Part I : AMENDMENTS MADE BY FINANCE ACTS, 2011

1. RATES OF INCOME TAX

(i)

(a) For resident women below the age of 60 years at any time during the previous year (born on or after 1st April, 1952)

Level of total income	Rate of income-tax
Where the total income does not exceed Rs. 1,90,000	Nil
Where the total income exceeds Rs. 1,90,000 but does not exceed Rs. 5,00,000	10% of the amount by which the total income exceeds Rs. 1,90,000
Where the total income exceeds Rs. 5,00,000 but does not exceed Rs. 8,00,000	Rs.31,000 plus 20% of the amount by which the total income exceeds Rs. 5,00,000
Where the total income exceeds Rs. 8,00,000	Rs. 91,000 plus 30% of the amount by which the total income exceeds Rs. 8,00,000

(b) For resident individuals of the age of 60 years or more but less than 80 years at any time during the previous year (born during 1st April, 1932 and 31st March, 1952)

Level of total income	Rate of income-tax
Where the total income does not exceed Rs. 2,50,000	Nil
Where the total income exceeds Rs. 2,50,000 but does not exceed Rs. 5,00,000	10% of the amount by which the total income exceeds Rs. 2,50,000
Where the total income exceeds Rs. 5,00,000 but does not exceed Rs. 8,00,000	Rs.25,000 plus 20% of the amount by which the total income exceeds Rs. 5,00,000
Where the total income exceeds Rs. 8,00,000	Rs. 85,000 plus 30% of the amount by which the total income exceeds Rs. 8,00,000

(c) For resident individuals of the age of 80 years or more at any time during the previous year (born before 1st April, 1932)

Level of total income	Rate of income-tax
Where the total income does not exceed Rs. 5,00,000	Nil
Where the total income exceeds Rs. 5,00,000 but does not exceed Rs. 8,00,000	20% of the amount by which the total income exceeds Rs. 5,00,000
Where the total income exceeds Rs. 8,00,000	Rs. 60,000 plus 30% of the amount by which the total income exceeds Rs. 8,00,000

(d) Individual (born on or after 1st April, 1952)/ HUF/ AOP / BOI and every artificial juridical person

Level of total income	**Rate of income-tax**
Where the total income does not exceed Rs. 1,80,000	Nil
Where the total income exceeds Rs. 1,80,000 but does not exceed Rs. 5,00,000	10% of the amount by which the total income exceeds Rs. 1,80,000
Where the total income exceeds Rs. 5,00,000 but does not exceed Rs. 8,00,000	Rs.32,000 plus 20% of the amount by which the total income exceeds Rs. 5,00,000
Where the total income exceeds Rs. 8,00,000	Rs. 92,000 plus 30% of the amount by which the total income exceeds Rs. 8,00,000

(ii) Co-operative society

Level of total income	**Rate of income-tax**
Where the total income does not exceed Rs. 10,000	10% of the total income
Where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000	Rs. 1,000 plus 20% of the amount by which the total income exceeds Rs. 10,000
Where the total income exceeds Rs. 20,000	Rs. 3,000 plus 30% of the amount by which the total income exceeds Rs. 20,000

(iii) Firm/Limited Liability Partnership (LLP)

The rate of tax for a firm is 30% on the whole of the total income of the firm. This rate would apply to an LLP also.

(iv) Local authority

The rate of tax for a local authority is 30% on the whole of the total income of the local authority.

(v) Company

The rates of tax -

In the case of a domestic company	30% of the total income
In the case of a company other than a domestic company (Foreign Company)	40% of the total income

2. SURCHARGE

(i) Individual/HUF/AOP/BOI/Artificial juridical person

No surcharge would be leviable in case of such persons.

(ii) Co-operative societies/Local authorities

No surcharge would be leviable on co-operative societies and local authorities.

(iii) Firms/LLPs

No surcharge would be leviable on firms and LLPs.

(iv) Domestic company

Where the total income exceeds Rs. 1 crore, surcharge is payable at the rate of 5% of income-tax. Marginal relief is available in case of such companies having a total income exceeding Rs. 1 crore i.e. the additional amount of income-tax payable (together with surcharge) on the excess of income over Rs. 1 crore should not be more than the amount of income exceeding Rs. 1 crore.

(v) Foreign company

Where the total income exceeds Rs. 1 crore, surcharge is payable at the rate of 2% of income-tax. Marginal relief is available in case of such companies having a total income exceeding Rs. 1 crore i.e. the additional amount of income-tax payable (together with surcharge) on the excess of income over Rs. 1 crore should not be more than the amount of income exceeding Rs. 1 crore.

Note – Marginal relief would also be available to those companies which are subject to minimum alternate tax under section 115JB, in cases where the book profit exceeds Rs. 1 crore.

3. EDUCATION CESS / SECONDARY AND HIGHER EDUCATION CESS

(i) The amount of income-tax as increased by the union surcharge, if applicable, should be further increased by an "Education cess on income-tax", calculated at the rate of 2% of such income-tax and surcharge.

(ii) Education cess is leviable in the case of all assessees i.e. individuals, HUFs, AOP/BOIs, co-operative societies, firms, LLPs, local authorities and companies.

(iii) Further, "Secondary and higher education cess on income-tax" @1% of income-tax and surcharge is leviable to fulfill the commitment of the Government to provide and finance secondary and higher education.

(iv) No marginal relief would be available in respect of such cess.

4. Section 2 (15)- Charitable Purpose

(i) Section 2(15) defines "charitable purpose" to include relief of the poor, education, medical relief, preservation of environment (including watersheds, forests and wildlife) and preservation of monuments or places or objects of artistic or historic interest, and ***the advancement of any other object of general public utility.***

However, the ***"advancement of any other object of general public utility" shall not be a charitable purpose***, <u>if it involves the carrying on of any activity in the nature of trade, commerce or business</u>, or any activity of rendering any <u>service in relation to any trade, commerce or business, for a cess or fee or any other consideration</u>, irrespective of the nature of use or application, or retention, of the income from such activity.

(ii) That means, the institutions which were engaged in charitable activities and having the object of general public utility were denied exemption, if they were engaged in any activity of trade, commerce or business or activity of rendering any service in relation to any trade, commerce or business for a cess or fees.

(iii) In order to provide relief to these charitable organizations, **the Finance Act, 2010 has provided that such benefit of exemption will not be denied to the institutions having object of advancement of general public utility, even where they are engaged in the activity of trade, commerce or business or rendering any service for a cess or fee, provided the aggregate value of receipts from such activities does not exceed Rs.10 lakh in the year under consideration.**

(iv) The above limit of Rs. 10 lakhs has now been increased to Rs. 25 lakhs by the Finance Act, 2011 with effect from A.Y.2012-13.

5. Section 10 (45) and Notification no. 49 / 2010

- Section 10(45) seeks to **exempt notified allowances and perquisites** received by Chairman or any other member, including retired Chairman/member, of the Union Public Service Commission (UPSC).
  (Effective retrospectively from A.Y.2008-09)

- **Students shall also consider following Notification No. 49/2010 dated 06.09.2011**

  In case of **serving Chairman and members** of Union Public Service Commission :—

  (*i*) the value of rent free official residence;

  (*ii*) the value of conveyance facilities including transport allowance;

  (*iii*) the sumptuary allowance;

  (*iv*) the value of leave travel concession provided to a serving Chairman or member of the Union Public Service Commission and members of his family;

  In case of the **retired Chairman and retired members** of the Union Public Service Commission :—

  (*i*) a sum of maximum Rs. 14,000 per month for defraying the service of an orderly and for meeting expenses incurred towards secretarial assistance on contract basis;

  (*ii*) the value of a residential telephone free of cost and the number of free calls to the extent of 1500 per month (over and above the number of free calls per month allowed by the telephone authorities).

6. Section 10 (46) and 139 (4C)

- Section 10 (46*) seeks to* ***exempt specified income arising to a body or authority or Board or Trust or Commission*** *(by whatever name called) which—*

  (a) *has been established or constituted by or under a Central, State or Provincial Act, or constituted by the Central Government or a State Government, with the object of regulating or administering any activity for the benefit of the general public;*

  (b) *is not engaged in any commercial activity; and*

  (c) *is notified by the Central Government in the Official Gazette for the purposes of this clause.*

  Explanation.—*For the purposes of this clause, "specified income" means the income, of the nature and to the extent arising to a body or authority or Board or Trust or Commission (by whatever name called) referred to in this clause, which the Central Government may, by notification in the Official Gazette, specify in this behalf;*

- *Further, section 139(4C) has been amended to require such body or authority or Board or Trust or Commission to furnish its return of income for the previous year in the prescribed form within the period specified under section 139(1), if its total income, without giving effect to the exemption under section 10(46), exceeds the basic exemption limit.*

  (Effective from 1st June, 2011)

7. Section 10 (47) 139 (4C), 115A and 194 LB

- *Section 10 (*47*)seeks to exempt any income of an infrastructure debt fund, set up in accordance with the guidelines as may be prescribed, which is notified by the Central Government.*

- Further, section 115 A has been amended to tax Interest income received by a non-resident or a foreign company from infrastructure debt fund at a concessional rate of 5% on the gross amount

- Therefore section 194 LB has been amended to deduct tax @ 5% on such interest paid/credited by infrastructure debt fund to a non-resident/foreign company.

- Further section 139(4C) has been amended to require such infrastructure debt fund to furnish its return of income for the previous year in the prescribed form within the period specified under section 139(1), if its total income, without giving effect to the exemption under section 10(47), exceeds the basic exemption limit.

  (Effective from 1st June, 2011)

8. Section 35 (2AA)

- Section 35(2AA) provides for a weighted deduction of 175% in respect of amount paid to National Laboratory, or a University or an IIT or specified person with a specific direction that such sum shall be used for the purpose of an approved scientific research programme.
- The Finance Act, 2011 has increased the percentage of weighted deduction from 175% to 200% with effect from A.Y.2012-13.

(Effective from A.Y.2012-13)

Therefore, my dear students remember following summary for deductibility of contributions made to other institutions / association. And do remember that such deduction is allowed even if such contribution is not related to assessee's business.

Section	**To whom contribution can be given?**	**To be utilized for?**	**Weighted deduction**
35 (1) (ii)	An approved association or an approved university, college or other institution	Scientific research	175 % of contribution
35 (1) (iii)	An approved association or an approved university, college or other institution	Social science research or Statistical research	125 % of contribution
35 (2AA)	**National Laboratory,** University, **IIT** or specified person approved by prescribed authority	Scientific research	200% of Contribution
35(1)(iia)	Contribution made to company having main objects of scientific research	Scientific research	125% of contribution

9. Section 35 AD

(1) An assessee shall be allowed a deduction in respect of the whole of any expenditure of capital nature incurred, wholly and exclusively, for the purposes of any specified business carried on by him during the previous year in which such expenditure is incurred by him :

Provided that the expenditure incurred, wholly and exclusively, for the purposes of any specified business, shall be allowed as deduction during the previous year in which he commences operations of his specified business, if—

(*a*) the expenditure is incurred prior to the commencement of its operations; and

(*b*) the amount is capitalised in the books of account of the assessee on the date of commencement of its operations.

(2) This section applies to the specified business which fulfils all the following conditions, namely :—

(*i*) it is not set up by splitting up, or the reconstruction, of a business already in existence;

(*ii*) it is not set up by the transfer to the specified business of machinery or plant previously used for any purpose;

(*iii*) where the business is of the nature referred to in sub-clause (*iii*) of clause (*c*) of sub-section (8), such business,—

(*a*) is owned by a company formed and registered in India under the Companies Act, 1956 (1 of 1956) or by a consortium of such companies or by an authority or a board or a corporation established or constituted under any Central or State Act;

(*b*) has been approved by the Petroleum and Natural Gas Regulatory Board established under sub-section (1) of section 3 of the Petroleum and Natural Gas Regulatory Board Act, 2006 (19 of 2006) and notified by the Central Government in the Official Gazette in this behalf;

(*c*) has made not less than [such proportion of its total pipeline capacity as specified by regulations made by the Petroleum and Natural Gas Regulatory Board established under sub-section (1) of section 3 of the Petroleum and Natural Gas Regulatory Board Act, 2006 (19 of 2006)] available for use on common carrier basis by any person other than the assessee or an associated person; and

(*d*) fulfils any other condition as may be prescribed.

[*(3) Where a deduction under this section is claimed and allowed in respect of the specified business for any assessment year, no deduction shall be allowed under the provisions of Chapter VI-A under the heading* "C.—Deductions in respect of certain incomes" *in relation to such specified business for the same or any other assessment year.*]

(4) No deduction in respect of the expenditure referred to in sub-section (1) shall be allowed to the assessee under any other section in any previous year or under this section in any other previous year.

(5) The provisions of this section shall apply to the specified business referred to in sub-section (2) if it commences its operations,—

(*a*) on or after the 1st day of April, 2007, where the specified business is in the nature of laying and operating a cross-country natural gas pipeline network for distribution, including storage facilities being an integral part of such network;

[*(*aa*) on or after the 1st day of April, 2010, where the specified business is in the nature of building and operating a* **new hotel** *of two-star or above category as classified by the Central Government;*

*(*ab*) on or after the 1st day of April, 2010, where the specified business is in the nature of building and operating a* **new hospital** *with at least one hundred beds for patients;*

*(*ac*) on or after the 1st day of April, 2010, where the specified business is in the nature of developing and building a housing project under a scheme for slum redevelopment or rehabilitation framed by the Central Government or a State Government, as the case may be, and which is notified by the Board in this behalf in accordance with the guidelines as may be prescribed*; **[***and***]**]

The following clauses (*ad*) and (*ae*) shall be inserted after clause (*ac*) of sub-section (5) of section 35AD by the Finance Act, 2011, w.e.f. 1-4-2012 :

(ad) on or after the 1st day of April, 2011, where the specified business is in the nature of developing and building a housing project under a scheme for affordable housing framed by the Central Government or a State Government, as the case may be, and notified by the Board in this behalf in accordance with the guidelines as may be prescribed;

(ae) on or after the 1st day of April, 2011, in a new plant or in a newly installed capacity in an existing plant for production of fertilizer; and

(*b*) on or after the 1st day of April, 2009, in all other cases not falling under [*clause (*a*), clause (*aa*), clause (*ab*)* **[***and clause (*ac*)***]**].

(6) The assessee carrying on the business of the nature referred to in clause (*a*) of sub-section (5) shall be allowed, in addition to deduction under sub-section (1), a further deduction in the previous year relevant to the assessment year beginning on the 1st day of April, 2010, of an amount in respect of expenditure of capital nature incurred during any earlier previous year, if—

(*a*) the business referred to in clause (*a*) of sub-section (5) has commenced its operation at any time during the period beginning on or after the 1st day of April, 2007 and ending on the 31st day of March, 2009; and

(*b*) no deduction for such amount has been allowed or is allowable to the assessee in any earlier previous year.

(7) The provisions contained in sub-section (6) of section 80A and the provisions of sub-sections (7) and (10) of section 80-IA shall, so far as may be, apply to this section in respect of goods or services or assets held for the purposes of the specified business.

(8) For the purposes of this section,—

(*a*) an "associated person", in relation to the assessee, means a person,—

(*i*) who participates, directly or indirectly, or through one or more intermediaries in the management or control or capital of the assessee;

(*ii*) who holds, directly or indirectly, shares carrying not less than twenty-six per cent of the voting power in the capital of the assessee;

(*iii*) who appoints more than half of the Board of directors or members of the governing board, or one or more executive directors or executive members of the governing board of the assessee; or

(*iv*) who guarantees not less than ten per cent of the total borrowings of the assessee;

(*b*) "cold chain facility" means a chain of facilities for storage or transportation of agricultural and forest produce, meat and meat products, poultry, marine and dairy products, products of horticulture, floriculture and apiculture and processed food items under scientifically controlled conditions including refrigeration and other facilities necessary for the preservation of such produce;

(*c*) "specified business" means any one or more of the following business, namely :—

(*i*) setting up and operating a cold chain facility;

(*ii*) setting up and operating a warehousing facility for storage of agricultural produce;

(*iii*) laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network;

[(iv) *building and operating, anywhere in India, a* *[***hotel**] *of two-star or above category as classified by the Central Government;*

(v) *building and operating, anywhere in India, a* *[***hospital**] *with at least one hundred beds for patients;*

(vi) *developing and building a housing project under a scheme for slum redevelopment or rehabilitation framed by the Central Government or a State Government, as the case may be, and notified by the Board in this behalf in accordance with the guidelines as may be prescribed;*]

The following sub-clauses (*vii*) and (*viii*) shall be inserted after sub-clause (*vi*) of clause (*c*) of sub-section (8) of section 35AD by the Finance Act, 2011, w.e.f. 1-4-2012 :

(vii) ***developing and building a housing project under a scheme for affordable housing framed by the Central Government or a State Government, as the case may be, and notified by the Board in this behalf in accordance with the guidelines as may be prescribed;***

(viii) ***production of fertilizer in India;***

(*d*) any machinery or plant which was used outside India by any person other than the assessee shall not be regarded as machinery or plant previously used for any purpose, if—

(*i*) such machinery or plant was not, at any time prior to the date of the installation by the assessee, used in India;

(*ii*) such machinery or plant is imported into India from any country outside India; and

(*iii*)no deduction on account of depreciation in respect of such machinery or plant has been allowed or is allowable under the provisions of this Act in computing the total income of any person for any period prior to the date of installation of the machinery or plant by the assessee;

(*e*) where in the case of a specified business, any machinery or plant or any part thereof previously used for any purpose is transferred to the specified business and the total value of the machinery or plant or part so transferred does not exceed twenty per cent of the total value of the machinery or plant used in such business, then, for the purposes of clause (*ii*) of sub-section (2), the condition specified therein shall be deemed to have been complied with;

(*f*) any expenditure of capital nature shall not include any expenditure incurred on the acquisition of any land or goodwill or financial instrument.]

***** (Effective from A.Y.2011-12 -word '"new" has been omitted.]***

10. Section 36 (1) (iva), 40A (9) and 80 CCD

(i) Clause (iva) has been inserted in section 36(1) to provide that **the employer's contribution to the account of an employee under a Pension Scheme as referred to in section 80CCD would be allowed as deduction while computing income under head "PGBP"**.

However, the **deduction would be restricted to 10% of salary of the employee** in the previous year.

Salary, for this purpose, includes dearness allowance, if the terms of employment so provide, but excludes all other allowances and perquisites.

(ii) Correspondingly, section 40A(9), which provides for disallowance of any sum paid by an employer towards contribution to any fund or trust has been amended to exclude from the scope of its disallowance, contribution by an employer to the pension scheme referred to in section 80CCD, to the extent to which deduction is allowable under section 36(1)(iva).

(iii) Further, such **contribution by the employer to the pension scheme**, **allowable as deduction under section 80CCD(2) in the hands of the employee, would now be outside the overall limit of Rs. 1 lakh**.

(Effective from A.Y.2012-13)

11. Section 80CCF

Benefit of additional deduction of Rs. 20,000 under section 80CCF for investment in notified long-term infrastructure bonds has now been extended for one more year i.e. A.Y. 2012-13.

12. Section 80 IA and 80 IB

- **Extension of sunset clause for tax holiday under section 80-IA for power sector undertakings [Section 80-IA(4)(iv)]**

  Section 80-IA(4)(iv) provides for deduction in respect of profits and gains derived by an undertaking which –

  (1) is set up in India for generation or generation and distribution of power, if it begins to generate power on or before 31st March, 2011;

  (2) starts transmission or distribution by laying a network of new transmission or distribution lines on or before 31st March, 2011;

  (3) undertakes substantial renovation and modernization of the existing network of transmission or distribution lines on or before 31st March 2011.

  This time limit has been extended by one year i.e., from 31st March, 2011 to 31st March, 2012, to enable undertakings which start generation, or transmission or distribution of power during the period between 1st April, 2011 and 31st March, 2012 or which undertakes substantial renovation and modernization of the existing network of transmission or distribution lines between 1st April, 2011 and 31st March, 2012 to avail benefit of deduction under this section.

- **Sunset clause for tax holiday in respect of certain undertakings engaged in commercial production of mineral oil [Section 80-IB(9)]**

  A sunset clause for tax holiday in respect of certain undertakings engaged in commercial production of mineral oil has now been inserted. Accordingly, the above deduction for commercial production of mineral oil will not be available for blocks licensed under a contract awarded after 31.3.2011 under the New Exploration Licencing Policy or in pursuance of any law for the time being in force or by the Central or a State Government in any other manner.

  (Effective from A.Y.2012-13)

13. Transfer Pricing

- **Permissible variation between ALP and transfer price to be such percentage of the transfer price, as may be notified by the Central Government [Section 92C]**

  (i) Section 92C requires application of the most appropriate method for determination of arm's length price (ALP). **As per first proviso to Section 92 C(2),** where more than one price is determined by the most appropriate method, the ALP shall be the arithmetical mean of such prices.

(ii) And **as per second proviso to section 92 C(2),** if the ALP so determined is within 5% of the transfer price, then no adjustment is required to be made and the transfer price would be deemed to be the ALP of the international transaction.

(iii) **The permissible variation at a standard rate of 5% of the transfer price** for all segments of business activity and range of international transactions **has been substituted by such percentage of the transfer price, as may be notified by the Central Government in this behalf [**Second proviso to section 92C(2)].

(Effective from A.Y.2012-13)

- **Broadening the scope of powers of Transfer Pricing Officer (TPO) [Section 92CA (2A) & (7)]**

Section 92CA (2A) *has been inserted empowering TPO to determine the arm's length price of* any other international transaction which comes to the notice of the Transfer Pricing Officer during the course of the proceedings before him.

Section 92CA (7) :- *The Transfer Pricing Officer may, for the purposes of determining the arm's length price under this section, exercise all or any of the powers specified in clauses* (a) *to* (d) *of sub-section (1) of section 131 or sub-section (6) of section 133* **[or section 133A*]*.**

(Effective from 1st June, 2011)

14. Section 94 A - Special measures in respect of transactions with persons located in notified jurisdictional area*.*

(1) The Central Government may, having regard to the lack of effective exchange of information with any country or territory outside India, specify by notification in the Official Gazette such country or territory as a notified jurisdictional area in relation to transactions entered into by any assessee.

(2) Notwithstanding anything to the contrary contained in this Act, i**f an assessee enters into a transaction where one of the parties to the transaction is a person located in a notified jurisdictional area, then—**

(*i*) **all the parties** to the transaction **shall be deemed to be associated enterprises** within the meaning of section 92A;

(*ii*) **any transaction** in the nature of purchase, sale or lease of tangible or intangible property or provision of service or lending or borrowing money or any other transaction having a bearing on the profits, income, losses or assets of the assessee including a mutual agreement or arrangement for allocation or apportionment of, or any contribution to, any cost or expense incurred or to be incurred in connection with a benefit, service or facility provided or to be provided by or to the assessee **shall be deemed to be an international transaction** within the meaning of section 92B,

and the **provisions of sections 92, 92A, 92B, 92C [*except the second proviso to sub-section (2)]*, 92CA, 92CB, 92D, 92E and 92F shall apply accordingly**.

(3) **Notwithstanding** anything to the contrary contained in this Act, **no deduction,—**

(*a*) **in respect of any payment made to any financial institution** located in a notified jurisdictional area **shall be allowed** under this Act, **unless the assessee furnishes an authorisation in the prescribed form authorising the Board or any other income-tax authority acting on its behalf to seek relevant information from the said financial institution on behalf of such assessee**; and

(*b*) **in respect of any** other **expenditure or allowance (including depreciation)** arising from the transaction with a person located in a notified jurisdictional area **shall be allowed** under any other provision of this Act, **unless the assessee maintains such other documents and furnishes such information as may be prescribed**, in this behalf.

(4) **Notwithstanding** anything to the contrary contained in this Act, where, in any previous year, the **assessee** has **received or credited any sum** from any person located in a notified jurisdictional area **and the assessee does not offer any explanation about the source of the said sum** in the hands of such person or in the hands of the beneficial owner (if such person is not the beneficial owner of the said sum) **or the explanation offered by the assessee**, in the opinion of the Assessing Officer, is **not satisfactory, then, such sum shall be deemed to be the income of the assessee** for that previous year.

(5) **Notwithstanding** anything contained in any other provisions of this Act, **where any person located in a notified jurisdictional area is entitled to receive any sum or income or amount** on which tax is deductible under Chapter XVII-B, **the tax shall be deducted at the highest of the following rates, namely:—**

(*a*) at the rate or rates in force;

(*b*) at the rate specified in the relevant provisions of this Act;

(*c*) at the rate of thirty per cent.

(6) In this section,—

(*i*) "person located in a notified jurisdictional area" shall include,—

(*a*) a person who is resident of the notified jurisdictional area;

(*b*) a person, not being an individual, which is established in the notified jurisdictional area; or

(*c*) a permanent establishment of a person not falling in sub-clause (*a*) or sub-clause (*b*), in the notified jurisdictional area;

(*ii*) "permanent establishment" shall have the same meaning as defined in clause (*iiia*) of section 92F;

(*iii*) "transaction" shall have the same meaning as defined in clause (*v*) of section 92F.***]***

(Effective from 1st June, 2011)

15. Taxation of companies

- **Marginal increase in rate of MAT to maintain the effective rate of MAT [Section 115JB]**

  With effect from A.Y.2012-13, if tax on the total income of a company is less than 18.5% of its book profit, then MAT provisions are attracted and the book profit is deemed to be the total income and tax is payable @ 18.5% thereof. *(Effective from A.Y.2012-13)*

- **Concessional rate of tax on dividends received by Indian companies from specified foreign companies [Section 115BBD]**

  (i) **Dividends received by Indian companies from specified foreign companies** to be subject to a concessional **rate of 15%.**

  (ii) This **concessional rate of 15%** shall be available **subject to the condition that no expenditure would be allowable** in respect of such dividend income.

  (iii) For the purpose of this section

  a. "dividends" shall have the same meaning as is given to "dividend" in clause (*22*) of section 2 but shall not include sub-clause (*e*) thereof;

  b. **"specified foreign company" means a foreign company in which the Indian company holds twenty-six per cent or more in nominal value of the equity share capital of the company**.

  (Effective from A.Y.2012-13)

- **Applicability of MAT provisions to SEZ Entrepreneurs and Developers:**

  With effect from A.Y. 2012-13, section 115JB is applicable to the SEZ entrepreneurs (units) and developers of SEZ.

16. CDT (DDT)

- **Applicability of DDT provisions to Developers of SEZ: [Section 115 O]**

  With effect from 1st June, 2011, section 115O is applicable to the developers of SEZ.

- **Increase in rate of additional income-tax on income distributed by a debt fund to a person other than an individual or HUF [Section 115R]**

The income distributed to a unit holder of the Unit Trust of India or a Mutual Fund shall be charged to tax under section 115R at the rates given below:

Particulars	*Where recipient is an INDIVIDUAL or HUF*	*Where recipient is any other person*
Distribution by a money market mutual fund or a liquid fund	25%	25% (upto 31.5.2011) 30% (w.e.f. 01.6.2011)
Distribution by a debt fund other than a money market mutual fund or liquid fund	12.5%	20% (upto 31.5.2011) 30% (w.e.f. 01.6.2011)

(Effective from 01-O6-2011)

17. Taxation of LLP :- Section 115 JC to Section 115 JF

CHAPTER XII-BA

Special provisions for payment of tax by certain limited liability partnerships.

Section 115JC.

(1) Notwithstanding anything contained in this Act, where the regular income-tax payable for a previous year by a limited liability partnership is less than the alternate minimum tax payable for such previous year, the adjusted total income shall be deemed to be the total income of the limited liability partnership for such previous year and it shall be liable to pay income-tax on such total income at the rate of eighteen and one-half per cent.

(2) Adjusted total income referred to in sub-section (1) shall be the total income before giving effect to this Chapter as increased by—

(*i*) deductions claimed, if any, under any section included in Chapter VI-A under the heading "*C.—Deductions in respect of certain incomes*"; and

(*ii*) deduction claimed, if any, under section 10AA.

(3) Every limited liability partnership to which this section applies shall obtain a report, in such form as may be prescribed, from an accountant certifying that the adjusted total income and the alternate minimum tax have been computed in accordance with the provisions of this Chapter and furnish such report on or before the due date of filing of return under sub-section (1) of section 139.

Tax credit for alternate minimum tax.

Section 115JD.

(1) The credit for tax paid by a limited liability partnership under section 115JC shall be allowed to it in accordance with the provisions of this section.

(2) The tax credit of an assessment year to be allowed under sub-section (1) shall be the excess of alternate minimum tax paid over the regular income-tax payable of that year.

(3) No interest shall be payable on tax credit allowed under sub-section (1).

(4) The amount of tax credit determined under sub-section (2) shall be carried forward and set off in accordance with the provisions of sub-sections (5) and (6) but such carry forward shall not be allowed beyond the tenth assessment year immediately succeeding the assessment year for which tax credit becomes allowable under sub-section (1).

(5) In any assessment year in which the regular income-tax exceeds the alternate minimum tax, the tax credit shall be allowed to be set off to the extent of the excess of regular income-tax over the alternate minimum tax and the balance of the tax credit, if any, shall be carried forward.

(6) If the amount of regular income-tax or the alternate minimum tax is reduced or increased as a result of any order passed under this Act, the amount of tax credit allowed under this section shall also be varied accordingly.

Application of other provisions of this Act.

Section 115JE.

Save as otherwise provided in this Chapter, all other provisions of this Act shall apply to a limited liability partnership referred to in this Chapter.

Interpretation in this Chapter.

Section 115JF.

In this Chapter—

(*a*) "accountant" shall have the same meaning as in the *Explanation* below sub-section (2) of section 288;

(*b*) "alternate minimum tax" means the amount of tax computed on adjusted total income at a rate of eighteen and one-half per cent;

(*c*) "limited liability partnership" shall have the same meaning as assigned to it in clause (*n*) of sub-section (1) of section 2 of the Limited Liability Partnership Act, 2008 (6 of 2009);

(*d*) "regular income-tax" means the income-tax payable for a previous year by a limited liability partnership on its total income in accordance with the provisions of this Act other than the provisions of this Chapter.*(Effective from A.Y.2012-13)*

18. Powers of Income Tax Authorities and related amendments

- **Powers for facilitating collection of information on requests from tax authorities outside India [Section 131]**

(i) Under section 131(1), certain income-tax authorities have the same powers as are vested in a court under the Code of Civil Procedure, 1908, while trying a suit in respect of discovery and inspection, enforcing the attendance of any person and examining him on oath, compelling the production of books of account and other documents and issuing commissions.

(ii) Further, section 131(3) confers power to impound and retain in their custody, books of account or other documents produced in any proceeding under the Act.

(iii) For making an inquiry or investigation in respect of any person or class of persons relating to an agreement for exchange of information under section 90 or 90A, notified income-tax authorities (not below the rank of Assistant Commissioner of Income-tax) shall be competent to exercise powers under section 131(1), even if no proceeding is pending before it.

(iv) **Further, such notified authorities are vested with powers under section 131 (3).**

- **Related amendment in sections: 153 & 153B**

For computing time limits for completions of assessments and reassessments or assessment in search or requisition cases, following time period shall be excluded:-

> "the period beginning with the date on which a reference for exchange of information is made and ending with the date on which the information is received by the Commissioner or a period of six months, whichever is less". *(Effective from 1st June, 2011)*

19. Filing of Income Tax Return

- **Extension of due date for filing of transfer pricing report and return of income of corporate assessees undertaking international transactions [Section 139(1)]**

(i) **The due date for filing of a transfer pricing report under the provisions of section 92E in Form 3CEB and filing of return of income of corporate assessees who have undertaken international transactions during the relevant previous year has been extended from 30th September to 30th November of the assessment year**.

(ii) Consequently, the due date within which the sums referred to in **section 43B** have to be actually paid to escape disallowance under that section would be 30th November of the assessment year in case of such companies.

(iii) Similarly, the tax deducted at source at any time during the year by such companies can be deposited on or before the extended due date of 30th November of the assessment year, to avoid disallowance under section **40(a)(ia).**

(iv) The **extension of due date for filing of return would**, however, **not be applicable to non-corporate assessees who have undertaken international transactions** during the relevant previous year.

(Effective from A.Y. 2011-12)

- **Specified class or classes of persons to be exempted from filing return of income [Section 139(1C)]**

(i) Under section 139(1), every person has to furnish a return of his income on or before the due date, if his total income exceeds the basic exemption limit.

(ii) For reducing the compliance burden of small taxpayers, the Central Government has been empowered to notify the class or classes of persons who will be exempted from the requirement of filing of return of income, subject to satisfying the prescribed conditions. This has been provided for in new clause (1C) of section 139.

(iii) Every notification issued under section 139(1C) shall, as soon as may be after its issue, be laid before each House of Parliament while it is in session, for a total period of thirty days. If both Houses agree in making any modification in the notification, the notification will thereafter have effect only in such modified form. If both Houses agree that the notification should not be issued, the notification shall thereafter have no effect.

(Effective from 1st June, 2011)

20. Section 143

Time limit extended for issue of notification for relaxation, modification or adaptation of any provision of law to facilitate centralized processing of returns [Section 143(1B)]

(i) Sub-section (1A) of section 143 empowers the CBDT to make a scheme for centralized processing of returns with a view to expeditiously determine the tax payable by, or refund due to, the assessee.

(ii) A Centralised Processing Centre (CPC) has been set-up at Bangalore for centralised processing of income-tax returns to determine the tax payable by, or the refund due to, the assessee in a quick manner.

(iii) Section 143(1B) provides that the Central Government may relax, modify or adapt any provision of law relating to processing of returns subject to the condition that the notification for such relaxation, modification or adaptation is issued on or before 31st March, 2011 and the said notification is laid before each House of Parliament.

(iv) The time limit for issue of notification has been extended by one more year i.e. up to 31st March, 2012, to relax, modify or adapt any provision of law relating to processing of returns.

(Effective from 1st April, 2011)

21. Settlement Commission

■ *Application only in respect of 'case"* - An application for settlement can be filed only in respect of a "case".

■ *Tax on undisclosed income should exceed specified amount* - No application shall be made for settlement of the case unless the income-tax payable on the income disclosed in the application exceeds following amount:-

Different Situations	**Application can be filed only if the additional amount of income-tax payable on the income disclosed in the application exceeds**
Case 1:- When an application is filed before the Settlement Commission, in eases where proceedings for assessment or reassessment have been initiated as a result of search or as a result of requisition of books of account or other documents or any assets	Rs. 50 lakh
Case 2:- a. Where the applicant is related to the person (case 1 above) in whose case proceedings have been initiated as a result of search and who has filed an application; and b. is a person in whose case proceedings have also been initiated as a result of search.	Rs. 50 lakh (Rs. 10 lakh with effect from 1st June, 2011)
Where an application is filed in any other case	Rs. 10 lakh

■ *Meaning of "related" for the purpose of case 2*

The business and residential premises of X are searched on November 15, 2011. After completion of search, the income tax authorities have started assessment/ reassessment in the case of X (as well as in case of Y) under section 153A to 153C. In this case X can approach the Settlement Commission if the additional amount of income-tax payable on the income disclosed in the application exceeds Rs. 50 Lakh. Y can also approach the Settlement Commission if the following conditions are satisfied-

1. If Y is related to X
2. X has filed an application before Settlement Commission
3. The additional amount of income- tax payable on the income disclosed in the settlement application by Y exceeds Rs. 10 lakh.

When Y is treated as "related" to X for condition 1?

Sr No.	Status of X	Status of Y
1	X is an individual	Y is a relative of X
2	X is a company/ firm / AOP/ HUF	Y is any director of the company, partner of the firm, or member of AOP / HUF or any "relative" of such director, partner or member

3	X has a business / profession	Y has a "Substantial interest" in the business / profession of X or Y is a "relative" of a person who has a "substantial interest" in the business / profession of X
4	X has a business / profession	Y is a company, firm, AOP or HUF having " substantial interest" in the business / profession of X. Alternatively, Y is a director, partner or member of such company, firm, AOP or HUF or any relative of such director, partner or member
5	X has a business / profession	Y is a Company, firm, AOP or HUF and director, partner or member of Y has a "substantial interest" in the business/ profession of X
6	X is an Individual	Any relative of X has a substantial interest in the business or profession of Y
7	If X is a company, firm, AOP, HUF	Any director of X, partner of X, member of X or any relative of such director / partner / member has a "substantial interest" in the business / profession of Y

Further 245 D(6B) has been inserted *giving powers to the settlement commission to rectify its order.* Section reads as under:

"*The **Settlement Commission may**, at any time **within a period of six months from the date of the order**, with a view to **rectifying any mistake apparent from the record,** amend any order passed by it:*

Provided *that an amendment which has the effect of modifying the liability of the applicant shall not be made under this sub-section unless the Settlement Commission has given notice to the applicant and the Commissioner of its intention to do so and has allowed the **applicant and the Commissioner an opportunity of being heard**.*

Note *– Similar amendment has been effected by inserting sub-section (6B) in section 22 of the Wealth-tax Act, 1957 (Effective from 1st June, 2011)*

22. Miscellaneous Provisions

- **Omission of the requirement to quote DIN [Section 282B]**

(i) Section 282B was inserted by the Finance (No.2) Act, 2009, to provide that every income-tax authority shall allot a computer generated Document Identification Number (DIN) in respect of every notice, order, letter or any correspondence issued by him to any other income-tax authority or assessee or any other person and such number shall be quoted thereon. Further, every document, letter or any correspondence, received by an income-tax authority or on behalf of such authority, shall be accepted only after allotting and quoting of a computer generated DIN.

(ii) The date for implementation of the DIN was extended to 1st July, 2011 by the Finance Act, 2010.

(iii) **The Finance Act, 2011 has, however, omitted section 282B** considering the practical difficulties due to non-availability of the requisite infrastructure on an all India basis.

- ***Submission of statement by a non-resident having liaison office. [Section 285]***

  Every person, being a **non-resident having a liaison office in India** set up in accordance with the guidelines issued by the Reserve Bank of India under the Foreign Exchange Management Act, 1999 (42 of 1999), **shall**, in respect of its activities in a financial year, **prepare and deliver or cause to be delivered to the Assessing Officer** having jurisdiction, **within sixty days from the end of such financial year, a statement in such form and** containing **such particulars as** may be **prescribed**.

  (Effective from 1st June, 2011)

23. Miscellaneous Provisions

Relaxation of time limit for satisfying the conditions, the non-compliance of which would result in withdrawal of recognition of recognized provident fund [Amendment of Fourth Schedule to the Income-tax Act]

(i) Rule 4 of Part A of the Fourth Schedule to the Income-tax Act, 1961, provides for the conditions which are required to be satisfied by a provident fund for receiving or retaining recognition under the Income-tax Act, 1961.

(ii) Clause (ea) of the said Rule provides that for receiving and retaining recognition under the Income-tax Act, 1961, the fund shall be a fund of an establishment –

  (1) to which the provisions of section 1(3) of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 apply; or

  (2) which has been notified by the Central Provident Fund Commissioner under section 1(4) of the said Act.

(iii) Further, such establishment is required to obtain exemption under section 17 of the said Act from the operation of all or any of the provisions of any scheme referred to in that section.

(iv) In case where a provident fund has been accorded recognition on or before 31.3.2006 and such provident fund does not satisfy the conditions set out in clause (ea) of Rule 4 or any other condition specified by the Board on or before 31.12.2010, the recognition granted shall be withdrawn.

(v) The above time limit specified in the proviso to Rule 3(1) of Part A of the Fourth Schedule for a recognized provident fund, where it has received recognition on or before 31.03.2006, for satisfying the conditions set out in clause (ea) of Rule 4 and any other conditions such as the Board may notify, has now been extended from 31.12.2010 to 31.3.2012. Therefore, only if the fund does not satisfy such conditions on or before 31.3.2012, the recognition granted to the fund shall be withdrawn.

(Effective retrospectively from 1.1.2011)

Part II: CIRCULARS

1. **Circular No. 4/2010 dated 18.5.2010**

   The CBDT has, vide this Circular, clarified that **widening of an existing road by constructing additional lanes as a part of a highway project** by an undertaking would be **regarded as a new infrastructure facility for the purpose of section 80- IA(4)(i)**. However, simply relaying of an existing road would not be classifiable as a new infrastructure facility for this purpose.

2. **Circular No. 6/2010 dated 20.9.2010**

   The CBDT has, through this circular, reiterated that **Regional Rural Banks are not eligible for deduction under section 80P of the Income-tax Act, 1961 from the assessment year 2007-08 onwards**.

3. **Circular No. 7/2010 dated 27.10.2010**

For the removal of doubts about the period of validity of various approvals granted by the Chief Commissioners of Income-tax or Directors General of Income-tax under sub clauses (iv), (v), (vi) and (via) of section 10(23C) and by the Commissioners of Income tax or Directors of Income-tax under section 80G(5) of the Income-tax Act, 1961, the CBDT has, through, this circular clarified the following:-

(1) For the purposes of sub-clauses (iv) and (v) of section 10(23C), any notification issued by the Central Government under the said sub-clauses, on or after 13-7-2006 will be valid until withdrawn and there will be no requirement on the part of the assessee to seek renewal of the same after three years.

(2) For the purposes of sub-clauses (vi) and (via) of section 10(23C), any approval issued on or after 1-12-2006 under the said sub-clauses would be a one time approval and would be valid till it is withdrawn.

(3) **For the purposes of section 80G(5), existing approvals expiring on or after 1st October, 2009 shall be deemed to have been extended in perpetuity unless specifically withdrawn. Further, any approval under section 80G(5) on or after 1-10-2009 would be a one time approval which would be valid till it is withdrawn.**

4. **CIRCULAR NO. 4/2011 [F. NO. 402/69/2010-ITCC], DATED 19-7-2011**

References have been received by the Board regarding issuance of guidelines for granting of prior permission u/s 281 of the IT Act, 1961 to transfer or create a charge on the assets of the assessee. The Board has considered the matter and in order to have uniformity on the issue, it has been decided that:

- **a.** The taxpayers should apply in the prescribed form annexed hereto titled "Application u/s 281 of the IT Act, 1961" which would be available on the departmental website, as well as with the Assessing Officers.
- **b.** The taxpayer would have to file the form at least thirty days prior to the proposed date of transaction.

c. The circumstances under which prior permission u/s 281 should be granted by the Assessing Officers are as follows:

(*i*) If there is no demand outstanding and there is no likelihood of demand arising in the next six months, then the permission should be granted.

(*ii*) If undisputed demand is outstanding and there is no likelihood of demand arising in next 6 months, then the taxpayer should pay the same along with interest due thereon and then permission should be granted.

(*iii*) If there is disputed demand outstanding, then the taxpayer should obtain stay for the same and indemnify the outstanding demand by way of bank guarantee or sufficient assets or by Department retaining the first charge on the assets proposed to be transferred or on which such charge is being created, to the extent of such demand. Thereafter, the permission u/s 281 would be granted by the A.O.

(*iv*) If demand is likely to arise in the next six month, then the A.O. should explore the possibility of action prescribed u/s 281B.

d. There would be only one level of intervention *i.e.,* at the level of the range head for granting permission. The cases in which A.O. would require such approval would be where

(*a*) value of assets being transferred or on which charge is being created, or

(*b*) the amount of charge being created is Rs. Ten crores or more.

e. The timelines for granting/refusing permission u/s 281 by the A.O. are as follows:

(*i*) If there is no demand outstanding and there is no likelihood of demand arising in the next six months, then the A.O. should grant the permission within ten working days of the receipt of the application.

(*ii*) If undisputed demand is outstanding and there is no likelihood of demand arising in next 6 months, then the A.O. should grant permission within ten working days of payment as in para c(*ii*) above.

(*iii*) If there is disputed demand outstanding and the taxpayer has obtained stay and indemnified the demand, then the A.O. should grant the permission within ten working days of the indemnification of the demand.

(*iv*) If demand is likely to arise in the next six months and the A.O. is considering actions prescribed u/s 281B for the assets excluding the asset under consideration, then the A.O. should grant the permission within fifteen working days of the receipt of the application.

(*v*) If the taxpayer does not pay the undisputed outstanding demand or his application for stay of disputed demand is rejected or he is unable to indemnify the outstanding demand, the application shall be disposed of within a period of ten working days. In case the permission is not being granted, a speaking and reasoned order conveying refusal would be issued with the approval of the Range head within ten working days of expiry of time given to the taxpayer to pay the undisputed demand or rejection of his stay application, as the case may be.

These time limits should be followed scrupulously by the A.Os.

f. The validity of the letter granting permission u/s 281 would be:

(*i*) One hundred and eighty days from the date of issue of approval, or

(*ii*) Service of order of attachment u/s 281B whichever is earlier.

g. Once the asset is transferred or charge is created, the taxpayer should submit the documents, in this regard, to the A.O. for his record.

5. CIRCULAR NO. 07/2011 [F.NO. 500/135/2007-FTD-I], DATED 27-9-2011

The Board had issued Circular No. 7/2007, dated 23-10-2007 laying down the procedure for refund of tax deducted at source under section 195 of the Income-tax Act, 1961 to the person deducting tax at source from the payment to a non-resident.

Para 2 of the Circular lists the circumstances under which the provisions of the said Circular shall apply. This paragraph does not cover a situation where the tax is deducted at a rate prescribed in the relevant DTAA which is higher than the rate prescribed in the Income-tax Act, 1961. Since the law requires deduction of tax at a rate prescribed in the relevant DTAA or under the Income-tax Act, whichever is lower, there is a possibility that in such cases, excess tax is deducted relying on the provisions of the relevant DTAA. Since in these cases as well, the resident deductor is put to genuine hardship, the Board has decided that the provisions of Circular No. 7/2007, dated 23-10-2007 shall also apply to those cases where deduction of tax at a higher rate under the relevant DTAA has been made while a lower rate is prescribed under the domestic law.

Part III: NOTIFICATIONS

1. **Notificatin No. 43 / 2010 dated 31.05.2010**

   Ceiling for gratuity exemption raised from 3.50 lakhs to Rs.10 lakhs for all employees irrespective of the fact that whether they are covered under the Payment of Gratuity Act, 1972 or not.

2. **Notification No.41/2010 dated 31.05.2010**

   Substitution of Rules 30, 31, 31A, 31AA, 37CA & 37D in the Income-tax Rules, 1962.

   Rule 30 – Time and mode of payment to Government account of TDS or tax paid under section 192(1A)

   (a) All sums deducted in accordance with Chapter XVII-B by an office of the Government shall be paid to the credit of the Central Government on the same day where the tax is paid without production of an income-tax challan and on or before seven days from the end of the month in which the deduction is made or income-tax is due under section 192(1A), where tax is paid accompanied by an income-tax challan.

   (b) All sums deducted in accordance with Chapter XVII-B by deductors other than a Government office shall be paid to the credit of the Central Government on or before 30th April, where the income or amount is credited or paid in the month of March. In any other case, the tax deducted should be paid on or before seven days from the end of the month in which the deduction is made or income-tax is due under section 192(1A).

   (c) In special cases, the Assessing Officer may, with the prior approval of the Joint Commissioner, permit quarterly payment of the tax deducted under section 192/ 194A/194D/194H on or before 7th of the month following the quarter, in respect of first three quarters in the financial year and 30th April in respect of the quarter ending on 31st March. The dates for quarterly payment would, therefore, be 7th July, 7th October, 7th January and 30th April, for the quarters ended 30th June, 30th September, 31st December and 31st March, respectively.

   Rule 31 – Certificate of TDS to be furnished under section 203

   (a) The certificate of deduction of tax at source to be furnished under section 203 shall be in Form No.16 in respect of tax deducted or paid under section 192 and in any other case, Form No.16A.

   (b) Form No.16 shall be issued to the employee annually by 31st May of the financial year immediately following the financial year in which the income was paid and tax deducted. Form No.16A shall be issued quarterly within 15 days from the due date for furnishing the statement of TDS under Rule 31A.

   Rule 31A – Statement of deduction of tax under section 200(3)

(a) Every person responsible for deduction of tax under Chapter XVII-B shall deliver, or cause to be delivered, the following quarterly statements to the DGIT (Systems) or any person authorized by him, in accordance with section 200(3):

    (1) Statement of TDS under section 192 in Form No.24Q;

    (2) Statement of TDS under sections 193 to 196D in Form No.26Q in respect of all deductees other than a deductee being a non-resident not being a company or a foreign company or resident but not ordinarily resident in which case the relevant form would be Form No.27Q.

(b) The time limit for furnishing such quarterly statements shall be 15th of the month following each quarter in respect of the first three quarters and 15th May for the last quarter ending on 31st March. The due dates would therefore be 15th July, 15th October, 15th January and 15th May for the quarters ending 30th June, 30th September, 31st December and 31st March, respectively.

Rule 31AA – Statement of collection of tax under proviso to section 206C(3)

Quarterly statement in Form No.27EQ shall be delivered, or cause to be delivered, to the DGIT (Systems) or any person authorized by him in accordance with the proviso to section 206C(3). The time limit for furnishing such quarterly statements shall be 15th of the month following each quarter in respect of the first three quarters and 15th May for the last quarter ending on 31st March. The due dates would therefore be 15th July, 15th October, 15th January and 15th May for the quarters ending 30th June, 30th September, 31st December and 31st March, respectively.

Rule 37CA – Time and mode of payment to Government account of tax collected at source under section 206C

(a) All sums collected in accordance with section 206C(1)/(1C) by an office of the Government, shall be paid to the credit of the Central Government on the same day where the tax is paid without production of an income-tax challan and on or before 7 days from the end of the month in which the collection is made, where tax is paid accompanied by an income-tax challan; and

(b) All sums collected in accordance with the provisions of section 206C(1)/(1C) by collectors other than an office of the Government, shall be paid to the credit of the Central Government within one week from the last day of the month in which the collection is made.

Rule 37D – Certificate of tax collected at source under section 206C(5)

Certificate of tax collected at source under section 206C(5) in Form No.27D shall be furnished by the collector within 15 days from the due date for furnishing the quarterly statement of TCS under Rule 31AA.

Summary of above notification is as under:-

Time of deposit of TDS/TCS - After the substitution of Rules 30 and 37CA by the Income-tax (Sixth Amendment) Rules, 2010 (hereinafter referred to as Amending Rules), tax deducted/ collected by a person shall be deposited to Government account as follows—

Different situations	***Time of deposit of TDS/TCS (applicable in the case of lax deducted/collected on or after April 1, 2010)***	
	Time of deposit of TDS	***Time of deposit of TCS***
Tax is deducted/collected by an office of the Government and tax is paid without production of an income-tax challan	On the same day on which tax is deducted	On the same day on which tax is collected
Tax is deducted/collected by an office of the Government and tax deposit is accompanied by an income-tax challan	On or before 7 days from the end of the month in which tax is deducted	On or before 7 days from the end of the month in which tax is collected
Tax is deducted/collected by a person (not being an office of the Government)	<u>*Where income or amount is paid or credited in the month of March:*</u> Tax should be deposited by April 30 <u>*Where income or amount is paid or credited before March 1*</u>*:* Tax should be deposited within 7 days from the end of the month in which tax is deducted	Within one week from the last day of the month in which tax is collected
Tax is deducted by a person (not being an office of the Government) and the Assessing Officer (with prior approval of Joint Commissioner) has permitted quarterly deposit of tax deducted under sections 192,194A, 194Dand 194H	• *For the quarter ending June 30* :Tax should be deposited by July 7 • *For the quarter ending September 30* ;Tax should be deposited by October 7 • *For the quarter ending December 31 :* Tax should be deposited by January 7 • *For the quarter ending March 31* :Tax should be deposited by April 30	

Summary of Time Limit for filing TDS Returns read with <u>Notification No. 57/2011 dated 24.10.2011</u>

Sl. No.	**Date of ending of the quarter of the financial year**	**Due date in case of deductor, being office of Government**	**Due date in case of other deductor**
(1)	(2)	(3)	(4)
1.	30th June	31st July of the financial year	15th July of the financial year
2.	30th September	31st October of the financial year	15th October of the financial year
3.	31st December	31st January of the financial year	15th January of the financial year
4.	31st March	15th May of the financial year immediately following the financial year in which deduction is made	15th May of the financial year immediately following the financial year in which deduction is made”

In Rule 31A(4), clause (vii) has been inserted which requires the deductor to furnish, at the time of preparing statements of tax deducted, particulars of amount paid or credited on which tax was not deducted in view of the furnishing of declaration under section 197A(1) or 197A(1A) or section 197A(IC) by the payee.

Rule 37BA – Credit for tax deducted at source for the purposes of section 199

Clause (i) of Rule 37BA(2) has been substituted to provide that where under any provisions of the Act, the whole or any part of the income on which tax has been deducted at source is assessable in the hands of a person other than the deductee, credit for the whole or any part of the tax deducted at source, as the case may be, shall be given to the other person and not to the deductee.

However, the deductee should file a declaration with the deductor and the deductor should report the tax deduction in the name of the other person in the information relating to deduction of tax referred to in sub-rule (1) of Rule 37BA.

3. Notification Nos. 48/2010 dated 9.7.2010 & 77/2010 dated 11.10.2010, 50 /09.09.2011

Section 80CCF provides that an assessee, being an individual or a Hindu Undivided Family, shall get a deduction of up to rupees twenty thousand in computing his total income if he subscribes to long-term infrastructure bonds as may be notified by the Central Government for this purpose. Consequently, the Central Government has, vide these notifications, specified the long-term infrastructure bonds, subscription to which would qualify for deduction under section 80CCF. **Accordingly, subscription to long-term infrastructure bonds of**

a. **Industrial Finance Corporation of India,**
b. **Life Insurance Corporation of India,**
c. **Infrastructure Development Finance Company Limited and a**
d. **non-banking Finance Company classified as an Infrastructure Finance Company by the Reserve Bank of India**
e. **India Infrastructure Finance Company Ltd.**

would qualify for deduction under section 80CCF.

4. Notification No. 80/2010 dated 19.10.2010 (as amended by Notification No.20/2011 dated 21.4.2011)

The Central Government, has, through this notification specified the **Tata AIG Easy Retire Annuity plan of the Tata AIG Life Insurance Company Limited as the annuity plan of the Tata AIG Life Insurance Company Limited for the purposes deduction under section 80C**.

5. Notification No.84/2010 dated 22.11.2010

Salaried persons entitled to act as Tax Return Preparers

In exercise of the powers conferred under section 139B(1), the CBDT had framed the Tax Return Preparer Scheme, 2006 for the purpose of enabling any specified class or classes of persons in preparing and furnishing their return of income.

"Specified class or classes of persons" means any person, other than a company or a person, whose accounts are required to be audited under section 44AB or under any other law for the time being in force, who is required to furnish a return of income under the Act.

Paragraph 2(f) of the Tax Return Preparer Scheme, 2006 defining a Tax Return Preparer, specifically provided that a person who is in employment and income from which is chargeable under the head "Salaries" shall not be entitled to act as a Tax Return Preparer.

This disqualification has now been removed by amending paragraph 2(f). Consequently, a salaried person is now eligible to act as a Tax Return Preparer.

Consequential amendment has been made in Paragraph 11(1)(xii), which provided for withdrawal of certificate given to the Tax Return Preparer in case he, after issue of Tax Return Preparer Certificate to him, takes up an employment, income from which is chargeable under the head "Salaries". Henceforth, taking up a salaried employment would not result in withdrawal of certificate given to the Tax Return Preparer.

Considering above-mentioned changes, employees of companies and persons whose accounts are required to be audited under section 44AB or any other law for the time being in force, are now eligible to act as Tax Return Preparers.

6. Notification No.85/2010 dated 22.11.2010

As per rule 2BB (2), the exemption allowable in respect of any allowance granted to an employee working in any transport system to meet his personal expenditure during his duty performed in the course of running of such transport from one place to another place (provided he is not in receipt of daily allowance) is 70% of such allowance, subject to a maximum of Rs. 6,000 per month.

The monthly limit of Rs. 6,000 has been increased to Rs. 10,000 with retrospective effect from 1st September, 2008. **Therefore, with effect from 1st September, 2008, the exemption would be 70% of such allowance, subject to a maximum of Rs. 10,000 per month.**

7. Notification No. 12/2011 dated 25.02.2011

In exercise of the powers conferred under section 43(5) read with Rule 6DDB, the Central Government has notified the United Stock Exchange of India Limited as a recognised stock exchange for the purpose of the said clause. The notification also lays down certain conditions to be fulfilled by the stock exchange.

It may be noted that at present, there are three other stock exchanges notified as recognized stock exchanges for the purposes of section 43(5), namely, the National Stock Exchange, Bombay Stock Exchange and MCX Stock Exchange.

8. Notification No. 14/2011 dated 9.3.2011

Clause (d) of proviso to section 43(5) provides that an eligible transaction in respect of trading in derivatives referred to in section 2(ac) of the Securities Contracts (Regulation) Act,1956 carried out in a recognised stock exchange shall not be deemed to be a speculative transaction. Rule 6DDB provides for notification of recognised stock exchange for the purposes of said clause. Further, Rule 6DDA provides the conditions that a stock exchange is required to fulfill to be notified as a recognised stock exchange for the purpose of above mentioned clause.

One of the conditions, specified in clause (iv) of Rule 6DDA, is that the stock exchange shall ensure that transactions once registered in the system cannot be erased or modified.

This clause has been substituted to provide that the stock exchange shall ensure that transactions (in respect of cash and derivative market) once registered in the system are not erased.

Another condition has been stipulated by insertion of clause (v), which provides that the stock exchange shall ensure that the transactions (in respect of cash and derivative market) once registered in the system are modified only in cases of genuine error.

The stock exchange should maintain data regarding all transactions (in respect of cash and derivative market) registered in the system which have been modified and submit a monthly statement in Form No. 3BB to the Director General of Income-tax (Intelligence), New Delhi within fifteen days from the last day of each month to which such statement relates.

9. Notification No. 24/2011 dated 13.05.2011

Therefore, the position of law as it stands now after issue of this notification is that irrespective of the date of credit of interest to RPF account, whether before or on or after 1.9.2010, only the interest credited on the balance to the credit of the employee in excess of 9.5% shall be included in the total income of the employee. For example, if an employer credits interest @10% for the P.Y.2011-12 on the balance standing to the credit of each employee, then the excess interest of 0.5% (10% - 9.5%) would be included in the total income of the employee for the respective years.

10. Notification No. 32/2011 dated 3.06.2011

As per the amendment by this notification, the interest on Post Office Savings Bank Account would henceforth be exempt from tax for any assessment year only to the extent of:

(1) Rs. 3,500 in case of an individual account.

(2) Rs. 7,000 in case of a joint account.

11. Notification No.33/2011 dated 3.06.2011

Section 10(23AAA) provides that any income received by any person on behalf of the fund established for notified purposes for the welfare of employees or their dependents, and of which fund such employees are members, would be exempt subject to fulfillment of certain conditions. Accordingly, in exercise of the powers conferred by section 10(23AAA), the CBDT had, vide Notification No. S.O. 672(E) dated 27th July, 1995, notified the following purposes –

(1) cash benefits to a member of the fund -

   a. on superannuation, or

   b. in the event of his illness or illness of his spouse or dependent children, or

   c. to meet the cost of education of his dependent children or

(2) cash benefits to the dependents of a member of the fund in the event of the death of such member.

The CBDT has, through this notification, amended the Notification No. S.O. 672(E) dated 27th July, 1995 to include cash benefits to a member of the fund to meet the cost of annual medical tests or medical checkups of a member, his spouse and dependent children as one of the purposes of the fund.

12. Notification No. 35/2011 dated 23.06.2011

Cost Inflation Index for F.Y.2011-12 is 785.

13. Notification No. 52/2011 dated 23-09-2011

Section 10(15)(iv)(h) exempts interest payable by any public sector company in respect of such bonds or debentures specified by the Central Government by notification in the Official Gazette

Accordingly, in exercise of the powers conferred in section 10(15)(iv)(h), the Central Government has specified the issue of tax free, secured, redeemable, nonconvertible bonds of **National Highways Authority of India (NHAI), Indian Railways Finance Corporation Ltd. (IRFCL), Housing and Urban Development Corporation Ltd.(HUDCL) and Power Finance Corporation (PFC) to** be issued during the financial year 2011-12, the **interest on which would be exempt** under the said section.