Classes for FYJC | SYJC | CA | CS | CMA

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CA – IPCE

Direct Tax - Amendment Notes

Applicable mainly for May 2016 Attempt

Covering All the Important Amendments from Supplementary & RTP

Compiled by CA Arpita S. Tulsyan

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Basic Concepts

Basic Rates of Taxes remain the same.

Surcharge
The rates of surcharge applicable for A.Y.2016-17 are as follows -

(i) Individual/HUF/AOP/BOI/Artificial juridical person/Co-operative societies/Local Authorities/Firms/LLPs:
Where the total income exceeds Rs.1 crore, surcharge is payable at the rate of 12% of income tax

(ii) Domestic company:
(a) In case of a domestic company, whose total income is > Rs. **1 crore but ≤** Rs. **10 crore:**
Where the total income exceeds Rs. 1 crore but does not exceed Rs. 10 crore, surcharge is payable at the rate of 7% of income-tax
(b) In case of a domestic company, whose total income is > Rs.**10 crore:**
Where the total income exceeds Rs. 10 crore, surcharge is payable at the rate of 12% of income-tax

(iii) Foreign company:
(a) In case of a foreign company, whose total income is > Rs. **1 crore but ≤** Rs. **10 crore:**
Where the total income exceeds Rs. 1 crore but does not exceed Rs. 10 crore, surcharge is payable at the rate of 2% of income-tax
(b) In case of a foreign company, whose total income is > Rs.**10 crore:**
Where the total income exceeds Rs. 10 crore, surcharge is payable at the rate of 5% of income-tax

Residence & Scope of Total Income

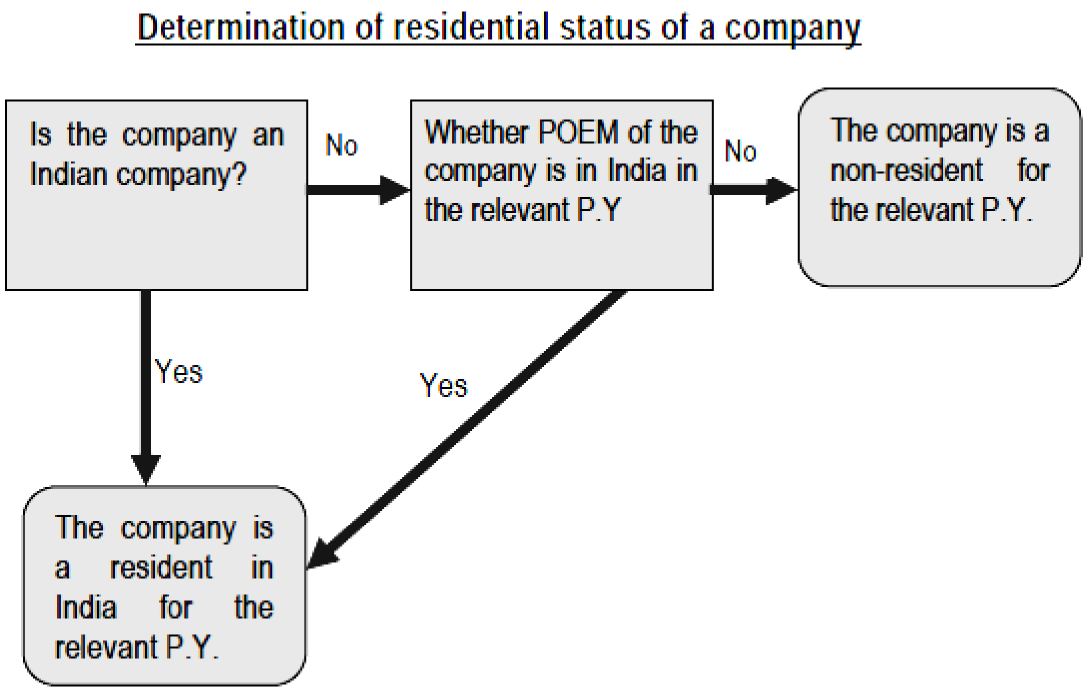
(a) CBDT to prescribe the manner of computation of period of stay for an Indian citizen, being a member of the crew of a foreign bound ship leaving India [Section 6(1)]

Basis for determining the period of stay in India for an Indian citizen, being a member of the crew of a foreign bound ship leaving India [Notification No. 70/2015, dated 17.8.2015]

According to Rule 126, in case of an individual, being a citizen of India and a member of the crew of a ship, the **period or periods of stay in India** shall, in respect of an eligible voyage, **not include** the period **commencing from the date** entered into the Continuous Discharge Certificate in respect of **joining the ship** by the said individual for the eligible voyage and **ending on the date** entered into the Continuous Discharge Certificate in respect of **signing off by that individual from the ship** in respect of such voyage.

(b) Residential status of a company to be determined on the basis of "Place of Effective Management" [Section 6(3)] Effective from: A.Y. 2016-17

Explanation to section 6(3) defines "place of effective management" to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made.



Incomes which do not form part of Total Income

"Yoga" included as a specific category in the definition of "charitable purpose" [Section 2(15)] Effective from: A.Y.2016-17

Conditions to be satisfied "advancement of any other object of general public utility" to constitute a "charitable purpose" [Section 2(15)] Effective from: A.Y.2016-17

(i) The definition of "charitable purpose" under section 2(15) has been amended to provide that the advancement of any other object of general public utility shall not be a charitable purpose, if it involves the carrying on of any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business, for a cess or fee or any other consideration, irrespective of the nature of use or application, or retention, of the income from such activity, unless:
(1) **such activity is undertaken in the course of actual carrying out of such advancement of any other object of general public utility;** and
(2) the aggregate receipts from such activity or activities, during the previous year, **does not exceed 20% of the total receipts,** of the trust or institution undertaking such activity or activities, for the previous year .

(ii) In effect, an additional condition has been inserted that such activity has to be undertaken in the course of actual carrying out of such advancement of any other object of general public utility. Further, in the place of an **absolute limit of Rs.25 lakhs**, a limit based on **percentage of total receipts has been specified** upto which receipts from an activity in the nature of trade, commerce or business is permissible without affecting the "charitable status" of the trust or institution.

Increase in the maximum limit for exemption of transport allowance:
The maximum limit upto which transport allowance can be claimed as an exemption by an employee to meet his expenditure for the purpose of commuting between the place of his residence and the place of his duty has been increased from Rs. 800 p.m. to Rs. **1,600 p.m.** In case of a blind **or deaf and dumb** or orthopedically handicapped employee with disability of lower extremities, the maximum limit has been revised from Rs. 1,600 p.m. to **Rs. 3,200 p.m.**

News agency notified for the purpose of section 10(22B) [Notification No. 72/2015, dated 24.8.2015]:
The Central Government has, through this notification, specified the **Press Trust of India Limited, New Delhi** as a news agency set up in India solely for collection and distribution of news, for the purpose of section 10(22B) for three assessment years 2016-17 to 2018-19. The income of such news agency will not be included in computing the total income of a previous year of such agency, for three years, provided it applies its income or accumulates

it for application solely for collection and distribution of news and does not distribute its income in any manner to its members.

Deduction in respect of cost of production allowable under section 37 in the case of Abandoned Feature Films:

The cost of production of an abandoned feature film is to be treated as revenue expenditure and allowed as per the provisions of section 37 of the Income-tax Act, 1961.

Tax not to be deducted from payments made to Corporations whose income is exempt under section 10(26BBB) [Circular No. 7/2015, dated 23-04-2015]:

The CBDT had earlier issued Circular No. 4/2002 dated 16.07.2002 which laid down that there would be no requirement for tax deduction at source from payments made to such entities, whose income is unconditionally exempt under section 10 and who are statutorily not required to file return of income as per the section 139.

Section 10(26BBB), inserted by the Finance Act, 2003 w.e.f. 01.04.2004, exempts any income of a corporation established by a Central, State or Provincial Act for the welfare and economic up liftment of ex-service-men being the citizen of India. The corporations covered under section 10(26BBB) are also statutorily not required to file return of income as per the section 139.

Now, the CBDT has, vide this circular, clarified that since corporations covered under section 10(26BBB) satisfy the two conditions of Circular No. 4/2002 i.e., unconditional exemption of income under section 10 and no statutory liability to file return of income under section 139, they would also be entitled for the benefit of the said circular.

Hence, there would be no requirement for tax deduction at source from the payments made to such corporations since their income is anyway exempt under section 10.

Profits and Gains of Business Or Profession

a)

Balance 50% of additional depreciation to be allowed in the subsequent year, where the plant and machinery is put to use for less than 180 days during the previous year of acquisition and installation [Sections 32(1)] Effective from : A.Y. 2016-17

Balance 50% of the additional depreciation on new plant or machinery acquired and used for less than 180 days which has not been allowed in the year of acquisition and installation of such plant or machinery, shall be allowed in the immediately succeeding previous year.

Example:

XYZ Ltd., a manufacturing concern, furnishes the following particulars:

	Particulars	*Rs.*
(1)	*Opening WDV of plant and machinery as on 1.4.2015*	*30,00,000*
(2)	*New plant and machinery purchased and put to use on 08.06.2015*	*20,00,000*
(3)	*New plant and machinery acquired and put to use on 15.12.2015*	*8,00,000*
(4)	*Computer acquired and installed in the office premises on 2.1.2016*	*3,00,000*

Compute the amount of depreciation and additional depreciation as per the Income-tax Act, 1961 for the A.Y. 2016-17

Answer

Computation of depreciation and additional depreciation for A.Y. 2016-17

Particulars	Plant & Machinery (15%)	Computer (60%)
Normal depreciation		
• @ 15% on ₹ 50,00,000 [See Working Notes 1 & 2]	7,50,000	-
• @ 7.5% (50% of 15%, since put to use for less than 180 days) on ₹ 8,00,000	60,000	-
• @ 30% (50% of 60%, since put to use for less than 180 days) on ₹ 3,00,000	-	90,000
Additional Depreciation		
• @ 20% on ₹ 20,00,000 (new plant and machinery put to use for more than 180 days)	4,00,000	-
• @10% (50% of 20%, since put to use for less than 180 days) on ₹ 8,00,000	80,000	-
Total depreciation	12,90,000	90,000

Working Notes:

(1) Computation of written down value of Plant & Machinery as on 31.03.2016

	Plant & Machinery	Computer
Written down value as on 1.4.2015	30,00,000	-
Add: Plant & Machinery purchased on 08.6.2015	20,00,000	-
Add: Plant & Machinery acquired on 15.12.2015	8,00,000	-
Computer acquired and installed in the office premises	-	3,00,000
Written down value as on 31.03.2016	**58,00,000**	**3,00,000**

(2) **Composition of plant and machinery included in the WDV as on 31.3.2016**

Particulars	Plant & Machinery (₹)	Computer (₹)
Plant and machinery put to use for 180 days or more [₹ 30,00,000 (Opening WDV) + ₹ 20,00,000 (purchased on 8.6.2015)]	50,00,000	
Plant and machinery put to use for less than 180 days	8,00,000	
Computers put to use for less than 180 days		3,00,000
	58,00,000	3,00,000

Notes:

(1) As per the second proviso to section 32(1)(ii), where an asset acquired during the previous year is put to use for less than 180 days in that previous year, the amount of deduction allowable as normal depreciation and additional depreciation would be restricted to 50% of amount computed in accordance with the prescribed percentage.

Therefore, normal depreciation on plant and machinery acquired and put to use on 15.12.2015 and computer acquired and installed on 02.01.2016, is restricted to 50% of 15% and 60%, respectively. The additional depreciation on the said plant and machinery is restricted to ₹ 80,000, being 10% (i.e., 50% of 20%) of ₹ 8 lakh

(2) As per third proviso to section 32(1)(ii), the balance additional depreciation of ₹ 80,000 being 50% of ₹ 1,60,000 (20% of ₹ 8,00,000) would allowed as deduction in the A.Y.2017-18.

(3) As per section 32(1)(iia), additional depreciation is allowable in the case of any new machinery or plant acquired and installed after 31.3.2005 by an assessee engaged, *inter alia*, in the business of manufacture or production of any article or thing, @20% of the actual cost of such machinery or plant.

However, additional depreciation shall not be allowed in respect of, *inter alia*, any machinery or plant installed in office premises, residential accommodation or in any guest house.

Accordingly, additional depreciation is not allowable on computer installed in the office premises.

b) Manufacturing industries set up in the notified backward areas of specified States to be eligible for a deduction @15% of the actual cost of new plant & machinery acquired and installed during the previous year [Section 32AD]

Effective from: A.Y. 2016-17

(i) In order to encourage the setting up of industrial undertakings in the backward areas of the States of **Andhra Pradesh, Bihar, Telangana and West Bengal**, new section 32AD has been inserted to provide for a **deduction of an amount equal to 15% of the actual cost** of new plant and machinery acquired and installed in the assessment year relevant to the previous year in which such plant and machinery is installed, if the following conditions are satisfied by the assessee:

(a) The assessee sets up an undertaking or enterprise for manufacture or production of any article or thing on or after 1st April, 2015 in any backward area notified by the Central Government in the State of Andhra Pradesh or Bihar or Telangana or West Bengal; and

(b) the assessee acquires and installs new plant and machinery for the purposes of the said undertaking or enterprise during the period between 1st April, 2015 and 31st March, 2020 in the said backward areas.

(ii) Where the **assessee is a company**, deduction under section 32AD would be available over and above the existing deduction available under section 32AC, subject to the satisfaction of conditions thereunder.

Accordingly, if an undertaking is set up in the notified backward areas in the States of Andhra Pradesh or Bihar or Telangana or West Bengal **by a company**, it shall be eligible to claim deduction under section 32AC as well as under section 32AD, if it fulfills the conditions specified in section 32AC and the conditions specified under section 32AD.

(iii) For the purposes of this section, "New plant and machinery" does not include:

(a) any ship or aircraft;

(b) any plant or machinery, which before its installation by the assessee, was used either within or outside India by any other person;

(c) any plant or machinery installed in any office premises or any residential accommodation, including accommodation in the nature of a guest house;

(d) any office appliances including computers or computer software;

(e) any vehicle;

(f) any plant or machinery, the whole of the actual cost of which is allowed as deduction (whether by way of depreciation or otherwise) in computing the income chargeable under the head "Profits and gains of business or profession" of any previous year.

(iv) In order to ensure that the manufacturing units which are set up by availing this incentive actually contribute to economic growth of these backward areas by carrying out the activity of manufacturing for a substantial period of time, a suitable safeguard **restricting the transfer of new plant and machinery for a period of 5 years** has been provided.

Accordingly, section 32AD(2) provides that if any new plant and machinery acquired and installed by the assessee is sold or otherwise transferred except in connection with the amalgamation or demerger or re-organisation of business, **within a period of 5 years from the date of its installation**, the amount allowed as deduction in respect of such new plant and machinery shall be deemed to be the income chargeable under the head "Profits and gains from business or profession" of the previous year in which such new plant and machinery is sold or transferred, in addition to taxability of gains, arising on account of transfer of such new plant and machinery.

(c) Additional depreciation @35% to be allowed to assessees setting up manufacturing units in notified backward areas of specified States and acquiring and installing of new plant & machinery [Proviso to section 32(1)(iia)] Effective from: A.Y. 2016-17

(i) Under section 32(1)(iia), to encourage investment in new plant or machinery, **additional depreciation of 20% of the actual cost** of plant or machinery acquired and installed is allowed. Such additional depreciation under section 32(1)(iia) is allowed over and above the normal depreciation under section 32(1)(ii).

(ii) In order to encourage acquisition and installation of plant and machinery for setting up of manufacturing units in the notified backward areas of the **States of Andhra Pradesh, Bihar, Telangana and West Bengal**, a proviso has been inserted to section 32(1)(iia) to **allow higher additional depreciation at the rate of 35% (instead of 20%)** in respect of the actual cost of new machinery or plant (other than a ship and aircraft) acquired and installed during the period between 1st April, 2015 and 31st March, 2020 by a manufacturing undertaking or enterprise which is set up in the notified backward areas of these specified States on or after 1st April, 2015.

(iii) Such additional depreciation shall be restricted to 17.5% (i.e., 50% of 35%), if the new plant and machinery acquired is put to use for the purpose of business for less than 180 days in the year of acquisition and installation.

(iv) The balance 50% of additional depreciation (i.e., 50% of 35%) would, however, be allowed in the immediately succeeding financial year.

Example

X Ltd. set up a manufacturing unit in notified backward area in the state of Telangana on 01.06.2015. It invested ₹ 30 crore in new plant and machinery on 1.6.2015. Further, it invested ₹ 25 crore in the plant and machinery on 01.11.2015, out of which ₹ 5 crore was second hand plant and machinery. Compute the depreciation allowable under section 32. Is X Ltd. entitled for any other benefit in respect of such investment? If so, what is the benefit available?

Would your answer change where such manufacturing unit is set up by a firm, say, X & Co., instead of X Ltd.?

Solution

(i) Computation of depreciation under section 32 for X Ltd. for A.Y. 2016-17

Particulars		₹ (in crores)
Plant and machinery acquired on 01.06.2015		30.000
Plant and machinery acquired on 01.11.2015		25.000
WDV as on 31.03.2016		**55.000**
Less: Depreciation @ 15% on ₹ 30 crore	4.500	
Depreciation @ 7.5% (50% of 15%) on ₹ 25 crore	1.875	
Additional Depreciation@35% on ₹ 30 crore	10.500	
Additional Depreciation@17.5% (50% of 35%) on ₹ 20 crore	3.500	20.375
WDV as on 01.04.2016		**34.625**

Computation of deduction under section 32AC & 32AD for X Ltd. for A.Y. 2016-17

Particulars	₹ (in crores)
Deduction under section 32AC(1A) @ 15% on ₹ 50 crore (since investment in new plant and machinery acquired and installed in the previous year 2015-16 by X Ltd., a manufacturing company, exceeds ₹ 25 crore)	7.50
Deduction under section 32AD @ 15% on ₹ 50 crore	7.50
Total benefit	**15.00**

(ii) Yes, the answer would be different, where the manufacturing unit is set up by a firm. The deduction under section 32AC is available only to corporate assesses, and therefore, the deduction of ₹ 7.50 crore under section 32AC would not be available if the manufacturing unit is set up by X & Co., a firm. However, it would be eligible for deduction of ₹ 7.50 crore under section 32AD.

Notes:

(1) As per the second proviso to section 32(1)(ii), where an asset acquired during the previous year is put to use for less than 180 days in that previous year, the amount deduction allowable as normal depreciation and additional depreciation would be restricted to 50% of amount computed in accordance with the prescribed percentage.

Therefore, normal depreciation on plant and machinery acquired and put to use on 1.11.2015 is restricted to 7.5% (being 50% of 15%) and additional depreciation is restricted to 17.5% (being 50% of 35%).

(2) As per third proviso to section 32(1)(ii), the balance additional depreciation of ₹ 3.5 crore, being 50% of ₹ 7 crore (35% of ₹ 20 crore) would be allowed as deduction in the A.Y.2017-18.

(3) As per section 32(1)(iia), additional depreciation is allowable in the case of any new machinery or plant acquired and installed after 31.3.2005 by an assessee engaged, *inter alia*, in the business of manufacture or production of any article or thing. In this case, since new plant and machinery acquired was installed by a manufacturing unit set up in a notified backward area in the State of Telengana, the rate of additional depreciation is 35% of actual cost of new plant and machinery. Since plant and machinery of ₹ 20 crore was put to use for less than 180 days, additional depreciation@17.5% (50% of 35%) is allowable as deduction. However, additional depreciation shall not be allowed in respect of second hand plant and machinery of ₹ 5 crore.

Likewise, the benefit available under sections 32AC and 32AD would not be allowed in respect of second hand plant and machinery.

Accordingly, additional depreciation and investment allowance under sections 32AC and 32AD have not been provided on ₹ 5 crore, being the actual cost of second hand plant and machinery acquired and installed in the previous year.

Interest paid in respect of capital borrowed for acquisition of an asset, for the period upto the date on which the asset is first put to use to be capitalized, even if the acquisition of the asset is not for extension of existing business or profession [Section 36(1)(iii)]

Effective from: A.Y.2016-17

CAPITAL GAINS

CII - 1081

Deductions from Gross Total Income

Deduction under section 80C to be available in respect of deposit in Sukanya Samriddhi Account Scheme for the welfare of girl child Related amendment in section: 10(11A)
Effective from: A.Y.2015-16

The following are the tax benefits envisaged in the Sukanya Samriddhi Account scheme:
(a) The **investments** made in the Scheme will be eligible for deduction under section 80C.
(b) The **interest accruing** on deposits in such account will be exempt from income tax.
(c) The **withdrawal** from the said scheme in accordance with the rules of the said scheme will be exempt from tax.
Accordingly, the interest accruing on deposits in, and withdrawals from any account under the said scheme would be exempt.

Increase in the limit of deduction in respect of contribution to certain pension funds under section 80CCC **Effective from: A.Y. 2016-17**
Section 80CCC(1) has been amended to raise the limit of deduction there under from Rs. 1 lakh to Rs. 1.50 lakh. However, this limit would be subject to the overall limit of Rs. 1.50 lakh provided in section 80CCE in respect of section 80C, 80CCC & 80CCD(1).

Additional deduction in respect of contribution to NPS of Central Government under section 80CCD(1B) and enhancement of limit of deduction under section 80CCD(1)
Effective from: A.Y 2016-17

(i) As per section 80CCD(1), if an individual, employed by the Central Government on or after 1st January, 2004, or being an individual employed by any other employer, or any other assessee, being an individual, has paid or deposited any amount in a previous year in his account under a notified pension scheme, a deduction of such amount not exceeding 10% of his salary, in the case of an employee, and 10% of the gross total income, in case of any other individual, is allowed.

(ii) Similarly, the contribution made by the Central Government or any other employer to the said account of the individual under the pension scheme is also allowed as deduction under section 80CCD(2), to the extent it does not exceed 10% of the salary of the individual in the previous year.

(iii) Section 80CCD(1A) provides that the amount of deduction under 80CCD(1) shall not exceed Rs. 1,00,000.

(iv) In order to encourage contribution towards NPS, sub-section (1A) of section 80CCD restricting the deduction under section 80CCD(1) to Rs. 1 lakh, has been omitted. Thus, deduction under section 80CCD(1) would only be subject to the limitation of 10% of salary or gross total income (GTI), as the case may be. However, it would continue to be subject to the overall limit of Rs. 1.50 lakh under section 80CCE.

(v) In addition to the enhancement of the limit under section 80CCD(1), new subsection (1B) has been inserted in section 80CCD to provide for an additional deduction of up to Rs. 50,000 in respect of the whole of the amount paid or deposited by an individual assessee under NPS in the previous year, whether or not any deduction is allowed under section 80CCD(1).

(vi) The deduction of upto Rs. 50,000 under section 80CCD(1B) is in addition to the overall limit of Rs. 1.50 lakh provided under section 80CCE.

(vii) The following table summarizes the ceiling limit under these sections w.e.f. A.Y.2016-17:

Section	Particulars	Ceiling limit (₹)
80C	Investment in specified instruments	1,50,000
80CCC	Contribution to certain pension funds	1,50,000
80CCD(1)	Contribution to NPS of Government	10% of salary or 10% of GTI, as the case may be.
80CCE	Aggregate deduction under sections 80C, 80CCC & 80CCD(1)	1,50,000
80CCD(1B)	Contribution to NPS notified by the Central Government (outside the limit of ₹ 1,50,000 under section 80CCE)	50,000

Example:
The following are the particulars of investments and payments made by Mr. A, employed with ABC Ltd., during the previous year 2015-16:
- Deposited Rs. 1,20,000 in public provident fund
- Paid life insurance premium of Rs. 15,000 on the policy taken on 1.5.2012 to insure his life (Sum assured – Rs. 1,20,000).
- Deposited Rs. 30,000 in a five year term deposit with bank.
- Contributed Rs. 1,80,000, being 15% of his salary, to the NPS of the Central Government.

A matching contribution was made by ABC Ltd.
(i) Compute the deduction available to Mr. A under Chapter VI-A for A.Y.2016-17.
(ii) Would your answer be different, if Mr. A contributed Rs. 1,20,000 (being, 10% of his salary) towards NPS of the Central Government ?

Answer

(i) Deduction available to Mr. A under Chapter VI-A for A.Y.2016-17

Section	Particulars	₹	₹
80C	Deposit in public provident fund	1,20,000	
	Life insurance premium paid ₹ 15,000 (deduction restricted to ₹ 12,000, being 10% of ₹ 1,20,000, being sum assured, since the policy was taken after 31.3.2012)	12,000	
	Five year term deposit with bank	30,000	
		1,62,000	
	Restricted to		1,50,000
80CCD(1)	Contribution to NPS of the Central Government, ₹ 1,30,000[₹ 1,80,000 – ₹ 50,000, being deduction under section 80CCD(1B)], restricted to 10% of salary [₹ 1,80,000 x 10/15] [See Note 1]		1,20,000
			2,70,000
80CCE	Aggregate deduction under section 80C and 80CCD(1), ₹ 2,70,000, but restricted to		1,50,000
80CCD(1B)	₹ 50,000 would be eligible for deduction in respect of contribution to NPS of the Central Government		50,000
80CCD(2)	Employer contribution to NPS, restricted to 10% of salary [See Note 2]		1,20,000
Deduction under Chapter VI-A			**3,20,000**

Notes:

(1) The deduction under section 80CCD(1B) would not be subject to overall limit of Rs. 1.50 lakh under section 80CCE. Therefore, it is more beneficial for Mr. A to claim deduction under section 80CCD(1B) first in respect of contribution to NPS. Thereafter, the remaining amount of Rs. 1,30,000 can be claimed as deduction under section 80CCD(1), subject to a maximum of 10% of salary.

(2) The entire employer's contribution to notified pension scheme has to be first included under the head "Salaries" while computing gross total income and thereafter, deduction under section 80CCD(2) would be allowed, subject to a maximum of 10% of salary.

(ii) If the contribution towards NPS is Rs. 1,20,000, here again, it is beneficial for Mr. A to first claim deduction of Rs. 50,000 under section 80CCD(1B) and the balance of Rs. 70,000 can be claimed under section 80CCD(1), since the deduction available under section 80CCD(1B) is over and above the aggregate limit of Rs. 1,50,000 under section 80CCE. In any case, the aggregate deduction of Rs. 2,20,000 [i.e., Rs. 1,50,000 under section 80C and Rs. 70,000 under section 80CCD(1)] cannot exceed the overall limit of Rs. 1,50,000 under section 80CCE. The total deduction under Chapter VIA would remain the same i.e., Rs. 3,20,000.

(d) Enhancement of the limit of deduction under section 80D and allowability of deduction for incurring medical expenditure in respect of very senior citizen

Effective from: A.Y. 2016-17

On account of the continuous rise in the cost of medical expenditure, the limit of deduction under section 80D has now been increased **from** Rs. **15,000 to** Rs. **25,000**.

Further, the limit of deduction in respect of amount paid to effect or keep in force an insurance of a person who is a senior citizen, being a resident individual of the age of 60 years or more, has also been raised **from** Rs. 20,000 to Rs. 30,000.

As a welfare measure towards very senior citizens i.e. person of the age of 80 years or more and resident in India, who are unable to get health insurance coverage, section 80D has been amended to provide that deduction of upto Rs. 30,000 would be allowed in respect of any payment made on account of medical expenditure in respect of a very senior citizen, if no payment has been made to keep in force an insurance on the health of such person.

The aggregate deduction available to any individual in respect of health insurance premia and the medical expenditure incurred would, however, be limited to Rs. 30,000.
Similarly, aggregate deduction for health insurance premia and medical expenditure incurred in respect of parents would be limited to Rs. 30,000.

'Very senior citizen' to mean an individual resident in India who is of the age of eighty years or more at any time during the relevant previous year.
The following table summarizes the provisions of section 80D:

S. No.	Nature of payment/ expenditure	Expenditure on behalf of		Deduction for A.Y. 2015-16	Deduction for A.Y. 2016-17
I	(i) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health (ii) Contribution to Central Government Health Scheme (CGHS) (iii) Preventive health check up expenditure	In case of individual	Self, spouse and dependent children	₹ 15,000	₹ 25,000
		In case of HUF	Family member		
		In case any of the above persons is of the age of 60 years or more + resident in India		₹ 20,000	₹ 30,000
II	(i) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health (ii) Preventive health check up	For Parents		₹ 15,000	₹ 25,000
		In case either or both the parents is of the age of 60 years or more + Resident in India		₹ 20,000	₹ 30,000

	Maximum ₹ 5,000 allowed as deduction for aggregate of preventive health check up expenditure mentioned in I and II (Subject to overall limit of ₹ 25,000 or ₹ 30,000, as the case may be)			
III	Amount paid on account of **medical expenditure**	For self/ spouse/ parents + who is of the age of 80 years or more + Resident in India + no payment has been made to keep in force an insurance on the health of such person	NA	₹ 30,000

Note:
In case the individual or any of his family members is a senior citizen or very senior citizen, the aggregate of deduction, in respect of payment of premium, contribution to CGHS and medical expenditure incurred, as specified in **(I) & (III)** above, cannot exceed Rs. 30,000. In case one of the parents is a senior citizen and another is a very senior citizen or both of them are very senior citizens, the aggregate of deduction, in respect of payment of medical insurance premium and medical expenditure incurred, as specified in **(II) & (III)** above, cannot exceed Rs. 30,000.

Example:

Mr. Arjun (52 years old) furnishes the following particulars in respect of the following payments:

S. No.	Particulars	Amount (₹)
1.	Premium paid for insuring the health of -	
	• Self	10,000
	• spouse	8,000
	• dependant son	4,000
	• mother	18,000
2.	Paid for Preventive Health Check up of	
	• himself	2,000
	• spouse	1,500
	• mother	4,000
3.	Incurred medical expenditure of ₹ 25,000 and ₹ 15,000 for his mother, aged 80 years and father, aged 85 years. Both mother and father are resident in India.	

Compute the deduction available to Mr. Arjun under section 80D for the A.Y. 2016-17.

Solution

Computation of deduction under section 80D for the A.Y. 2016-17

S. No.	Particulars		Amount (₹)
1.	I. In respect of premium paid for insuring the health of -		
	• Self	10,000	
	• spouse	8,000	
	• dependant son	4,000	
		22,000	
	II. In respect of expenditure on preventive health check up of -		
	• Self	2,000	
	• spouse	1,500	
		3,500	
	Restricted to [₹ 25,000 – ₹ 22,000, since maximum deduction is ₹ 25,000]	3,000	
	Aggregate of deduction (I+II) under (1) restricted to		25,000
2.	I. In respect of payment towards health insurance premium for his mother	18,000	
	II. In respect of preventive health check up of his mother [₹ 4,000, restricted to ₹ 2,000, (₹ 5,000 – ₹ 3,000), since maximum deduction for preventive health check up under section 80D is ₹ 5,000]	2,000	
	III. Medical expenditure for father would only be eligible for deduction [See Note below]	15,000	
	Amount of deduction under (2) restricted to	35,000	30,000
	Total deduction under section 80D [(1) + (2)]		55,000

Note: Irrespective of the fact that the mother of Arjun is a very senior citizen the deduction under section 80D would not available to him in respect of the medical expenditure incurred for his mother, since Mr. Arjun has taken a health insurance policy for his mother.

Increase in the limit of deduction under section 80DD and 80U in respect of persons with disability and severe disability **Effective from: A.Y. 2016-17**

Taking into account the increasing cost of medical care and special needs of disabled persons, sections 80DD and 80U have been amended so as to increase the amount of deduction thereunder in respect of a person with disability **from Rs. 50,000 to Rs. 75,000.** Correspondingly, the limit of deduction in respect of a person with **severe disability has also been increased from Rs. 1 lakh to Rs. 1.25 lakh**.

Deduction under section 80DD

Maintenance and medical treatment of:	A.Y.2015-16	A.Y.2016-17
Persons with disability	50,000	75,000
Persons with severe disability	1,00,000	1,25,000

Deduction under section 80U

	A.Y.2015-16	A.Y.2016-17
Persons with disability	50,000	75,000
Persons with severe disability	1,00,000	1,25,000

Enhanced limit of deduction for expenditure incurred in respect of medical treatment of very senior citizen [Section 80DDB] **Effective from: A.Y. 2016-17**

Meaning of "Dependant":

	Assessee	Dependent
(1)	Individual	the spouse, children, parents, brother or sister of the individual or any of them, wholly or mainly dependent on such individual for his support and maintenance.
(2)	HUF	a member of the HUF, wholly or mainly dependant on such HUF for his support and maintenance.

In order to overcome this hardship, section 80DDB has been amended to provide that **the assessee will be required to obtain a prescription for such medical treatment from a specialist doctor** for the purpose of availing this deduction. The requirement that such specialist should be working in a Government hospital has been removed.

Further, section 80DDB has been amended to provide for a higher limit of deduction of upto Rs. 80,000, for the expenditure incurred in respect of the medical treatment of himself or a dependent, being a "very senior citizen".

A "very senior citizen" is as an individual resident in India who is of the age of eighty years or more at any time during the relevant previous year.

The maximum limit of deduction under section 80DDB for the various categories of dependent are summarized hereunder:

	Dependent	Maximum limit (₹)
(1)	A very senior citizen, being a resident individual	80,000
(2)	A senior citizen, being a resident individual	60,000
(3)	Dependent, other than mentioned in (1) & (2) above	40,000

(g) Scope of section 80G expanded to allow 100% deduction in respect of donation to Swachh Bharat Kosh, Clean Ganga Fund and National Fund for Control of Drug Abuse [Section 80G] Related amendment in section: 10(23C)

(i) Under section 80G, an assessee is allowed a deduction in respect of donations made by him to certain funds and charitable institutions from the gross total income.
The deduction is allowed at 100% of the amount of donations made to certain funds and institutions formed for a social purpose of national importance, like the Prime Ministers' National Relief Fund, National Foundation for Communal Harmony, National Children Fund etc.
The Finance Act, 2015 has extended the benefit of deduction under section 80G, at the rate 100% in respect of donations made to the National Fund for Control of Drug Abuse, Swachh Bharat Kosh and Clean Ganga Fund.

Exemption of income of Swachh Bharat Fund & Clean Ganga Fund [Section 10(23C)]
Effective from: A.Y.2015-16
Section 10(23C) provides for exemption from tax in respect of the income of certain charitable funds or institutions like the Prime Minister's National Relief Fund, the Prime Minister's Fund (Promotion of Folk Art), the Prime Minister's Aid to Students Fund and the National Foundation for Communal Harmony.
Taking into consideration, the importance of Swachh Bharat Kosh and Clean Ganga Fund, the scope of section 10(23C) has been expanded to exempt the income of Swachh Bharat Kosh and Clean Ganga Fund, set up by the Central Government, from income-tax.

Increase in ceiling limit for investment in Public Provident Fund [Notification No. G.S.R. 588 (E), dated 13-8-2014]
In exercise of the powers conferred by Section 3(4) of the Public Provident Fund Act, 1968, the Central Government has increased annual ceiling limit for deposit in PPF A/c from Rs. 1 lakh to Rs. 1.50 lakhs by amending the Public Provident Fund Scheme, 1968.

Increase in limit for investment in bank term deposit:
Under section 80C(2)(xxi), a deduction is allowed in computing the total income of an assessee, being an individual or a HUF, with respect to sums paid or deposited in the previous year as a term deposit;
- for a fixed period of not less than 5 years with a scheduled bank and
- which is in accordance with the scheme framed and notified by the Central Government.

Accordingly, the Central Government had notified Bank Term Deposit Scheme, 2006. As per Para 3 of the said scheme, the maximum amount an assessee can invest in the term deposit of a scheduled bank is Rs. 1,00,000, in a year.

The Finance (No.2) Act, 2014 had increased the maximum limit of deduction under section 80C from Rs. 1 lakh to Rs. 1.50 lakh w.e.f. A.Y. 2015-16.

Consequently, the Central Government, has vide this notification, increased the maximum limit of investment in of term deposit of a specified bank from Rs. 1,00,000 to Rs. 1,50,000 in a year, which would qualify for deduction under section 80C.

Provisions Concerning Advance Tax & Tax Deducted At Source

(a) Person responsible for paying income chargeable under the head "Salaries" to obtain proof or evidence or particulars of prescribed deductions/ exemptions/setoff of losses claimed by the assessee [Section 192(2D)]

Effective from: 1st June, 2015

(b) Tax to be deducted@10% on premature taxable withdrawal from employees provident fund [Section 192A] **Related amendment in section: 197A**

Effective from: 1st June, 2015

New section 192A has, therefore, been inserted to provide for deduction of tax@10% on premature taxable withdrawal from employees provident fund scheme. Accordingly, in a case where the accumulated balance due to an employee participating in a recognized provident fund is includible in his total income

The trustees of the Employees Provident Fund Scheme, 1952 or any person authorised under the scheme to make payment of accumulated balance due to employees are required to deduct income-tax@10% at the time of payment of accumulated balance due to the employee.

Tax deduction at source under this section has to be made only if the amount of such payment or aggregate amount of such payment of the payee is Rs. 30,000 or more.

Further, any person entitled to receive any amount on which tax is deductible under this section has to furnish his PAN to the person responsible for deducting such tax. In case he fails to do so, tax would be deductible at the maximum marginal rate.

Co-operative banks to deduct tax at source on interest on time deposits credited or paid to its members [Section 194A] **Effective from: 1st June, 2015**

(i) Section 194A(1) read with sections 194A(3)(i)(b) and 194A(3)(viia)(b) requires a cooperative bank to deduct tax from interest payment on time deposits, if the amount of such payment exceeds specified threshold of Rs. 10,000.
(ii) In order to clarify the true intent of law, section 194A(3)(v) has been amended to specifically provide that with effect from 1st June, 2015, the exemption there under from deduction of tax at source from payment of interest to members by a co-operative society shall not apply to the payment of interest by the co-operative banks to its members.
(iii) However, the exemption available under section 194A(3)(viia)(a) to primary agricultural credit society or a primary credit society or a co-operative land mortgage bank or a cooperative land development bank from deduction of tax in respect of interest credited or paid on deposits shall continue to apply. Therefore, these co-operative credit

societies/banks would not be required to deduct tax on interest credited or paid to depositors consequent to amendment of section 194A(3)(v).
(iv) Further, the exemption under section 194A(3)(v) from deduction of tax from interest paid by a co-operative society to another co-operative society shall continue to apply to cooperative banks and, therefore, a co-operative bank shall not be required to deduct tax from the payment of interest on time deposit to a depositor, being a co-operative society.

(2) Interest on recurring deposits to be subject to tax deduction at source under section 194A **Effective from: 1st June, 2015**

(i) Under section 194A(1) read with section 194A(3)(i), tax is required to be deducted on payment of interest (other than interest on securities) above a specified threshold, i.e., Rs. 10,000 for interest payment by banks, co-operative society engaged in banking business (co operative bank) and post office and Rs. 5,000 for payment of interest by other persons.
(ii) Since recurring deposit is also made for a fixed tenure and is, therefore, similar to time deposit, the definition of 'time deposits' in section 194A has been amended to include "recurring deposits" within its scope for the purposes of deduction of tax under section 194A.
(iii) It may be noted that the existing threshold limit of Rs. 10,000 for non-deduction of tax shall also be applicable in case of interest payment on recurring deposits.

(3) Threshold limit to be reckoned with reference to the aggregate interest credited or paid by all branches of a banking company/co-operative bank/public company which has adopted core banking solutions [Section 194A(3)]

Effective from: 1st June, 2015

A second proviso has been inserted in section 194A(3)(i) to provide that the threshold limit will be reckoned with reference to the total interest credited or paid by the banking company or the co-operative society or the public company, as the case may be, (and not with reference to each branch), where such banking company or co-operative society or public company has adopted core banking solutions.

(4) Tax deduction from interest on compensation awarded by the Motor Accidents Claims Tribunal to be made at the time of payment, where the interest or aggregate interest paid exceeds Rs. 50,000 [Section 194A] **Effective from: 1st June, 2015**

(i) Section 194A requires deduction of tax at source from the income credited or paid by way of interest on the compensation amount awarded by the Motor Accidents Claims Tribunal where the amount of such income or, as the case may be, the aggregate amount of such income credited or paid during a financial year exceeds Rs. 50,000.
(ii) Consequently, section 194A has been amended to provide that deduction of tax there under from interest on the compensation amount awarded by the Motor Accidents Claims Tribunal shall be made ***only at the time of payment***, and that too only if the amount of interest payment or the aggregate amount of such interest payments during the financial year exceeds Rs. 50,000.
(v) No tax is deductible at source on such income credited by way of interest on the compensation amount awarded by the Motor Accidents Claims Tribunal.

Example:

Examine the TDS implications under section 194A in the cases mentioned hereunder:

(i) On 1.10.2015, Mr. Harish made a six-month fixed deposit of Rs. 10 lakh@9% p.a. with ABC Co-operative Bank. The fixed deposit matures on 31.3.2016.

(ii) On 1.6.2015, Mr. Ganesh made three nine month fixed deposits of Rs. 1 lakh each carrying interest@9% with Dwarka Branch, Janakpuri Branch and Rohini Branches of XYZ Bank, a bank which has adopted CBS. The fixed deposits mature on 28.2.2016.

(iii) On 1.4.2015, Mr. Rajesh started a 1 year recurring deposit of Rs. 20,000 per month@8% p.a. with PQR Bank. The recurring deposit matures on 31.3.2016.

Answer:

(i) ABC Co-operative Bank has to deduct tax at source@10% on the interest of Rs. 45,000 (9% × Rs. 10 lakh × ½) under section 194A. The tax deductible at source under section 194A from such interest is, therefore, Rs. 4,500.

(ii) XYZ Bank has to deduct tax at source@10% under section 194A, since the aggregate interest on fixed deposit with the three branches of the bank is Rs. 20,250 [1,00,000 × 3 × 9% × 9/12], which exceeds the threshold limit of Rs. 10,000. Since XYZ Bank has adopted CBS, the aggregate interest credited/paid by all branches has to be considered. Since the aggregate interest of Rs. 20,250 exceeds the threshold limit of Rs. 10,000, tax has to be deducted@10% under section 194A.

(iii) Tax has to be deducted under section 194A by PQR Bank on the interest of Rs. 10,400 falling due on recurring deposit on 31.3.2015 to Mr. Rajesh, since:

(1) “recurring deposit” has been included in the definition of “time deposit”; and

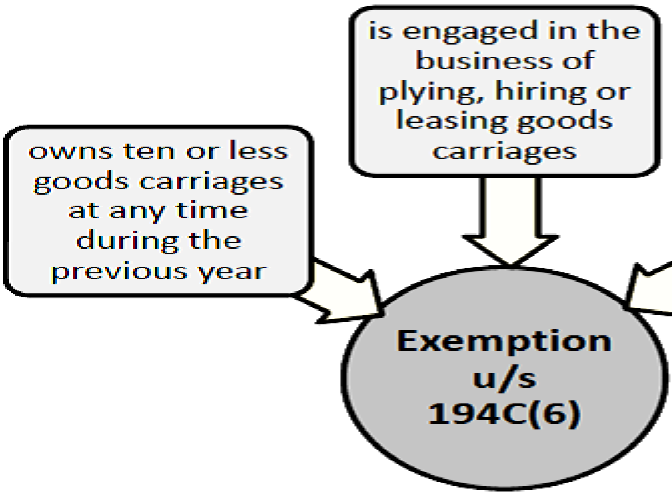
(2) such interest exceeds the threshold limit of Rs. 10,000.

(d) Exemption from applicability of TDS provisions under section 194C to be available only in respect of payments to transport operators owning ten or less goods carriages at any time during the previous year, on furnishing of PAN [Section 194C(6)]

Effective from: 1st June, 2015

Under section 194C, payment to contractors is subject to tax deduction at source (TDS) at the rate of 1%, in case the payee is an individual or Hindu undivided family, and at the rate of 2% in case of other payees, if such payment exceeds Rs. 30,000 or aggregate of such payment in a financial year exceeds Rs. 75,000.

Accordingly, in order to convey the true intent of law, section 194C(6) has been amended to clarify that the relaxation provided there under from the requirement to deduct tax at source shall only be applicable to the payment in the nature of transport charges (whether paid by a person engaged in the business of transport or otherwise) made to a contractor, who fulfills the following three conditions **cumulatively**:



Interest under section 234A not chargeable on self assessment tax paid before the due date of filing of return of income [Circular No. 2/2015, dated 10-2-2015]:
Interest under section 234A is charged in case of default in furnishing return of income by an assessee. The interest is charged at the specified rate on the amount of tax payable on the total income, as reduced by the amount of advance tax, TDS/TCS etc.

Accordingly, the CBDT reviewed the present practice of charging interest and decided that **no interest under section 234A shall be charged on self assessment tax paid by the assessee on or before the due date of filing of return.**

Provisions for Filing Return of Income

Requirement of filing of return of income as per the new fourth and fifth proviso to section 139(1)