FINAL COURSE

SUPPLEMENTARY STUDY PAPER - 2009

DIRECT TAXES AND INDIRECT TAXES
(Existing Final Course)

DIRECT TAX LAWS AND INDIRECT TAX LAWS
(New Final Course)

[Covers amendments made by the Finance (No.2) Act, 2009 and Important Circulars/Notifications issued between 1st May 2008 and 30th April 2009 and budget notifications]

(Relevant for students appearing for May, 2010 and November, 2010 examinations)

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FOREWORD

Direct Tax Laws and Indirect Tax Laws are among the extremely dynamic subjects of the chartered accountancy course. The level of knowledge prescribed at the final level for the subjects is 'expert knowledge' and 'advanced knowledge' for the existing and new course, respectively. For attaining such a level of knowledge, the students have not only to be thorough 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 Paper to help the students to update their knowledge relating to recent statutory developments in the field of direct and indirect tax laws made by the Annual Finance Acts, Notifications/Circulars etc.

I compliment the Board of Studies for its 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: October, 2009
Place: New Delhi.

CA. Uttam Prakash Agarwal
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 direct and indirect tax laws to be used by the final students. The supplementary study papers are annual publications and contain a discussion of the amendments made by the Annual Finance Acts and Notifications/Circulars in income-tax, wealth-tax, excise, customs and service 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 final examinations.

The faculty of the Board of Studies have incorporated in this Supplementary Study Paper-2009, the amendments made by the Finance (No.2) Act, 2009 and important Notifications/Circulars issued between 1st May 2008 and 30th April, 2009 and budget notifications. 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.

It may be noted that this supplementary study paper would be relevant for both the existing final course and the new final course. I appreciate the earnest and sincere efforts taken by CA. Priya Subramanian (Direct Taxes) & CA. Shefali Jain (Indirect Taxes), Faculty, Board of Studies in bringing out this valuable publication. I am sure that, as in the past, this Supplementary Study Paper would be highly useful to the students preparing for final examinations.

CA. Jaydeep Narendra Shah
Chairman
Board of Studies

October, 2009.
New Delhi.

DIRECT TAXES / DIRECT TAX LAWS

AMENDMENTS AT A GLANCE – FINANCE (No.2) ACT, 2009

S.No.	Particulars	Section
I	INCOME-TAX ACT, 1961	
1.	A. Rates of tax	
	B. Basic Concepts	
2.	Scope of definition of charitable purpose expanded	2(15)
3.	Definition of the term “manufacture” incorporated in the Act	2(29BA)
4.	Zero Coupon Bonds to include bonds issued by scheduled banks also	2(48), 36(1)(iiia) & 194A(3)
	C. Incomes which do not form part of total income	
5.	Denial of double benefit in respect of VRS compensation	10(10C) & 89
6.	Extension of time limit for filing application for tax exemption	10(23C)
7.	Exemption under section 10(23D) to be available to mutual funds set up by “other public sector banks” also	10(23D)
8.	Exemption of income received by any person on behalf of NPS Trust	10(44), 115-O & 197A
9.	Sunset clause for deductions under sections 10A and 10B to be deferred by one more year	10A & 10B
10.	Exempted profits in the case of units in Special Economic Zones (SEZs) to be computed as a percentage of total turnover of the business carried on by the undertaking and not the total turnover of the business carried on by the assessee	10AA
11.	Exemption for voluntary contributions received by electoral trusts	13B, 2(22AAA), 2(24), 80GGB & 80GGC
12.	Exemption limit for taxation of anonymous donations	115BBC
	D. Salaries	
13.	Certain fringe benefits to be taxed as perquisites in the hands of employees	17(2), 49(2AA) & 115WM

	E. Profits and gains of business or profession	
14.	Definition of "block of assets" as per section 2(11) to apply for all purposes of the Income-tax Act	32(1)
15.	Scope of benefit of weighted deduction of 150% for in-house research and development expanded	35(2AB)
16.	Introduction of "investment-linked tax incentives" for specified businesses	35AD, 28, 43, 50B, 73A & 80-IA
17.	Withdrawal of commodities transaction tax	36(1)(xvi)
18.	Scope of deduction under section 36(1)(viii) expanded to include business of providing long-term finance for development of housing in India	36(1)(viii)
19.	Increase in limits for deductibility of remuneration paid to partners by a firm	40(b)(v)
20.	Increase in limit for attracting disallowance under section 40A(3)/(3A) from Rs.20,000 to Rs.35,000 for payments to transport operators	40A(3)/(3A)
21.	Increase in presumptive income for transport operators	44AE
22.	Increase in scope of coverage of presumptive tax provisions	44AD, 44AA, 44AB
23.	Full depreciation to be deducted to arrive at the written down value under section 43(6) in cases of composite income covered under Rules 7A, 7B & 8 also	43(6)
24.	Taxation of investment income/loss of non-life insurance business [Rule 5 of the First Schedule to the Income-tax Act]	
	F. Capital Gains	
25.	Transfer of land and/or building through "power of attorney" to attract the provisions of section 50C	50C
	G. Income from Other Sources	
26.	Transfer of movable/immovable property without consideration or for inadequate consideration to be taxed in the hands of the recipient	56(2)(vii), 2(24) & 49(4)
27.	Interest received on compensation/enhanced compensation deemed to be income in the year of receipt and taxable under the head "Income from Other Sources"	56(2)(viii), 57 & 145A

40.	No adjustment required if the variation between arm's length price and transfer price is within 5% of transfer price	92C(2)
41.	Safe harbour rules to be introduced for determination of arm's length price in case of international transactions	92CB
	J. Assessment of various entities	
42.	Tax treatment for Limited Liability Partnerships (LLPs)	2(23), 140 & 167C
43.	Increase in rate of MAT as well as its scope of coverage	115JB
44.	Provision for diminution in the value of asset to be added back for computation of book profit	115JB
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	K. Income-tax Authorities	
46.	Power of Joint Director, Joint Commissioner, Additional Director & Additional Commissioner to issue warrant of authorization	132 & 132A
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49.	Assessing Officer empowered to assess or reassess income which comes to his notice subsequently though he has not recorded reasons for the same	147
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52.	Periodicity of filing TDS/TCS statements to be prescribed by the Government	200, 206C, 139A, 201, 203A, 206A, 272A
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INDRECT TAXES / INDIRECT TAX LAWS

AMENDMENTS AT A GLANCE – FINANCE (No.2) ACT, 2009

S.No.	Particulars	Section
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2.	Chartered Accountants can also be nominated for conducting the valuation audit	14A
3.	Chartered Accountants can also be nominated for conducting the CENVAT audit	14AA
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6.	High Court empowered to condone the delay in filing the reference application and memorandum of cross objections	35H
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2.	Process of adding or mixing certain ingredients to betel nut in any form would amount to manufacture	
II.	CUSTOMS	
A.	Customs Act, 1962	
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2.	Authority for Advance Ruling under Income Tax Act, 1962 may also be notified by the Central Government to act as Authority under the customs law	Section 28F(2A) to (2D)
3.	High Court empowered to condone the delay in filing the appeal	130

4.	High Court empowered to condone the delay in filing the reference application and memorandum of cross objections	130A
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6.	Central Government empowered to make rules regarding manner of compounding	156(2)(h)
7.	Clause (ai) and (aii) inserted in section 157(2)	157(2)(ai) and (aii)
B.	Customs Tariff Act, 1975	
1.	Additional duty of customs	Second proviso to section 3(2)
2.	Machinery provisions of the Customs Act, 1962 made applicable to following duties imposed under the Customs Tariff Act, 1975:-	
	(a) Safeguard duty	8B(4A)
	(b) Specific Safeguard duty on imports from China	8C(5A)
	(c) Countervailing duty on subsidized articles	9(7A)
	(d) Anti-Dumping duty	9A(8)
3.	Section 9A amended - Anti-Dumping Duty	9A(1) and 9A(6A)
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III.	SERVICE TAX	
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1.	3 new services brought under the service tax net	65
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	B. Service provided in relation to cosmetic surgery or plastic surgery other than the surgery undertaken to restore or reconstruct anatomy or functions of body affected due to congenital defects, developmental abnormalities, degenerative diseases, injury or trauma.	