

#### 4. KEY AMENDMENTS BY F.A. 2017 / CBDT CIRCULARS / NOTIFICATIONS ETC. NECESSITATING CHANGES IN ITR SCHEMA FOR A.Y. 18-19

- Basic exemption limit is Rs. 2,50,000/- for A.Y. 18-19 (same as A.Y. 2017-18). However, tax rate for slab of income from Rs.2,50,001/- to Rs.5,00,000/- is reduced to 5% - (It was 10% for A.Y. 17-18).
- Tax rebate u/s 87A is reduced to Rs.2,500/- from Rs.5,000/- per year for taxpayers (only for individual resident in India) with total income up to Rs.3,50,000 /- (Rs.5,00,000 for A.Y. 17-18).
- ***Capital gain in respect of Land and Building:*** Holding Period for an asset to become Long Term Capital Asset has been reduced from 3 years to 2 years. Base year has been shifted from 01/04/1981 to 01/04/2001 with new cost inflation indices from year 2001-2002. [Section 2(42A)r.w. Not. No. S.O. 1790(E) dt. 05.06.2017]
- Surcharge at 10 percent of tax levied on rich taxpayers (i.e Individual/ HUF/ AOP/ BOI/ AJP) with income exceeding Rs.50 Lakh but upto Rs.1 Crore. The rate for surcharge for the super-rich, with income above Rs.1 Crore remains at 15%.
- Corporate tax rate for the A.Y. 18-19 for companies with annual turnover up to Rs.50 crores (in F.Y. 2015-16) is reduced to 25%.
- In case IND-HUF carrying on business / profession, turnover limit under section 44AA (2) for non-maintenance of books of accounts, the limit is increased to Rs 25 Lacs and income limit increased to Rs. 2.5 Lacs.
- Time period for revision of ROI reduced to one year (from 2 years) from the end of relevant financial year or before completion of assessment, whichever is earlier. For eg. ROI for A.Y. 18-19 filed on or before 31.03.19 can be revised up to 31.03.19 presuming that the assessment is yet to be completed [Section 139(5)].
- From A.Y. 2018-19, if return of income is not filed within the due date prescribed u/s 139, late fee of Rs.5,000 shall be payable for delay up to 31st December and Rs.10,000 in any other case. Such fee will be restricted to Rs.1, 000 for small taxpayers with income up to Rs.5 lakh [Section. 234F].

- Section 12A registered trusts to loose exemption u/s 11, if ROI filed after due date u/s 139(4A) w.e.f. AY 18-19. [**Section 12A(1)(ba)**]
- Where section 12AA registered trust modifies its object clause, an application is to be made within 30 Days to Pr. CIT or CIT for approval in Form No. 10A. [**Section 12A(1)(ab)**]
- Cash donations made to charitable trusts/institutions exceeding Rs.2000 will not be eligible for deduction under section 80G.
- Any corpus donation made out of its income by section 12AA registered trust to another section 12AA registered trust shall not be treated as application of income for charitable or religious purposes. [**Explanation 2 below Section 11(2)**]
- Loss under the head House Property can be set off against income under other heads of income to the extent of Rs. 2 lakhs only. [**Section. 71(3A)**]
- All assets which were earlier eligible for depreciation at rate above 40%, rate now restricted to 40%. [Rule 5 of I.T. Rules]
- Deduction for first time investors in listed equity shares or listed units of equity oriented funds under the Rajiv Gandhi Equity Savings Scheme under section 80CCG of IT Act 1961 is withdrawn from FY 2017-18. If an individual has already claimed deduction under this scheme before April 1, 2017, they shall be allowed to avail a deduction for the next two years.
- Section 50CA (introduced by Finance Act, 2017) deals with the transfer of unquoted shares and provides that for the purpose of Section 48, consideration for transfer of such shares shall be deemed to be the fair market value calculated as per Rule 11UA and 11UAA as on the valuation date if the sale consideration is less than its Fair Market Value.
- Finance Act, 2017 has widened the scope of provisions dealing with the taxability of gifts. A new clause (x) was inserted in Sec 56(2) whereby any sum or property received without any consideration or inadequate consideration (in excess of INR 50,000) shall be taxable as 'Income from other sources'. This clause is applicable to all taxpayers. However, certain sums of money have been kept out of the scope of section 56(2)(x). Earlier this provision was applicable only to an Individual and HUF up to A.Y. 17-18.

- Section 115BBDA provides for levy of additional tax on dividend income received from domestic companies, if it exceeds Rs. 10 lakhs in aggregate. Earlier this section was applicable only to resident Individual, HUF and Firms. The scope of this section was extended by the Finance Act, 2017 by levying the additional tax on all resident taxpayers except a domestic company, funds or institutions as referred to in Section 10(23C) (iv)/(v)/(vi)/(via) and a trust registered under Section 12A or 12AA.
- Section 10(38) has been amended to provide that exemption under this section for income arising on transfer of equity share acquired or on after 01-10-2004 shall be available only if the transaction of acquisition of share is chargeable to STT [Class of acquisition transactions which are not chargeable to STT and to which the section applies has been notified by Not. No. 43/2017 dt. 05.06.17].
- Section 58 of the Income-tax Act has been amended so as to provide that the provisions of section 40(a)(ia) of the Income-tax Act shall, so far as they may be, apply in computing income chargeable under the head "Income from other sources" as they apply in computing income chargeable under the head "Profit and gains of Business or Profession".
- A new section 115BBG has been introduced to provide that any income from transfer of carbon credits shall be taxable at the concessional rate of 10% (plus applicable surcharge and cess). No expenditure or allowance shall be allowed from such income.
- A political party will lose its tax exemption if donation exceeding Rs. 2,000 is received other than by an account payee cheque or draft or ECS or electoral bonds. Further, political parties filing return u/s 139(4B) are required to file the same on or before due date specified u/s 139 of the Act. **[Section 13A]**
- ***Increase in time limit to carry forward MAT and AMT credit [Sections 115JAA and 115JD]:*** Currently, Section 115JAA allows carry forward of MAT credit up to ten assessment years. The time period is proposed to be increased to fifteen assessment years.

Similar amendment is proposed in section 115JD so as to allow carry forward of AMT Credit up to fifteen assessment years in case of non-corporate assessee.

- ***Increase in deduction for provision for bad and doubtful debts[Section 36(1)(viiiA)]:*** Banks or Co-operative banks are allowed to claim deduction in

respect of provision for bad and doubtful debts, *inter-alia*, up to 7.5% of their total income before making any deduction under Chapter VIA. The above limit has been increased to 8.5% w.e.f. A.Y. 18-19.

- In order to disincentivise cash transactions, section 40A of the Income-tax Act has been amended to provide for the following:
  - (i) To reduce the threshold of cash payment to a person from twenty thousand rupees to ten thousand rupees in a single day;
  - (ii) To expand the specified mode of payment under respective sub-section of section 40A of the Income-tax Act to by an account payee cheque drawn on a bank or account payee bank draft or use of electronic clearing system through a bank account. **[Section 40A(3)]**
- Section 43B of the Income-tax Act has been amended to provide that any sum payable by the assessee as interest on any loan or advances from a co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank shall be allowed as deduction if it is actually paid on or before the due date of furnishing the return of income of the relevant previous year. **[Section 43B]**