015**.
 - (iv) The total investment in **eligible plant and machinery** must **exceed Rs. 100 Crore**.
 - (v) The deduction shall be allowed as under—
 - (a) **For AY 2014-15** – 15% of cost of eligible plant and machinery acquired and installed during the previous year 2013-14, if the cost of such plant and machinery exceeds Rs. 100 crore.

(b) For AY 2015-16 – 15% of cost of eligible plant and machinery acquired and installed during the period 01.04.2013 to 31.03.2015 (i.e. previous year 2013-14 and 2014-15) (-) the deduction allowed in AY 2014-15 (if any). (vi) Lock-in period -- If the assessee transfers eligible plant and machinery within 5 years from the date of its installation, the deduction claimed under this section in respect of transferred asset shall become re-taxable. [However, this re-taxability provision shall not apply if the transfer is due to amalgamation or demerger. But in that case, the amalgamated or resulting company shall comply with the requirement of lock-in period of 5 years in the same manner as the amalgamating or demerged company would have complied with]. (vii) Meaning of eligible Plant and Machinery – Same as in “additional depreciation” u/s 32(1)(iia). (viii) Please note that the deduction u/s 32AC is not in the nature of depreciation. It is in the form of investment-allowance. Hence, in addition to deduction u/s 32AC, depreciation shall be separately allowed u/s 32. Further, the WDV of block of assets shall not be reduced by the deduction u/s 32AC.
Section 36(1)(vii) amended: ❖ Section 36(1)(vii) allows deduction of actual bad-debts and section 36(1)(viiia) allows deduction of provision for bad and doubtful debts. Section 36(1)(vii) is applicable to all assesseees and section 36(1)(viiia) is applicable to certain assesseees (i.e. banks, public financial institutions, state financial corporations and state industrial investment corporations). ❖ Under the existing law, it is clearly prescribed that in the case of an assessee eligible for both sections i.e. section 36(1)(vii) and 36(1)(viiia), the actual bad-debt shall be first adjusted against the Provision for bad and doubtful debts A/c and thereafter, only excess actual bad debt (if any) shall be allowable u/s 36(1)(vii). While interpreting this law, the Hon'ble Supreme Court has held in the case of Catholic Syrian Bank Ltd. (2012) 343 ITR 270, that where actual bad debt relates to urban advances but the Provision for bad and doubtful debts relates to rural advances, there is no need to adjust actual bad debt against Provision A/c and hence the actual bad debt can be directly claimed as deduction without adjusting against Provision for bad and doubtful debts. This judgement has given undue benefit to the assesseees which was never intended by law. ❖ In order to nullify the effect of judgement, the amendment seeks to provide that there shall be only one account in respect of “Provision for bad and doubtful debts” u/s 36(1)(viiia) and such account shall relate to all types of advances including the advances made by rural branches.
Section 36(1)(xvi) inserted: ❖ This section has been inserted to allow deduction of Commodities Transaction Tax (CTT) paid by an assessee in computing taxable income of BPV head.
Section 40(a)(iib) inserted: ❖ This new provision prescribes that any amount paid by way of royalty, licence fee, service fee, privilege fee, service charge or any other fee or charge which is levied exclusively on, or which is appropriated from, a State Govt. undertaking by the State Govt. shall not be allowed as a deduction in computing taxable income of State Govt. Undertaking.

- ❖ Meaning of “**State Govt. Undertaking**” -- It includes:
 - (i) A corporation established by or under any Act of the State Govt.
 - (ii) A company in which more than 50% of the paid up equity capital is held by the State Govt.
 - (iii) A company in which more than 50% of the paid up equity capital is held by the entity covered in point (i) or (ii) [whether singly or jointly]
 - (iv) A company or corporation in which the State Govt. has the right to appoint the majority of the directors or to control the management or policy decisions, directly or indirectly, including by virtue of its shareholding or management rights or shareholders agreements or voting agreements or in any other manner
 - (v) An authority, a board or an institution or a body established or constituted by or under any Act of the State Govt. or owned or controlled by the State Govt.

Section 43(5) amended:

- ❖ This section prescribes the definition of “speculative transaction”.
- ❖ Under the existing law, security-derivatives are not treated as speculative. But commodity-derivatives are treated as speculative.
- ❖ The amendment seeks to provide that a transaction of **commodity-derivative** shall not be treated as a speculative transaction, provided following conditions (9 conditions) are satisfied –
 - (i) It is a transaction of commodity-derivative referred to in Chapter VII of the Finance Act, 2013.
 - (ii) It is carried out in a Recognized Association. Here ‘**Recognized Association**’ means a recognized association referred to in section 2(j) of the Forward Contracts (Regulation) Act, 1952 and which fulfills such conditions as may be prescribed and which is notified by the Central Govt. for this purpose.
 - (iii) It is carried out through a duly registered member / intermediary.
 - (iv) It is carried out electronically on screen-based system.
 - (v) It is carried out in accordance with the rules and regulations of Forward Contracts (Regulation) Act, 1952.
 - (vi) It is supported by a time-stamped contract note issued by the member/intermediary.
 - (vii) The contract note indicates the Unique Client Identity Number of assessee.
 - (viii) The contract note indicates the Unique Trade Number.
 - (ix) The contract note indicates the PAN of assessee.

Section 43CA inserted:

- ❖ Under the existing scheme of Income-tax Act, 1961 we have section 50C which adopts Stamps Authority Value (SAV) as the full value of consideration (i.e. sale proceed) for the purpose of computation of taxable capital gain. We are aware that section 50C was inserted to curb the practice of tax-evasion by declaring lesser amount of sale consideration.
- ❖ It may please be noted that section 50C is applicable to capital gain chapter only. It does not apply in a case where the land or building is held as a stock in trade. In short, section 50C does not apply where income from sale of land or building is taxable under the head “Income from Business or Profession”.
- ❖ Now the Parliament has introduced section 43CA in “Income from Business or Profession” Chapter on the same pattern as is section 50C.

- ❖ The whole scheme of section 50C has been prescribed, *mutadis mutandis*, in section 43CA. Hence it is not repeated here. However, there is one extra-provision in section 43CA, which we shall understand carefully.
- ❖ In section 43CA it is prescribed that if the date of agreement fixing the value of consideration of the asset and the date of registration of such transfer is not the same (in other words, if there is a time-gap in-between the date of agreement and date of registration), the Stamps Authority Value (SAV) as on the date of agreement may be taken as sale-consideration. But this provision shall apply only in a case where the **amount of consideration or a part thereof** has been **received** by any **mode other than cash on or before the date of agreement**.

INCOME FROM CAPITAL GAIN

Cost Inflation Index:

The Cost Inflation Index for the financial year 2013-14 shall be 939.

INCOME FROM OTHER SOURCES

Section 56(2)(vii) amended:

- ❖ This section prescribes that if an individual or HUF receives (i) any sum of money without consideration, or (ii) immovable property without consideration, or (iii) movable property without consideration, or (iv) movable property for inadequate consideration, such receipt shall be treated as income chargeable under “Income from other sources”.
- ❖ There are two amendments as under:
 - *First amendment* -- Under the existing law of section 56(2)(vii), the receipt of immovable property without consideration is taxable but the receipt of immovable property for inadequate consideration is not taxable. The amendment seeks to provide that if an individual or HUF receives any immovable property for a consideration which is less than the Stamps Authority Value (SAV) of such property by an amount exceeding Rs. 50,000/-, the SAV (-) Consideration paid shall be taxable as income from other sources.
 - *Second amendment* -- It is prescribed that if the date of agreement fixing the value of consideration of the asset and the date of registration of such transfer is not the same (in other words, if there is a time-gap in-between the date of agreement and date of registration), the SAV as on the date of agreement may be taken as sale-consideration. But this provision shall apply only in a case where the **amount of consideration or a part thereof** has been **received** by any **mode other than cash on or before the date of agreement**.
- ❖ Please note that all other provisions of section 56(2)(vii) shall continue to apply. For example – if an immovable property is acquired for inadequate consideration from a relative, there would be no taxability u/s 56(2)(vii).

DEDUCTIONS

Section 80C amended:

- ❖ This section allows deduction in respect of certain investments / payments made by an **individual or HUF**, subject to a maximum limit of Rs. **1,00,000/-**.
- ❖ Under the existing law, the deduction u/s 80C is not allowed in respect of premium paid during a previous year in excess of 20% (if the policy is issued upto 31.03.2012) or 10% (if the policy is issued after 31.03.2012) of actual capital sum assured.
- ❖ The amendment seeks to introduce a new-limit of 15% if the policy is issued **after 31.03.2013** for insurance on the life of any person suffering from disability prescribed u/s 80U or disease prescribed u/s 80DDB.

Note: The amendments in section 10(10D) and 80C should be read together.

Section 80CCG amended:

- ❖ This section allows deduction in respect of investment made by a resident individual in Rajeev Gandhi Equity Saving Scheme.
- ❖ The section was originally inserted from AY 2013-14. Subsequently, the Govt. has found some practical problems. Hence, following amendments have been made from AY 2014-15:
 - ✓ Earlier the deduction was allowed only to an assessee whose Gross Total Income did not exceed Rs. 10 lakh. Now, this limit has been increased to Rs. **12 lakh**.
 - ✓ Under the existing provision, the deduction was allowable in respect of investment made in listed equity shares only. Now, the deduction shall also be available in respect of **listed units of equity oriented mutual fund**.
 - ✓ Under the existing provision, the deduction was **one time only**. Hence, if the assessee had once claimed deduction u/s 80CCG, he was not entitled to the deduction u/s 80CCG in any subsequent year. The amendment seeks to relax this condition by providing that the deduction shall be allowed for 3 consecutive assessment years beginning with the assessment year relevant to the previous year in which the listed equity shares or listed units of equity oriented mutual fund have been first acquired by the assessee.
- ❖ Please note that there is no change in the limit of investment (i.e. maximum Rs. 50,000) and amount of deduction (i.e. 50% of investment).

Section 80EE inserted:

- ❖ Presently, section 24(b) allows deduction of interest on loan taken for purchase, construction, repair or renovation of house property. We are aware that under section 24(b), there is no limit over the deduction of interest if the property or part of the property is covered u/s 23(1). But there is an upper-limit of Rs. 30,000 / 1,50,000 if the property or part of the property is covered u/s 23(2).
- ❖ The new section 80EE is inserted to allow additional deduction of Rs. 1,00,000/- on account of interest on housing loan for first-time home buyers.

- ❖ Deduction is allowed u/s 80EE if following conditions are satisfied –
 - (i) The assessee is an individual. **[Not allowed to HUF]**.
 - (ii) The loan must be taken from any bank or housing finance company.
 - (iii) The loan must have been taken for acquisition of a residential house property.
 - (iv) The loan must have been sanctioned by the bank / housing finance company during the previous year 2013-14.
 - (v) The amount of loan sanctioned should not exceed Rs. 25 lakh.
 - (vi) The value of residential house property should not exceed Rs. 40 lakh.
 - (vii) The assessee should not own any residential house property on the date of sanction of loan.

- ❖ Following points should be noted –
 - (i) The deduction is not under the head house property. It is u/s 80EE from Gross Total Income.
 - (ii) Maximum deduction u/s 80EE is Rs. 1,00,000/-.
 - (iii) Deduction is one time i.e. for AY 2014-15 only. But, if the interest payable for the previous year relevant to AY 2014-15 (i.e. P.Y. 2013-14) is less than Rs. 1,00,000, the unutilized limit can be used in AY 2015-16.

- ❖ This new section raises following issues –
 - (i) Section uses the word “payable” and not “paid”. Hence the question arise -- whether the deduction is on due basis? In my view, the answer is - **Yes**.
 - (ii) The deduction is for “acquisition” only. Whether “acquisition” would mean only purchase or it would include construction as well? The Memorandum to Finance Bill, 2012 uses the language “**home-buyers**”. Further, majority of the persons support the view that section 80EE is for “purchase” only and not for construction.
 - (iii) Whether the house should be self-occupied or it can be let out? The section 80EE is silent on this issue. **[However, in my personal view, a let out house is covered u/s 23(1) and hence there is no upper-limit in section 24(b) over the deduction of interest. Therefore, entire interest can be claimed u/s 24(b) and there would be no need to claim deduction u/s 80EE. Hence, the need of section 80EE shall arise only in case of a self-occupied house property].**
 - (iv) Whether section 80EE is in addition to section 24(b) – Yes. Even the Memorandum to Finance Bill, 2013 clearly says “**an additional benefit for first-home buyers**”. Since both section 24(b) and 80EE can operate together, we should first claim deduction u/s 24(b) to the extent of Rs. 1,50,000 and thereafter excess interest should be claimed u/s 80EE. However, care should be taken to ensure that the same amount is not doubly claimed because there is a specific restriction in section 80EE.

Section 80G amended:

- ❖ This section allows deduction in respect of donations given to approved institutions.
- ❖ Till now the donation given to **National Children Fund** was eligible for 50% deduction only.
- ❖ The amendment seeks to allow 100% deduction from AY 2014-15. This is a good amendment.

Section 80GGB / 80GGC amended:

- ❖ These sections allow 100% deduction of donation given to political parties or electoral trusts.
- ❖ The amendment seeks to impose a new restriction i.e. no deduction shall be allowed if the donation is given in cash.
- ❖ Please note that there is a similar restriction in section 80G and 80GGA too. But in those sections there is a limit of Rs. 10,000/-. There is no similar limit in section 80GGB / 80GGC. Hence even a donation of Re. 1/- must be given by any mode other than cash, otherwise deduction is not allowed u/s 80GGB / 80GGC.

Section 80-IA(4)(iv) amended:

- ❖ This section allows deduction to an undertaking engaged in the business of (i) generation of power, or (ii) generation and distribution of power; or (iii) transmission or distribution of power by laying a network of new transmission or distribution lines. The deduction is also allowed to an undertaking which undertakes substantial renovation and modernization of the existing network of transmission or distribution lines.
- ❖ Under the existing provision, the deduction is allowable only if the relevant activity has been commenced upto **31.03.2013**.
- ❖ The amendment seeks to extend this deadline date by one more year i.e. upto 31.03.2014.

Section 80JJAA amended:

- ❖ This section allows deduction of 30% of additional wages paid to the new regular workman employed by an Indian company.
- ❖ Following amendments have been prescribed –
 - ✓ *First amendment* – The existing language provides the benefit of deduction to an Indian company deriving profit from **any industrial undertaking engaged in the manufacture or production of article or thing**. The amended language allows deduction to an Indian company deriving profit from **the manufacture of goods in a factory**. Thus, precisely speaking, the words “industrial undertaking” have been substituted by “factory”. For this purpose “factory” shall have the same meaning as in Factories Act, 1948.
 - ✓ *Second amendment* – Under the existing language, deduction u/s 80JJAA is not allowed if the industrial undertaking is formed by splitting up or reconstruction of an existing undertaking or amalgamation with another industrial undertaking. The amendment seeks to modify this language. Under the new language, deduction u/s 80JJAA shall not be allowed if the factory is hived off or transferred from another existing entity or acquired by the assessee as a result of amalgamation.

DOUBLE TAXATION RELIEF**Section 90 and 90A amended:**

- ❖ Section 90 empowers the Central Govt. to enter into DTAA with a foreign Govt. or a foreign territory. Further section 90A empowers the Central Govt. to adopt / implement any DTAA entered into between any ‘**specified association in India**’ and ‘**specified association in a foreign territory**’.
- ❖ Where the Central Govt. enters into / adopts / implements such DTAA, the provisions of Income-tax Act, 1961 or the provisions of DTAA, **whichever is more beneficial to the assessee**, applies.

- ❖ Under the existing law, a non-resident assessee shall not be entitled to the benefit of DTAA unless a certificate of his being resident in any foreign country or foreign territory (i.e. Tax Residency Certificate – **TRC**) is obtained by him from the Government of that country or territory. Now the amendment seeks to prescribe that the assessee shall also provide such other documents and information as may be prescribed.
- ❖ The effect of amendment is that mere submission of TRC shall not be a **sufficient condition** for availing the benefit of DTAA. The assessee shall also be under an obligation to provide other documents and information as may be prescribed.

GENERAL ANTI-AVOIDANCE RULE (GAAR)

Chapter X-A substituted:

- ❖ Chapter X-A containing “GAAR provisions” has been substituted by a new chapter.
- ❖ It may be noted that “GAAR provisions” shall apply from AY 2016-17 only. Hence they are not relevant for AY 2014-15. Accordingly, these provisions are not being discussed.

CHAPTER XII – TAXATION OF SPECIAL INCOMES

Section 115A(1)(a)(iiab) inserted:

- ❖ This provision has been inserted to grant concessional treatment to **interest income** if following conditions are satisfied--
 - ✓ The assessee is a Foreign Institutional Investor (FII) or a Qualified Foreign Investor (QFI).
 - ✓ The assessee earns interest income from investment in (i) a rupee denominated bond of an Indian company, or (ii) a Government security.
 - ✓ The interest income is earned during the period 01.06.2013 to 31.05.2015.
 - ✓ In the case of **rupee denominated bonds of Indian company**, the rate of interest shall not exceed the rate of interest notified by the Central Government.
- ❖ If all of the above conditions are satisfied, the interest income shall be taxable at the concessional rate of 5%.
- ❖ It may be noted that the interest income shall be taxable on gross basis i.e. no deduction shall be allowed u/s 28 to 44C or section 57 or Chapter VI-A.

Note: The amendments in section 115A(1)(a)(iiab) and 194LD should be read together.

Section 115A(1)(b) amended:

- ❖ This section prescribes concessional tax treatment to the income arising to a foreign company or a non-resident non-corporate (NRNC) from royalty and fee for technical service (FTS) under an agreement made after 31.03.1976.
- ❖ Under the existing law, there are differential tax-rates i.e. 30% or 20% or 10% for the royalty or FTS earned under different agreements made from time to time.
- ❖ The amendment seeks to prescribe uniform tax rate of 25% in all cases.
- ❖ Thus, the section 115A(1)(b) has become much easier .. at least for the students .. Cheers !!!

Section 115BBA amended:

- ❖ This section prescribes concessional treatment for non-resident sportsman and non-resident sports associations.
- ❖ There are two amendments in the section –
 - ✓ **First amendment** – Under the existing tax law, the tax rate is prescribed at 10%. The amendment seeks to increase this tax rate to 20%.
 - ✓ **Second amendment** – The benefit of section has been extended to the income earned by an **entertainer** (who is a non-resident and is not a citizen of India) from his performance in India.

Section 115BBD amended:

- ❖ The applicability of this section has been extended to AY 2014-15.

CORPORATE DIVIDEND TAX (CDT)

Section 115-O(1A) amended:

- ❖ This section prescribes a special provision for removal of cascading effect of CDT.
- ❖ The existing language of section prescribes that the amount of dividend on which a domestic company being a holding company, shall pay CDT shall be reduced by the amount of dividend received by it from its subsidiary company during the same financial year, **if the subsidiary company has paid CDT**. The effect of underlined words is that the special provision for removal of cascading effect is applicable only if the subsidiary company has paid CDT.
- ❖ The amendment seeks to relax the requirement of underlined words in following manner –
 - (i) If the subsidiary company is a domestic company, the subsidiary has paid CDT, or
 - (ii) If the subsidiary company is a foreign company, the tax is payable by the domestic company u/s 115BBD on such dividend.
- ❖ It is suggested to refer complete section 115-O(1A) for a better understanding of this amendment.

INCOME DISTRIBUTION TAX ON BUY-BACK OF SHARES

New Chapter XII-DA (Section 115QA to 115QC) inserted:

- ❖ Under the existing scheme of income-tax, if a company pays consideration to its shareholder on buy-back of shares, the company is not liable to any tax. However, the shareholder is liable to tax on capital gain u/s 46A. Many companies have started taking undue benefit of this system of income-tax law. The companies have stopped paying dividend to shareholders (to avoid corporate dividend tax u/s 115-O). They have started buy-back of shares.
- ❖ Now, the amendment seeks to introduce a new Chapter XII-DA containing sections 115QA to 115QC in order to provide a new system of taxation in the case of buy-back of unlisted shares by a domestic company.
- ❖ The provisions of these sections are as under:
 - (i) The provisions apply to a **domestic company**.
 - (ii) The provisions apply only if there is a buy-back of **unlisted shares (equity or preference)**.
 - (iii) The company making buy-back of shares shall be liable to pay tax on **“distributed income”**. Here **“distributed income”** means the **consideration paid by the company to the shareholder on buy-back of shares (-) the amount received by company at the time of issue of those shares**.

- (iv) The rate of tax shall be **20% + surcharge @ 10% + education cess @ 2% + secondary and higher education cess @ 1%**.
- (v) The tax shall be payable **within 14 days** from the date of payment of consideration to the shareholder.
- (vi) The shareholder shall be exempted u/s 10(34A).
- (vii) The tax paid u/s 115QA shall be a final levy. No credit or refund shall be granted to the company or the shareholder.
- (viii) If there is any delay in payment of tax, the company shall be liable to pay interest @ 1% per month for the period of delay. Further, the company and the principal officer of company shall be deemed to be in default.

Note: The amendments in section 10(34A) and 115QA should be read together.

INCOME DISTRIBUTION TAX PAYABLE BY A SECURITISATION TRUST

Section 115TA to 115TC inserted:

- ❖ The amendment seeks to introduce a new Chapter XII-EA containing sections 115TA to 115TC.
- ❖ The provisions of these sections are as under:
 - (i) The provisions apply to a **Securitisation Trust**.
 - (ii) The Securitisation Trust shall be liable to pay tax on income distributed by it to the investors.
 - (iii) The rate of tax shall be **25% + Surcharge @ 10% + Education cess @ 2% + Secondary and Higher Education Cess @ 1%**, if distribution is made to an individual or HUF and **30% + Surcharge @ 10% + Education cess @ 2% + Secondary and Higher Education Cess @ 1%**, if the distribution is made to any other person.
 - (iv) The provisions shall not be applicable if the distribution is made to any person whose income is not chargeable to tax. Hence, IDT is not payable in that case.
 - (v) The tax shall be payable **within 14 days** from the date of payment to investors.
 - (vi) The investors shall be exempted u/s 10(35A) on income received by them.
 - (vii) The tax paid u/s 115TA shall be a final levy. No credit or refund shall be granted to the Securitisation Trust or the investors.
 - (viii) If there is any delay in payment of tax, interest shall be levied @ 1% per month for the period of delay. Further, the Securitisation Trust and the Personal responsible for making payment on behalf of Securitisation Trust shall be deemed to be in default.

Note: The amendments in section 10(35A) and 115TA should be read together.

POWER OF INCOME-TAX AUTHORITIES

Section 132B amended:

- ❖ This section prescribes provisions for application of assets seized u/s 132 or requisitioned u/s 132A.
- ❖ Under the existing provision, the assets seized u/s 132 or requisitioned u/s 132A are firstly utilized for payment of existing liability and thereafter towards the liability determined on completion of assessment u/s 153A.

- ❖ The amendment seeks to provide that the “existing liability” shall not include the advance-tax payable under Chapter XVII.
- ❖ The effect is that the assets seized / requisitioned u/s 132 / 132A cannot be applied towards payment of advance tax.

SUBMISSION OF RETURN

Section 139(9) amended:

- ❖ This section prescribes the provision relating to “defective return”.
- ❖ The amendment seeks to provide that if the tax along with interest payable as per section 140A has not been paid before furnishing the return of income, the return of income shall be deemed to be defective.
- ❖ The amendment has been made due to the reason that many assessees submit returns without paying tax and interest as required u/s 140A. One side of the amendment is that it is a good provision. But other side is that the amendment is very serious. A failure on the part of assessee in paying a nominal amount of tax or interest, shall render the Return defective.

ASSESSMENT PROCEDURE

Section 142(2A) amended:

- ❖ This section empowers the AO to direct the assessee to get his accounts audited.
- ❖ Under the existing law, the AO can give direction having regard to **the nature and complexity of the accounts of assessee and the interest of revenue.**
- ❖ The amendment seeks to provide that the AO can give direction having regard to **the nature and complexity of the accounts, volume of the accounts, doubts about the correctness of the accounts, multiplicity of transactions in the accounts or specialized nature of business activity of the assessee and interest of revenue.**
- ❖ Thus, the amendment has widened the scope of section 142(2A).

Section 153 amended:

- ❖ This section prescribes time-limits for completion of assessment / re-assessment.
- ❖ Following amendments are made –
 - ✓ **First amendment** – Under the existing law of section 153(1)/153(2)/153(2A), an extra time-limit of 1 year has been allowed to the Assessing Officer for completion of assessment / reassessment in cases where reference is made to Transfer Pricing Officer. The amendment seeks to allow this extra time-limit to old cases too. **(The amendment pertains to old cases. Hence, it is not of any importance to the students).**
 - ✓ **Second amendment** – Clause (iii) of Explanation 1 to section 153 has been amended to provide that the period commencing from the date on which the AO directs the assessee to get his accounts audited u/s 142(2A) and
 - (i) ending with the last date on which the assessee is required to furnish a report of audit, or
 - (ii) where such direction is challenged before a court, ending with the date on which the order setting aside such direction is received by the CIT,
 shall be excluded in computing the limitation-period for the purpose of making assesment / reassessment.
 - ✓ **Third amendment** – Clause (viii) of Explanation 1 to section 153 has also been amended to provide that the period commencing from the date on which a reference or first of the references for exchange of information is made by an authority competent under an agreement referred to in

section 90 / 90A and ending with the date on which the information required is last received by the CIT or a period of one year, whichever is less, shall be excluded in computing the limitation-period for the purpose of making assessment / reassessment.

Section 153B amended:

- ❖ The amendments are similar to the amendments in section 153.

LIABILITY IN SPECIAL CASES

Section 167C and 179 amended:

- ❖ Under section 167C, the partners of LLP are jointly and severally liable for the payment of “tax due” from a LLP. Similarly, under section 179, the directors of a private company are jointly and severally liable for the payment of “tax due” from company.
- ❖ The existing language is using the word “tax due”. Hence, a view is generated that section 167C and 179 are applicable only in relation to the “tax due” only.
- ❖ The amendment seeks to provide that “tax due” shall include penalty, interest or any other sum payable under the Act.
- ❖ Thus, the scope of section 167C and 179 is widened.

TDS

Section 194-IA inserted:

- ❖ This section has been inserted from 01.06.2013. It prescribes for deduction of tax at source out of payment for transfer of immovable property (other than **rural agricultural land**).
- ❖ The provisions of this section are as under:
 - ✓ The payer may be any person.
 - ✓ The payee must be a resident.
 - ✓ The nature of payment should be – consideration for transfer of immovable property (other than **rural agricultural land**).
 - ✓ The tax shall be deducted at the time of payment to the payee or credit to the account of payee, whichever is earlier.
 - ✓ TDS rate shall be 1%.
 - ✓ Section 203A shall not apply to the payer. Hence, the payer shall not be required to obtain Tax Deduction Account Number u/s 203A.
- ❖ This section shall not apply in following situations:
 - ✓ If the consideration is less than Rs. 50 lakh.
 - ✓ If the immovable property is in the nature of **rural agricultural land** (The reason of exclusion from TDS in case of rural agricultural land is that the rural agricultural land is excluded from the definition of “capital asset” u/s 2(14) and therefore the capital gain is not taxable in the hands of payee. Hence there is no purpose in deducting tax at source).
 - ✓ If there is a compulsory acquisition of immovable property (in that case section 194LA shall apply).
 - ✓ If the payee is a non-resident (in that case section 195 shall apply).

Section 194LD inserted:

- ❖ This newly inserted section prescribes concessional rate of TDS.
- ❖ Accordingly, it has been prescribed that in the case of payment of interest covered u/s **115A(1)(a)(iiab)**, the tax shall be deductible @ **5%**.

Note: The amendments in section 115A(1)(a)(iiab) and 194LD should be read together.

Section 206AA amended:

- ❖ This section requires the deductee of TDS to furnish his PAN to the deductor.
- ❖ The amendment seeks to provide that this section shall not apply in respect of payment of interest on long-term infrastructure bonds covered u/s 194LC.

TCS**Section 206C(1D) amended:**

- ❖ This section prescribes for collection of tax at source in a case where a seller receives any amount in cash as consideration for sale of bullion or jewellery.
- ❖ Under the existing provision, TCS is not required in the case of sale of coin or other article weighing upto 10 grams.
- ❖ The amendment seeks to withdraw this exemption.
- ❖ The effect is that now TCS shall be necessary in all transactions of sale of coins or other articles irrespective of their weight (i.e. whether the weight is less than 10 grams / exact 10 grams / more than 10 grams).

PENALTIES**Section 271FA substituted:**

- ❖ This section prescribes penalty for default in filing of Annual Information Return (AIR) as required u/s 285BA.
- ❖ The existing law prescribes a penalty of Rs. 100/- per day in the case of delay / default in submission of AIR.
- ❖ The amendment seeks to introduce a system of differential penalty as under:
 - ✓ If a person does not file AIR upto due date (i.e. upto 31st August), the penalty shall be Rs. 100/- per day.
 - ✓ However, if a person does not file AIR in response to a notice issued by the department u/s 285BA(5), he shall be liable to a higher amount of penalty i.e. Rs. 500/- per day starting from the day immediately following the day on which the time specified in the notice expires.

WEALTH-TAX**Section 2(ea) amended:**

- ❖ This section defines the term “asset”. We are aware that this definition is very important in the scheme of Wealth-tax Act, 1957.
- ❖ There are two amendments:
 - ✓ **First amendment** -- The definition of urban land has been amended in line with amendment in section 2(14) of Income-tax Act, 1961.
 - ✓ **Second amendment** – It is specifically provided that any urban land classified as agricultural land in the records of the Government and used for agricultural purposes shall be excluded from “asset”. The effect is that the urban agricultural land shall not be taxable under Wealth-tax Act, 1957. This is a very good provision.

Section 14A and 14B inserted:

- ❖ Till now, the Wealth-tax Act, 1957 did not contain provisions for filing of annexure-less returns and e-returns. Now, section 14A has been inserted on the pattern of section 139C of Income-tax Act, 1961 and section 14B has been inserted on the pattern of section 139D of Income-tax Act, 1961. The contents of section 14A and 14B of Wealth-tax Act, 1957 are exactly same as of section 139C and 139D of Income-tax Act, 1961. Hence, section 14A and 14B are not discussed in detail.