Last Minute revision - Income Tax amendments

Relevant for May 2012 examinations – Direct Tax laws (Finance Act 2011)

Sections	Amendment
Rates	• **General exemption Limit for individual/HUFs/BOIs/AOPs and artificial judicial persons** has been increased from INR **160,000 to INR 180,000.00** • The **age** of senior citizen has been reduced from **65 years to 60 years**. • For the resident individual of the **age of 80 years or more** will be eligible for the basis exemption limit of INR **500,000.00** • **Surcharge on domestic company** have been reduced to **5% from 7.5 %** • **Surcharge on foreign company** have been reduced **to 2% from 2.5 %** • Under new section **194LB** inserted by Finance Act-2011 w.e.f. 1st June, 2011 the **interest** paid for **by infrastructure debt company** under 47(10) **to a Non-resident or foreign company** will be subject to deduct **TDS @ 5% instead of 20%** on other interest income of Non-resident u/s 115A • **Surcharge @ 2% for TDS** deducted on foreign company income if their income or aggregate of income paid or likely to be paid exceed INR 1 crore. Education cess @ 2% and Higher education cess @ 1% would be levied on TDS deducted of Non-resident and foreign company including surcharge. **(Surcharge is applicable subject to marginal relief and also available on MAT u/s 115JB. No marginal relief is applicable to ECS and HECS)**
2 (15)	The **monetary Limit of permissible receipt from trading activity** for an institution with an object of *“Advancement of **any other object** of general public utility”* and engaged in charitable purpose u/s 2(15) have been **increased from INR 10 lac to INR 25 lac** to retain its “charitable status” w.e.f. AY 2012-13.
10(45)	**New clause 45** to section-10 has been inserted to enable the exemption of specified allowance to **Chairman** or a **retired chairman** or any other **member or retired member of Union Public Service Commission** for the **allowance and perquisites as notified** by central government. (WEF retrospectively from AY 2008-09)
10(46) **10(47)&** **139 (4c)**	• **New clause 46** to section-10 has been inserted to enable the exemption of **income arising to a notified body or authority or Board or Trust or Commission to the extent as notified** by central government. (WEF 1st June-2011) • **New clause 47** to section-10 has been inserted to enable the **exemption of income of notified infrastructure debt fund by central government.** (WEF 1st June-2011). • **Filing of return to such body or authority** would be liable **u/s 139(4C)** which has been amended via Finance Act-2011, **within time period prescribed u/s 139(1), if its total income exceed above basis exemption limit without giving effect of Sec. 10(46), 10(47).**
35(2AA)	The limit of **weighted average** deduction has been increased from **175% to 200%** WEF AY 2012-13.
35(AD)	• The scope **have been extended** to include the following to **Developing and building a house project** under a **notified scheme** of CG and SG. **Production of fertilizer in India** (**The new plant or new capacity should be started on or after 1st April, 2011**) effective from AY 2012-13(In respect of existing provision to this section **in the business of hotels and hospitals** the word **“New” have been removed from the definition of specified business**. • Loss of assessee claiming deduction u/s 35AD **can be set-off** against the profit of any other ***specified business*** u/s 73A i***rrespective of whether any other specified business is eligible for deduction u/s 35AD or not.***
36(1), **40A(9) &** **80CCE**	• **Employers contribution** to the account of the employee under a pension scheme **to in section 80CCD** will be **deductible as a business expenditure** under newly inserted clause (iva) in section 36(1) subject to maximum of 10% salary of employee in PY (For this purpose salary will include DA, if the terms of employment provides so) WEF AY 2012-13 • Consequently section **40A(9) has been amended to provide the effect to the above proviso**. • **Section 80CCE has also been amended** to provide the effect to the above proviso where the deduction of sum provided under this proviso to employee will be over and above the limit of INR 1 lac.
80CCF	**Extension in duration** for investment in long-term infrastructure bond **for one more year**.
80(IA)	The **time limit u/s 80-IA(4)(iv) have been extended by one year** i.e. **from 31.3.11 to 31.3.12** to enable the undertakings which have started the power business during the period from 1.4.11 to 31.03.12
80- IB	A new sunset clause has been added under the section 80-IB(9) under which **no deduction will be allowed under this section for the commercial production of mineral oil for which the license under a contract have been awarded after 31st March, 2011. *Effective from AY 2012-12***
92C	***5%*** **variation %** ***have been substituted with as such % notified by CG.*** From AY 2012-13

92CA	The **powers of Transfer Pricing Officer have been broaden** to empower him **to determine the ALP of other international transaction, identified subsequently in course of proceedings before him and conduct a survey upon income-tax authority u/s 133A** .(Effective from 1st June, 2011)
94A	***New Section 94A:- T***o **discourage assesses** from **entering into transaction** with **persons located into countries and territories where no effective mechanism of communication exist with India.** CG have been empowered to notify any such country as NJA (Notified Jurisdictional Area). **Any transaction done with person located in NJA would be deemed to be an international transaction** and all parties will be deemed to be associated enterprises and all the **provision of the transfer pricing will be applicable to such transaction except the benefit of section 92C(2)** ***(Effective from 1st June, 2011)***
115JB	**MAT has been increased from 18% to 18.5% .** WEF AY 2012-13
115BBD	***New Section 115BBD:- Concessional rate of tax on dividend*** Where any **specified foreign company** (the foreign company in which Indian company holds 26% or more in nominal value of the equity share capital of the company) **declares dividend and such dividend** (gross dividend that no expenses will be allowed in such respect) **is received by Indian company** then it shall be subject to **concessional rate of 15% as against the existing rate of 30%.** W.e.f. AY 2012-13
115-O, 115 JB, 10(34)	A sunset clause for SEZ have been introduce to **remove for MAT exemption from AY 2012-13** and **remove DDT exemption for dividend declared, distributed or paid on or after 1st June, 2011**. Since DDT will be levied u/s 115-O in that case dividend declared, distributed or paid on or after 1st June, 2011 by SEZ or dividend received by SEZ will be exempt in the hand of recipient u/s 10(34) ***(dividend declared before 1st June, 2011 and paid on or after 1st June, 2011 would not attract DDT provision)***
115R	Increase in rate of additional Income-tax on income distributed by a **debt fund, mutual fund, money market fund or liquid fund to a person other than individual or HUF** has been increased from **25% to 30%** w.e.f. 1st June, 2011. (Income from equity oriented fund is exempt from tax)
115 JC TO JF	**New Section (Alternate Minimum tax on LLPs) LLP to be subject to AMT @ 18.5%.** A report on or before due date u/s 139(1) from chartered accountant required certifying that adjusted total income and AMT have been computed according to provision of this chapter. All other provision of advance tax, interest etc. shall continue to apply. Carry forward and set-off up to a maximum period of 10 AYs. No interest will be paid on such tax credit. ***Effective from AY 2012-13***
131,133, 153& 153B	**(Powers for facilitating collection of information on request from tax authorities outside India)** The time limit of six month or actual receive of information, whichever is less have been removed in getting the information from the income-tax authorities outside India. **(Effective from 1st June, 2011)**
139(1)	• **Extension of due date for the *corporate assesse* for filing of report u/s 92E in the Form 3CEB and return u/s 139(1) undertaking the *international transaction* extended from 30.09.11 to 30.11.2011.** • **Time limit u/s 43B & TDS deposit to avoid disallowance u/s 40(a)(ia) also extended to 30.11.2011. w.e.f. AY 2012-13**
139(1) 296	CG empowered to notify the class or classes of persons exempted from the requirement of filing of return.
143	**The time limit for issue of notification by CG u/s 143(1B) extended from 31.3.11 to 31.312.**
245C	The limit for applying to Settlement Commission in case of section 153A, 153B and 153C the limit of INR **50 lac of specified person against who is subject matter to search. Where the applicant is related person/entities to the specified person** and proceeding also have been initiated in his case as a result of search can apply before settlement commission if add. income tax on income disclosed exceed INR **10 lac**. **Effective from June-2011**
245D	The settlement commission may amend any order passes by it u/s 245D to rectify any mistake apparent from record within six month from the date of order and follow natural justice principle (***Effective from June, 2011)Note:-A similar amendment have been made in Wealth-tax Act-1957***
282B	**Omission of Section 282B of requirement to quote DIN by Finance Act-2011**
285	***A new section 285-*** w.e.f. 1st June, 2011 Non-resident to file a statement to AO, within 60 days from the end of financial year, providing the details in respect of activities carried out by the liaison office in India
4th Schedule	The time limit for a recognized provident fund, where the recognition have been received on or before 31.03.2006, for satisfying conditions has been extended from 31.12.2010 to 31.03.2011

Summarized by: CA Ravi Chopra.

Due care has been taken to prepare the above summary. I undertake no responsibility of any error or omission. This is only a summary. Kindly go through the Amendments in detail before doing this to have a better understanding.