

PROFESSIONAL EDUCATION (COURSE – II)

SUPPLEMENTARY STUDY PAPER - 2007

INCOME-TAX AND CENTRAL SALES TAX

[Covers amendments made by the Finance Act, 2007, Taxation Laws (Amendment) Act, 2006, Taxation Laws (Amendment) Act, 2007 and Important Circulars/ Notifications issued between 1st May 2006 and 30th April 2007]

(Relevant for students appearing for May, 2008 examination)



BOARD OF STUDIES
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

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FOREWORD

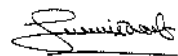
Income-tax and Central Sales Tax is a very dynamic subject of the chartered accountancy course. For attaining thorough knowledge, the students have not only to be well conversant with the basic provisions of the relevant laws, but also have to constantly update their knowledge regarding statutory developments.

The Board of Studies brings out the annual Supplementary Study Papers to help the students to update their knowledge relating to recent statutory developments in the field of income-tax and central sales tax made by the Annual Finance Acts, Notifications/Circulars etc.

This year, the amendments made by the Taxation Laws (Amendment) Act, 2006 and Taxation Laws (Amendment) Act, 2007 have also been incorporated in this Supplementary Study Paper. I compliment the Board of Studies for the good work in bringing out this publication, which would help the students to update their knowledge regarding the latest statutory developments. I am sure that this publication will be of great use to the students in preparing for their examination.

Date: 19th June, 2007

Place: New Delhi.



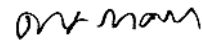
CA. Sunil Talati

President

PREFACE

The Board of Studies is engaged in the task of providing quality study materials and other inputs to enable the students to prepare for their examinations. One of the important inputs of the Board on taxation is the supplementary study paper in Income-tax and Central Sales Tax to be used by the PE-II students. The supplementary study papers are annual publications and contain a discussion of the amendments made by the Annual Finance Acts in income-tax and central sales tax. They are very important to the students for updating their knowledge regarding the latest statutory developments in the respective areas mentioned above. A lot of emphasis is being placed on these latest amendments in the PE-II examinations.

The faculty of the Board of Studies have incorporated in this Supplementary Study Paper-2007, the amendments made by the Finance Act, 2007, Taxation Laws (Amendment) Act, 2006, Taxation Laws (Amendment) Act, 2007 and important Notifications/Circulars issued between 1st May 2006 to 30th April, 2007. I am happy to note that this Supplementary Study Paper has many student-friendly features like presentation of the amendments point-wise in a simplified and lucid manner, supporting the theory with examples wherever possible, giving 'amendments at a glance' etc. These features will help the students to understand and grasp the essence of the new amendments in an easy and methodical manner. I appreciate the earnest and sincere efforts taken by CA. Priya Subramanian, Faculty, Board of Studies in bringing out this valuable publication, under the guidance of CA. R. Devarajan, Additional Director of Studies (S.G.). I am sure that, as in the past, this Supplementary Study Paper would be highly useful to the students preparing for PE-II examinations.



CA. Jaydeep Narendra Shah
Chairman
Board of Studies

June 19, 2007.
New Delhi.

INCOME TAX AND CENTRAL SALES TAX

AMENDMENTS AT A GLANCE – FINANCE ACT, 2007

S.No.	Particulars	Section
I	INCOME-TAX ACT, 1961	
1.	A. Rates of tax	
	B. Basic Concepts	
2.	Assessing Officer to include Additional Commissioner and Additional Director	2(7A)
3.	Amendment of definition of 'India'	2(25A)
	C. Residence and scope of total income	
4.	Contribution made by any employer to the pension scheme of Central Government deemed to be income received	7(iii), 17(1)(viii) & 80CCD
5.	Income deemed to accrue or arise in India to a non-resident by way of interest, royalty and fee for technical services to be taxed irrespective of territorial nexus	Explanation to section 9
	D. Incomes which do not form part of total income	
6.	Exemption of compensation received on account of disaster	10(10BC)
7.	Exemption of interest on notified bonds issued by State Pooled Finance Entities	10(15)(vii)
8.	Exemption of income of ASOSAI-SECRETARIAT	10(23BBD)
9.	Exemption of income of Central Electricity Regulatory Commission	10(23BBG)
10.	Approval of prescribed authority required for exemption of funds/institutions established for charitable purposes	10(23C), 80E & 143(3)
11.	Exemption of specified income of Investor Protection Fund set up by commodity exchanges	10(23EC)
12.	Pass through status restricted to investment in a venture capital undertaking engaged in specified businesses	10(23FB)
13.	Restrictive conditions to apply for units in SEZ also for availing benefit under section 10AA	10AA

E. Charitable or religious trusts and institutions		
14.	Removal of requirement to file an application for registration within one year of creation or establishment of the trust or institution	12A & 12AA
15.	Exemption not to be denied to trusts investing in shares of a public sector company or shares prescribed as a form or mode of investment under section 11(5)(xii)	13(1)
F. Income from salaries		
16.	Deemed concession in the matter of rent	17
G. Profits and gains of business or profession		
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18.	Medical insurance premium paid by the employer to insure the health of his employees to qualify for deduction if paid by any mode other than cash	36(1)(ib)
19.	Co-operative banks to be allowed deduction in respect of provision for bad and doubtful debts	36(1)(viiia), 10(15)
20.	Restriction of deduction under section 36(1)(viii) relating to transfer to any special reserve	36(1)(viii)
21.	Withdrawal of deduction in respect of contribution towards Exchange Risk Administration Fund by public financial institutions	36(1)(x)
22.	Central Government empowered to notify statutory corporations and body corporates for the purpose of deduction under section 36(1)(xii)	36(1)(xii)
23.	Deduction of contribution by a public financial institution to Credit guarantee fund trust for small industries	36(1)(xiv)
24.	Disallowance of entire expenditure in respect of which payments exceeding Rs.20,000 have been made otherwise than by account payee cheque or account payee bank draft	40A(3)
25.	Method of computing deduction in the case of business reorganisation of co-operative banks	44DB, 47 & 49
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27.	Cost of acquisition of specified securities and sweat equity shares	49(2AB), 2(42A)
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38.	Works contractor not entitled to benefit of deduction under section 80-IA	80-IA(13)
39.	Extension of time limit for industries in the State of Jammu and Kashmir for the purpose of tax holiday under section 80-IB	80-IB
40.	Tax holiday in respect of profits and gains from the business of hotel or business of building, owning and operating a convention centre in NCR	80-ID

41.	Tax holiday in respect of profits and gains from eligible business of certain undertakings in North-Eastern States	80-IE
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45.	Assessee to be given an opportunity of being heard before issuing directions for special audit	142(2A)
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AMENDMENTS AT A GLANCE - TAXATION LAWS (AMENDMENT) ACT, 2006

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56.	Removal of the requirement of renewal of notification issued under sub-clauses (iv) and (v) of section 10(23C)	10(23C)
57.	Time limit for issue of notification under sub-clauses (iv) and (v) or for approval by the prescribed authority under sub-clauses (vi) and (via) of section 10(23C)	10(23C)
58.	Funds/Trusts/Universities/Other educational institutions or hospitals or other medical institutions referred to in sub-clauses (iv),(v),(vi) or (via) of clause (23C) of section 10 to get their accounts audited and furnish audit report	10(23C)
59.	Accounts of a charitable or religious trust or institution to be audited if their total income exceeds the basic exemption limit	12A(b)
60.	Guidelines, manner and conditions on the basis of which approval is to be granted under section 35(1)(ii) and section 35(1)(iii)	35(1)(ii) & 35(1)(iii)
61.	Deduction not to be denied to the donor-assessee on subsequent withdrawal of approval of specified donee entities	35(2AA), 35AC & 35CCA
62.	Disallowance of rent and royalty paid to a resident without deduction of tax at source	40(a)(ia)
63.	Disallowance of expenses for which payment above Rs.20,000 has been made otherwise than by account-payee cheque or account-payee bank draft	40A
64.	Cash gifts received in excess of Rs.50,000 on or after 1.4.2006 to be taxed	56(2)(vi)
65.	Deduction not to be denied to the donor-assessee on subsequent withdrawal of approval of the donee-	80GGA

association, university etc.

66.	Specified universities, colleges and other institutions compulsorily required to file their return of income	139(4C) & (4D)
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AMENDMENTS AT A GLANCE - TAXATION LAWS (AMENDMENT) ACT, 2007

S.No.	Particulars	Section
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70.	Concessional rate of tax not applicable on inter-State sale to Government	8(1)
71.	The State sales-tax rate to be the rate of CST applicable in respect of sale of goods not falling under section 8(1)	8(2)
72.	New rates of Central Sales Tax	8(1), 8(2) & 8(5)
73.	Tobacco products excluded from the list of declared goods	14