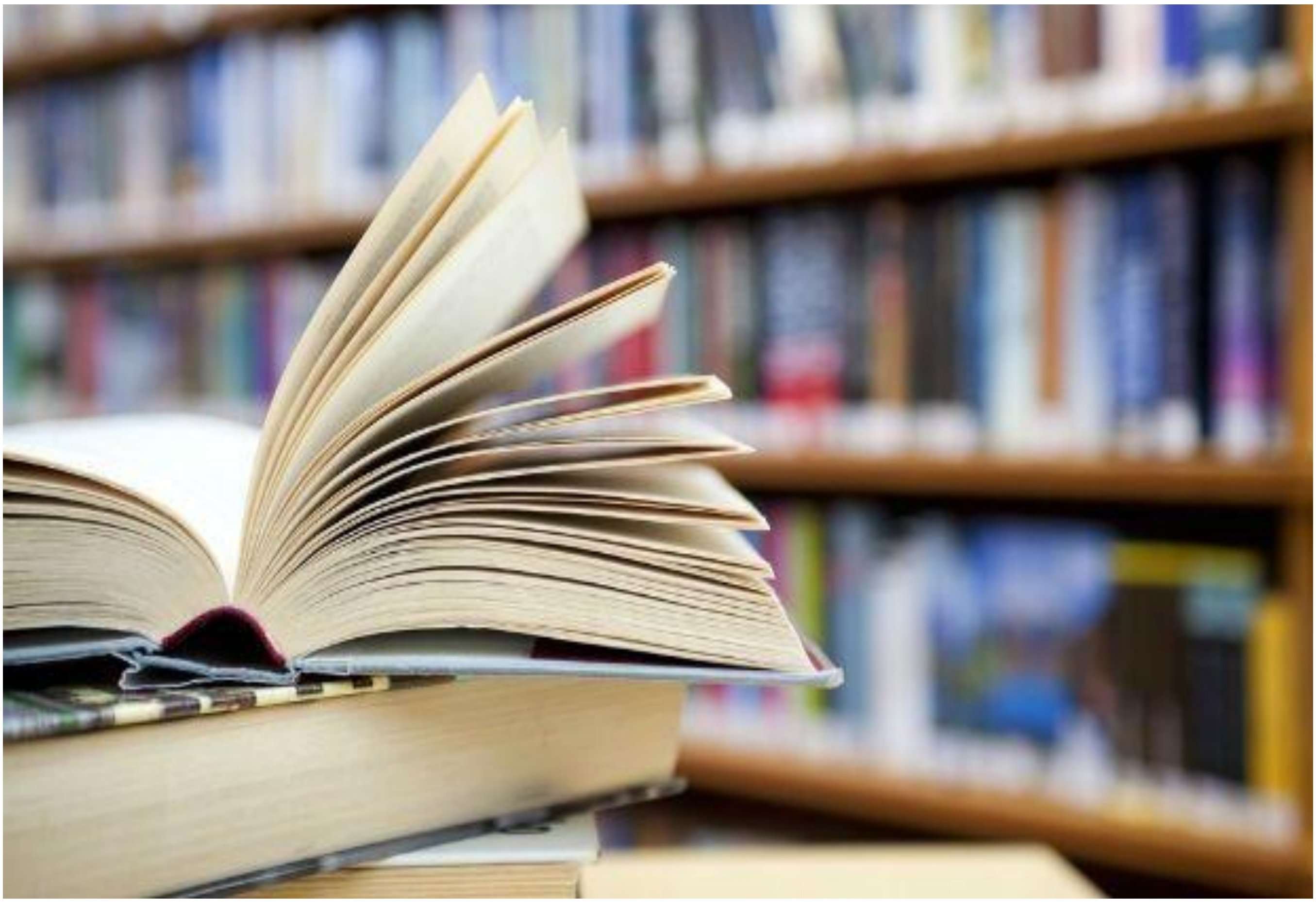

AMENDMENTS AT A GLANCE - Finance Act 2014

CA- FINAL

CA SHIVA TEJA T

Applicable for May & November 2015

SPELLBOUND CENTRE FOR PROFESSIONAL STUDIES

DIRECT TAX

Rates of income tax:

1. **Individual (Man or Woman),** resident in India and **below the age of 60 years** at any time during the previous year and HUF / AOP/BOI & every artificial judicial person:

Income	Rate of Tax
Upto ₹ 2,50,000	Nil
₹ 2,50,001 To ₹ 5,00,000	10%
₹ 5,00,001 To ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

2. An individual (man or woman), resident of India who is of the age of **60 years or more but less than 80 years** at any time during the previous year. [Senior Citizen]

Income	Rate of Tax
Upto ₹ 3,00,000	Nil
₹ 3,00,001 To ₹ 5,00,000	10%
₹ 5,00,001 To ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

3. A Resident individual (man or woman), **who is of the age 80 years** or more at any time during the previous year [Super senior citizen]

Income	Rate of Tax
Upto ₹ 5,00,000	Nil
₹ 5,00,001 To ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

Amendments relating to Definitions

1. SEC 2(14): CAPITAL ASSET:

Any security held by foreign institutional investor which has invested in such security in accordance with the regulations made under the SEBI Act, 1992 would be treated as capital asset and would be in the nature of capital gains.

2. *SHORT TERM CAPITAL ASSET -SEC. 2(42A)*

An unlisted security and a unit of a mutual fund (other than an equity oriented mutual fund) shall be a short-term capital asset if it is held for not more than thirty-six months. {Earlier – 12 months} **(Amendment by Finance Act 2014)**

Asset	Date of purchase	Date of transfer	Short term/ Long term	A.Y
Shares in X Ltd (unlisted)	June 26, 2013	June 28, 2014	Long- term	2015-16
Shares in X Ltd (unlisted)	June 26, 2013	July 28, 2014	Short term	2015-16
PNB Mutual fund unlisted units (equity oriented)	Aug 4, 2012	July 15, 2014	Long- term	2015-16
PNB mutual fund unlisted units (equity oriented)	Aug 4, 2012	July 10, 2014	Long- term	2015-16
TATA mutual fund unlisted units (debt oriented)	Aug 4, 2012	July 15, 2014	Short term	2015-16
TATA mutual fund unlisted units (debt oriented)	Aug 4, 2012	July 10, 2014	Long- term	2015-16

Amendments relating to Income Exempt from Tax

1. *SEC 10(23C) :*

Effective from: A.Y.2015-16

Income of certain National funds, educational institutions and hospitals is exempt from tax. Section 10(23C) has been amended to provide that if the government grant to a university or other institution, during the relevant previous year exceeds a percentage (to be prescribed) of the total receipts (including any voluntary contributions), of such university or other educational institution, hospital or other institution, as the case maybe, then such university or other educational university, hospital or other institution shall be considered as being substantially financed by the government for that previous year.

Entities which have been approved or notified for claiming benefit of exemption under section 10(23C) would not be entitled to claim any benefit of exemption under other provisions of section 10 (except the exemption in respect of agricultural income). Consequently, these institutions will not be entitled to claim exemption pertaining to dividends, mutual fund interest, long term capital gain, etc.

Where any income is required to be applied (or accumulated or set apart for application), the, for such purposes the income shall be determined without any deduction or allowance by way of depreciation (or otherwise) in respect of any asset, acquisition of which has been claimed as an application of income under section 10(23C) in the same or any other previous year.

2. *SECTION 10AA:*

If deduction is claimed in respect of a specified business (as referred to in section 35AD(8)(c)) under section 10AA, no deduction in respect of that business will be available under section 35AD.

3. *12AA: REGISTRATION PROCEDURE*

Effective from: 1.10.2014

Any income derived from property held under trust in any assessment proceeding for earlier assessment year which is pending before the assessing officer as on the date of such registration the objects and activities of such trust or institution in the relevant earlier assessment are the same those on the basis of which such registration has been granted. Further no action for reopening of an assessment under section 147 shall be taken by the assessing officer in the case of such trust or institution Assessment year preceding the first assessment year for which the registration applies merely for the reason that such trust or institution has not obtained the registration under section 12AA for the said assessment year. However the above benefits would not be available in case of any trust or institution which at any time applied for registration and the same was refused under section 12 AA or a registration once granted was cancelled.

4. *TREATMENT OF ANONYMOUS DONATIONS [SEC 115BBC]*

Effective from: A.Y.2015-16

The provisions have been amended with effect from the assessment year 2015-16. After the amendment, the regular rate or applicable rate will apply on total income (**after deducting that portion of anonymous donations which is subject to 30% tax rate**).

No exceptions from taxability: *Provisions sec. 11 & 12 will not operate to exclude anonymous donations from taxability. [Anonymous donations will be taxable at 30% irrespective of their application.]*

Amendments relating to Income from house property

1. *SECTION 24(b)*

Effective from: A.Y.2015-16

Deduction limit on account of interest on loan in respect of self-occupied house property raised from ₹ 1.5 lakh to ₹ 2 lakh. (W.e.f 1 April 2015)

Amendments relating to Income from Business and Profession

1. *32AC (1A):*

Effective from: A.Y.2015-16

Under section 32AC(1A), investment allowance will be available if the aggregate amount of actual cost of new Plant & machinery acquired and installed by a manufacturing company during any previous year exceeds ₹ 25 Crores. The amount of investment allowance will be 15% of actual cost of new asset acquired or installed during the previous year. This deduction will be available for A.Y 2015-16 and 2017-18. However, no deduction will be available for A.Y 2015-16 u/s 32AC(1A) to a company which is eligible for deduction under section 32AC(1).

2. *SEC 35AD: DEDUCTION OF CAPITAL EXPENDITURE OF SPECIFIED BUSINESS*

Effective from: A.Y.2015-16

100% of Deduction available to assessees carrying on specified business (two more business have been included) for the purposes of investment- linked deduction so as to promote investment in these sectors which are :

i. **Laying and operating a slurry pipeline for the transportation of iron ore**

ii. **Setting-up and operating a semi-conductors wafer fabrication manufacturing unit, if such unit is notified by the board in accordance with the prescribed guidelines**

In these two cases, deduction under section 35AD will be available only if operation commences on or after April 1, 2014.

3. *SECTION 37(1)*

Effective from: A.Y.2015-16

A new explanation has been inserted in section 37(1) so as to clarify that for the purposes of section 37(1), any expenditure incurred by an assessee on the activities relating to corporate social responsibility referred to in section 135 of the companies Act, 2013 shall not be deemed to be an expenditure incurred by the assessee for the purposes of the business or profession from the assessment year 2015-16. However, deduction may be claimed under any other section (if otherwise possible).

4. *SECTION 40(a)(i)*

Section	Nature of expenditure	Amount Inadmissible / condition
40(a)(i)	Interest, royalty, fees for technical services or other similar sum payable outside India or in India to Non-resident not being a company or Foreign Company on which tax has not been paid or deducted at source or after deduction, tax has not been paid before the prescribed time u/s. 139 (1).	Disallowance provisions will not be applicable if TDS is deposited upto the due date of submission of return of income under section 139(1). if TDS is deposited after this date, expenditure will be deductible in the year in which TDS is deposited

5. *SECTION 40(a)(ia)*

Section	Nature of expenditure	Amount Inadmissible / condition
40(a)(ia)	**Any payments** to resident, on which Tax is deductible, but tax has not been deducted or after deduction, tax has not been paid before the prescribed time u/s. 139(1).	1. Will be allowed as a deduction in computing the income of the previous year in which such tax has been paid. 2. Only 30% expenditure to be disallowed – In case of TDS default, 30% of expenditure (not 100%) will be disallowed.

6. *SECTION 43(5)*

Effective from: A.Y.2014-15

It defines the term speculative transactions. The Finance Act, 2013 made a provision for levy of commodities transaction tax on commodity derivatives in respect of commodities other than agricultural commodities. As a result, eligible transaction in respect of trading in commodity derivatives carried out in a recognized association and chargeable to commodities transaction tax under shall not be considered to be a speculative transaction.

7. *SECTION 44AE*

Effective from: A.Y.2015-16

Section 44AE provides for presumptive taxation in case of an assessee who is engaged in the business of plying, hiring or leasing goods carriages and not owning more than 10 goods carriages at any time during the previous year. Income from the said business is calculated presumptive basis

Amount of Presumptive income In case of Any vehicle (whether HGV or others) is ₹7500 for every month (or part of a month) which the goods carriage is owned by the taxpayer.

Amendments relating to Capital Gains

1. SECTION 45(5):

Effective from: A.Y.2015-16

In the case of compulsory acquisition of a capital asset, capital gain is chargeable to tax in the previous year in which initial compensation is first received. Likewise, any enhanced compensation is chargeable to tax in the year in which such enhanced compensation is received.

Section 45(5) has been amended to provide that the amount of compensation received in pursuance of an interim order of the court, tribunal, or other authority shall be deemed to be income chargeable under the head 'capital gains' in the previous year in which the final order of such court, Tribunal or other authority is made.

2. SECTION 47

Effective from: A.Y.2015-16

Clause 47(vii b) : Any transfer of a capital asset, being a Government security carrying a periodic payment of interest, payment made outside India through an intermediary dealing in settlement of securities, by a non-resident to another non-resident shall not be considered as transfer for the purpose of charging capital gains.

Clause 47(xvii) : Any transfer of a capital asset, being share of a special purpose vehicle, to a trust in exchange of units allotted by that trust to the transfer shall not be regarded as transfer for the purpose of section 45.

3. SECTION 48

Effective from: A.Y.2016-17

Notification of Cost Inflation Index for F.Y.2014-15 [Notification No. 31/2014 dated 11.06.2014]

Clause (v) of Explanation to section 48 defines "Cost Inflation Index", in relation to a previous year, to mean such Index as the Central Government may, by notification in the Official Gazette, specify in this behalf, having regard to 75% of average rise in the Consumer Price Index for urban non-manual employees.

Accordingly, the Central Government has, in exercise of the powers conferred by clause (v) of Explanation to section 48, specified the Cost Inflation Index for the financial year 2014-15 as 1024.

4. COST OF ACQUISITION IN CERTAIN CASES

Where the capital asset, being a unit of a business trust, became the property of the assessee in consideration of a transfer referred to in section 47(xvii), The cost of acquisition of the asset shall be deemed to be the cost of acquisition to him of the share referred to in the said section.

5. SECTION 49

It provides notional provisions for determining cost of acquisition with reference to certain modes of acquisition**.** Where the capital asset, being a unit of a business trust, became the property of the assesse in consideration of a transfer referred to in section 47(xvii), the cost of acquisition of the asset shall be deemed to be the cost of acquisition to him of the share referred to in the said section.

6. TREATMENT OF ADVANCE RECEIVED AND FORFEITED (SECTION 51):

Effective from: A.Y.2015-16

Where any sum of money received as an advance or otherwise in the course of negotiation for transfer of a capital asset, has been included in the total income of the assessee for any previous year, in accordance with the provision of section 56(2)(ix), such amount shall not be deducted from the cost for which the asset was acquired or the WDV or the fair market value, as the case may be, in computing the cost of acquisition

7. SECTION 54

Effective from: A.Y.2015-16

a) Transfer should be of a residential house income of which is chargeable under the head 'Income from house property'.
b) It must be a long-term capital asset.
c) Purchase of another residential house should be within one year before transfer or 2 years after transfer, or construction should be within three years after the date of transfer
d) The assessee can purchase only **one residential house in India** to get the benefit of exemption. If a person purchase /constructs more than one residential house, investment in only one house would be considered for the purpose of exemption under section 54. Likewise, investment in a property outside India will not be considered for the purpose of section 54.

8. SECTION 54EC

Effective from: A.Y.2015-16

The asset transferred should be a long-term capital asset, Within a period of 6 months after the date of transfer, the capital gain must be invested in the specified assets i.e. bonds redeemable after 3 years issued by NHAI or RECL.

The investment made by an assessee in the long-term specified asset, out of capital gains arising from transfer of one or more original asset, during the **financial year in which the original asset or assets are transferred and in the subsequent financial year does not exceed fifty lakh rupees.**

9. SECTION 54F

Effective from: A.Y.2015-16

The asset transferred should be a long-term capital asset, not being a residential house.

Within a period of 1 year before or 2 years after the date of transfer, a residential house should be purchased or constructed within a period of 3 years after the date of transfer.

Only one residential house can be purchased or constructed within the specified time limit and the residential house should be situated in India.

10. SECTION 112:

Effective from: A.Y.2015-16

As per this Section, long term capital gains will be subjected to tax at a flat rate of 20% + Surcharge.

If the assessee is having other incomes less than the basic exemption limit, then the deficit is deducted from the long term capital gains and the balance long term capital gains will be taxable at a flat rate of 20% + surcharge. {However, this option is available to resident individual and HUF}

Sec 112 has been amended w.e.f the AY 2013-14. After the amendment LTCG will be taxable @ 10% (+EC+SHEC) if the following conditions are satisfied:

a) Taxpayer is a non-resident (not being a company) or a foreign company.
b) LTCG arises on transfer of unlisted securities (i.e., unlisted shares, unlisted debenture, etc.)
c) LTCG is calculated without giving effect to the 1st proviso to Sec 48 (under this proviso capital gain is calculated in foreign currency if a few conditions are satisfied).
d) Capital gain is calculated without applying indexation provisions.

11. RATES OF CAPITAL GAINS TAX

Tax on STCG in case of equity shares and units of equity- oriented fund Sec 111 A

Any income arising from the transfer of a short-term capital asset, being an equity share in a company or a unit of equity oriented fund or unit of a business trust (inserted by Finance Act 2014) and the following conditions are fulfilled—

a) the transaction of sale of such equity share or unit is entered into on or after 1-10-2004;
b) such transaction is chargeable to securities transaction tax;
c) Such equity shares are transferred through a recognized stock exchange or such units are transferred through a recognized stock exchange or sold to the mutual fund the tax payable by the assessee @ 15 % on short-term capital gains.
d) No deduction under Chapter VI-A (Sections 80C to 80U) shall be allowed from such income. Shifting to claim full exemption of total income is allowed only in case of resident individual or HUF.
e) Provisions of Section 111A shall not apply in respect of any income arising from transfer of a business trust which were acquired by the assesse in consideration of a transfer referred to in section 47(xvii).

Amendments relating to other sources

1. SECTION 56(2):

Effective from: A.Y.2015-16

Section 56(2) has been amended by inserting new clause (ix) with effect from the assessment year 2015 -16 Under the new Clause , any sum of money received as an advance or otherwise in the course Course of negotiation for transfer of a capital asset will be taxable under the Head "Income from other sources" if the following two conditions are satisfied:

a) the negotiation do not result in transfer of capital asset ; and
b) advance money is forfeited .

Amendments relating to set off and carry forward of losses

1. SECTION 73 :

Effective from: A.Y.2015-16

It provides that losses incurred in respect of a speculation business cannot be set off or carried forward and set off except against the profits of any other speculation business.

a) Can be carried forward for 4 years,
b) Can be set-off against profits from speculation business only.
c) Shall not be applicable to a company the principal business of which is the business of trading in shares.
d) continuity of that speculation business is not necessary
e) Loss return should be submitted in time.

Deductions

1. *DEDUCTION IN RESPECT OF LIFE INSURANCE PREMIA, DEFERRED ANNUITY, CONTRIBUTION TO PROVIDENT FUND ETC.-SEC.80C*

Effective from: A.Y.2015-16

- **Deduction**

  The aggregate of the eligible contributions mentioned in section 80C shall be allowed as deduction to the extent of ₹ **1,50,000/-**

2. *DEDUCTION IN RESPECT OF CONTRIBUTION TO PENSION SCHEME OF CENTRAL GOVERNMENT - SEC.80CCD*

Effective from: A.Y.2015-16

- **Eligible Assessee -** Any employee
- **Conditions**

  i) Deduction is available in respect of contribution to pension scheme notified by the Central Government.

  Condition of the date of joining the service on or after 1.1.2004 is not applicable to private sector employees for the purposes of deduction under the said section. (Amendment BY Finance Act 2014)

  ii) Where an individual employed by the Central Government or any other employee has paid or deposited any amount in his account under a pension scheme notified by the Central Government, he shall be allowed a deduction in the computation of his total income the amount so paid or deposited subject to a limit of 10% of his salary for the relevant previous year. Any contribution made by the Employer to such an account shall also be allowed as deduction subject to the limit of 10% of salary. Individual is deriving other than salary-income - 10% of gross total income or ₹ 1,00,000 whichever is less. (Amendment by Finance Act 2014)

3. *LIMIT IN DEDUCTIONS UNDER SECTIONS 80C. 80CCC and 80CCD – (Sec.80CCE)*

Effective from: A.Y.2015-16

Though individual limits for Sec 80C - Contribution to specified investments; Sec 80CCC - contribution to Pension fund; and Sec 80CCD - contribution to Pension scheme of Central Government are provided under the relevant sections, the aggregate of deduction under these sections is restricted to a maximum of ₹1,50,000 earlier was ₹ 1,00,000. However, for calculating the limit under section 80CCE, employer's contribution to the pension scheme under section 80CCD shall not be considered.

4. *SECTION 80-IA*

Effective from: A.Y.2015-16

For the businesses engaged in infrastructure and development, a deduction of profits and gains is allowed to an undertaking has been amended to extend the terminal date for a further period of three years ie up to March 31, 2017

Transfer Pricing and other provisions to check avoidance of tax

1. *DEEMED INTERNATIONAL TRANSACTION (Section 92B)*

Effective from: A.Y.2015-16

Section 92B has been amended to provide that where, in respect of a transaction entered into by an enterprise with a person other than an associated enterprise (hereinafter referred to as "other person")

a. there exists a prior agreement in relation to the relevant transaction between the other person and the associated enterprise or,
b. where the terms of the relevant transaction are determined in substance between such other person and the associated enterprise; and
c. either the enterprise or the associated enterprise or both of them are non- residents,

Then such transaction entered into between the enterprise and the other person shall be deemed to be an international transaction entered into between two associated enterprises**,** whether or not such other person is a non-resident.

2. INTRODUCTION OF "RANGE CONCEPT" FOR DETERMINATION OF ARM'S LENGTH PRICE [Section 92C(2)]

Effective from: A.Y.2015-16

Section 92C(2) to provide that in case of an international transaction or specified domestic transaction undertaken on or after 1.4.2014, where more than one price is determined by the most appropriate method, the ALP shall be computed in the prescribed manner (based on "range concept" to be specified by way of Rules) and the computation methodology given in the first and second proviso, based on arithmetic mean, shall be ignored.

3. PROVISION FOR ROLL BACK IN ADVANCE PRICING AGREEMENT (APA) SCHEME [Section 92CC]

Effective from: 1st October, 2014

The Rollback provision refers to the applicability of methodology of determination of ALP, or the ALP to be applied to the international transactions which had been already entered into in a period prior to the period covered under an APA.

The APA, may subject to such prescribed conditions, procedure and manner provide for determining the arm's length price or for specifying the manner in which arm's length price is to be determined in relation to an international transaction entered into by a person during any period not exceeding four previous years preceding the first of the previous years for which the APA applies in respect of the international transaction to be undertaken in future.

Assessment of Various Entities

1. *TAX ON DIVIDEND RECEIVED BY AN INDIAN COMPANY FROM FOREIGN COMPANIES (Sec 115BBD)*

Effective from: A.Y.2015-16

The Finance (No.2) Act, 2014 has now extended the benefit of concessional rate of taxation@15% on gross dividend received by Indian companies from specified foreign companies without limiting it to a particular assessment year, in order to encourage Indian companies to repatriate foreign dividends into the country.

2. *SECTION 115JC: ALTERNATE MINIMUM TAX*

Effective from: A.Y.2015-16

It provides that deduction claimed under section 35AD (as reduced by depreciation allowance under section 32) shall be also added to total income to arrive at adjusted total income.

3. *SECTION: 115JEE*

Effective from: A.Y.2015-16

Credit for AMT to be available even in a year when the adjusted total income is not more than ₹ 20 lakh and there is no claim for deduction under section 10AA or Chapter VI-A or section 35AD

4. *DIVIDEND AND INCOME DISTRIBUTION TAX LEVIABLE ON GROSS DIVIDEND / INCOME AND NOT ON THE NET DIVIDEND / INCOME DISTRIBUTED TO SHAREHOLDERS AND UNIT HOLDERS [SECTION 115-O & 115R]*

Effective from: 1st October, 2014

Currently, dividend tax is payable on amount distributed (without grossing up). After the amendment dividend tax under section 115-O will be payable on amount distributed (after grossing up).

New sub-section (2A) has been inserted in section 115R to provide that for the purposes of determining the additional income-tax payable in accordance with section 115R(2), the amount of distributed income shall be increased to such amount as would, after reduction of the additional income-tax on such increased amount at the rate specified in section 115R(2), be equal to the amount of income distributed by the Mutual Fund.

Income tax authorities

5. *CBDT EMPOWERED TO ISSUE ORDERS FOR RELAXATION OF FEE LEVIABLE UNDER SECTION 234E FOR FAILURE TO DELIVER TDS/TCS STATEMENTS WITHIN THE PRESCRIBED TIME [SECTION 119(2)(a)]*

Effective from: 1st October, 2014

The CBDT is now empowered to issue order for relaxing the fee imposable under section 234E for failure to deliver the statement of deduction of tax at source under section 200(3) and for failure to deliver the statement of collection of tax at source under section 206C(3) within the prescribed time.

6. *INCREASE IN TIME PERIOD SPECIFIED UNDER SECTION 133A FOR RETAINING BOOKS OF ACCOUNTS AND DOCUMENTS IMPOUNDED WITHOUT THE APPROVAL OF THE HIGHER AUTHORITIES TO ALIGN THE SAME WITH THE TIME PERIOD UNDER SECTION 131(3) [SECTION 133A(3)]*

Effective from: 1st October, 2014

Under section 131(3), an extended time limit of 15 days (exclusive of holidays) has been provided upto which an income-tax authority may retain in his custody, books of account or other documents impounded, without obtaining the approval of the higher authorities specified thereunder i.e., Principal Chief Commissioner or Chief Commissioner, Principal Director General or Director General etc.

7. *SCOPE OF SECTION 133A EXPANDED TO INCLUDE EXERCISING THE POWER OF SURVEY TO VERIFY WHETHER TAX HAS BEEN DEDUCTED OR COLLECTED AT SOURCE IN ACCORDANCE WITH THE RELEVANT PROVISIONS OF THE ACT [SECTION 133A(2A)]*

Effective from: 1st October, 2014

8. *PRESCRIBED INCOME-TAX AUTHORITIES EMPOWERED TO CALL FOR INFORMATION [SECTION 133C]*

Effective from: 1st October, 2014

New section 133C has been inserted to enable the prescribed income-tax authority to verify the information in its possession relating to any person.
Under this section, for the purposes of verification of information in its possession relating to any person, prescribed income-tax authority, may, - issue a notice to such person requiring him, on or before a date to be therein specified, to furnish information or documents, verified in the manner specified therein which may be useful for, or relevant to, any inquiry or proceeding under the Act.

Assessment Procedures

1. *SECTION 139(4C):*

Effective from: A.Y.2015-16

It provides that a mutual fund, securitization trust and venture capital company or venture capital fund will have to furnish the return of income under section 139 if total income in respect of which such fund, trust or company is assessable exceeds the maximum amount which is not chargeable to income tax.

2. AUTHORISED SIGNATORIES TO THE RETURN OF INCOME [SECTION 140]

Effective from: 1st October, 2014

This section specifies the persons who are authorized to sign and verify return of income under section 139 of the Act.

Amendment by Finance Act 2014: With a view to enable the verification of returns either by a sign in manuscript or by an electronic mode, section 140 has been amended with effect from October 1, 2014. Amendment has been made in the scheme of section 140, so as to dispense with the condition of signing such return. With this amendment, only the condition of verifying of the income tax return will apply.

3. EXPANSION OF SCOPE OF SECTION 142A AND PROVISION OF TIME LIMIT FOR SUBMISSION OF REPORT BY THE VALUATION OFFICER TO THE ASSESSING OFFICER

Effective from: 1st October, 2014

The Assessing Officer may, for the purposes of assessment or reassessment, make a reference to a Valuation Officer to estimate the value, including fair market value, of any asset, property or investment and submit the report to him. Thus, the scope of section 142A has been widened by removing references to the specific sections for which reference can be made by the Assessing Officer to the Valuation Officer.

New section 142A further clarifies that the Assessing Officer may make a reference to the Valuation Officer whether or not he is satisfied about the correctness or completeness of the accounts of the assessee.

4. INCOME COMPUTATION AND DISCLOSURE STANDARDS TO BE NOTIFIED UNDER SECTION 145

Effective from: A.Y.2015-16

Section 145(3) has been amended to provide that the Assessing Officer may make a best judgment assessment in the manner provided in section 144, if the income has not been computed in accordance with the standards notified under section 145(2) or where the method of accounting provided under section 145(1) has not been regularly followed by the assesse.

5. ASSESSING OFFICER HAVING JURISDICTION IN RESPECT OF OTHER PERSON TO PROCEED UNDER SECTION 153A ONLY IF HE IS SATISFIED THAT THE BOOKS OF ACCOUNT OR DOCUMENTS OR ASSETS SEIZED OR REQUISITIONED HAVE A BEARING ON THE DETERMINATION OF THE TOTAL INCOME OF SUCH OTHER PERSON FOR THE RELEVANT ASSESSMENT YEAR OR YEARS REFERRED TO IN SECTION 153A(1) [SECTION 153C]

Tax Deduction at Source

1. SEC 194A: INTEREST OTHER THAN INTEREST ON SECURITIES

Effective from: 1st October, 2014

Sec 194A provides for deduction of tax from interest other than interest on securities where the amount of interest exceeds Rs.5,000 during any financial year.

This section applies only to interest other than "interest on securities", credited or paid by assesses other than individuals or Hindu undivided families whose accounts are not subject to audit u/s. 44AB of the Act during the preceding financial year.

No deduction of tax shall be made in the following cases:

If the aggregate amount of interest paid or credited during the financial year does not exceed Rs.5,000.

A new clause (xi) has been inserted in 194A(3)with effect from October 1, 2014 So as to exempt from deduction of tax at source, the interest income payable by special purpose vehicle to a business trust as referred to in section 10(23FC). (Amendment by Finance Act 2014)

2. TAX DEDUCTION FROM PAYMENT OF LIFE INSURANCE POLICY (SEC 194DA)

Effective from: 1st October, 2014

Section 194DA has been inserted with effect from October 1, 2014. It provides that any person responsible for paying to a resident any sum under a life insurance policy (including bonus) shall deduct income-tax thereon at the rate of 2 per cent. The following points should be noted-

1. Tax is deductible at the time of payment. Lower TDS certificate provisions of section 197 or self-declaration under section 197A are not applicable. However, TDS is required if the amount payable during the financial year is **less than ₹ 1,00,000**.
2. If exemption is available to the recipient under 10(10D), then the above TDS provisions are not applicable. Consequently in the following cases TDS provisions of section 194DA are applicable
    a) any payment under a keyman insurance policy;
    b) any payment under section 80DD(3) or section 80DDA(3);
    c) any payment under insurance policy issued during April 1, 2003 to March 31, 2012 where annual insurance premium is more than 20 per cent of capital sum assured;
    d) any payment under insurance policy issued after March 31, 2012 where annual insurance premium is more than 10 per cent of capital sum assured; or
    e) any payment under insurance policy issued after March 31, 2013 to a person covered under section 80U or 80DDB where annual insurance premium is more than 15 per cent of capital sum assured.
3. In cases covered by (c), (d)or (e), tax is not deductible, if the payment is made on the death of a person.
4. A keyman insurance policy which has been assigned before maturity to keyman (or any other person) during its term, with or without consideration, shall continue to be treated as a keyman insurance policy and TDS provision under section 194 DA would be applicable.

5. Any payment under a policy (not being a keyman insurance policy or a policy covered under section 80DD(3) or section 80DDA(3)) prior to April 1, 2003, will not be subject to TDS provisions of section194DA.
6. TDS provisions of section 194DA will be applicable whether payment is made at the time of maturity or otherwise. Suppose an insurance company gives a loan of ₹ 1,00,000 (or more) to a policyholder against an insurance policy (which has been issued on or after April 1, 2003 and annual insurance premium is more than 20 percent of sum assured), TDS provision of section 194DA would be applicable at the time of release of loan amount to policyholder.

3. TAX DEDUCTION FROM INCOME FROM UNITS OF BUSINESS TRUST (SEC 194LBA):

Effective from: A.Y.2015-16

a) Tax deduction is applicable if a business trust distribute any income referred to in section115UA (being of nature referred to in section 10(23FC)) to its unit holder. Tax is deductible at the time of credit of such payment to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or a draft or by any other mode, whichever is earlier.
b) **Rate of TDS**: if the recipient is a resident in India, tax is deductible at the rate of 10%. Conversely, if the recipient unit holder is a non-resident or a foreign company, tax is deductible at the rate of 5%, if the recipient does not have a PAN, tax is deductible at the rate of 20%.
c) **Lower TDS Certificate**: provisions of Section 197 or section 197A are not applicable.

4. SECTION 194LC

Effective from: 1st October, 2014

It has been amended to provide the benefit of lower TDS of 5 Per cent under this section has been extended to interest payment of external commercial borrowings by business trust, subject to the same conditions provided in the section.

5. RESPONSIBILITIES ATTACHED TO DEDUCT TAX (SEC 200 and SEC 200A)

Effective from: 1st October, 2014

A deductor is allowed to file correction statement for rectification/ updation of the information furnished in the original TDS statement. Consequently, section 200A is also amended for enabling processing of correction statement filed.

6. *CONSEQUENCES OF FAILURE TO DEDUCT OR PAY [Sec 201]*

Effective from: 1st October, 2014

An assessee shall not be deemed to be in default, by virtue of Sec. 201(3), for failure to deduct whole or any part of the tax, at any time after the expiry of 7 years (earlier 6 years) from the end of the financial year in which payment is made or credit given.

7. *SEC 206AA: HIGHER RATE OF TDS WHERE PAN IS NOT PROVIDED*

Effective from: 1st October, 2014

Where the recipient does not furnish his PAN to the deductor, tax will be deducted at the normal rate or at the rate of 20%, whichever is higher.

However, sub-section (7) provides an exception from applicablility of section 206AA in respect of payment of interest on long-term infrastructure bonds eligible for benfit under section194LC. The scope of exception under sub-section (7) has been extended (with effect from October 1, 2014) to payment of interest on any long-term bond referred to in section 194LC

Assessment Procedures

1. *VALIDITY OF NOTICE OF DEMAND TILL THE DISPOSAL OF APPEAL BY THE LAST APPELLATE AUTHORITY OR DISPOSAL OF PROCEEDINGS [SECTION 220(1A)]*

Effective from: 1st October, 2014

Where any notice of demand has been served upon as assessee and any appeal or other proceeding, as the case may be, is filed or initiated in respect of the amount specified in the said notice of demand, then such demand shall be valid till the disposal of proceedings, as the case may be and such notice of demand shall have effect as provided in section 3 of the Taxation Laws (Continuation and validation of recovery Proceedings) Act, 1964.

Settlement of Cases

1. *INCREASE IN SCOPE OF DEFINITION OF "CASE" IN RESPECT OF WHICH AN ASSESSEE CAN MAKE AN APPLICATION TO THE SETTLEMENT COMMISSION SECTION 245A:*

Effective from: 1st October, 2014

Section 245A(b) defining a "case" in respect of which an assessee may make an application to the Settlement Commission, specifically excluded from its scope –

- a proceeding for assessment or reassessment or re computation under section 147;

- a proceeding for making fresh assessment in pursuance of an order under section 254 by the Appellate Tribunal or an order of revision under section 263 or section 264 by Commissioner, setting aside or cancelling an assessment.

This exclusion has now been removed by the Finance (No.2) Act, 2014. Therefore, the proceedings mentioned in (1) and (2) of (i) above now fall within the definition of "case" in respect of which an assessee can make an application to the Settlement Commission under section 245C.

2. *Section 245 N:*

Effective from: 1st October, 2014

Advance ruling to include a determination by the AAR in relation to the tax liability of a resident applicant (falling within any such class or category of persons as the central government notifies) where he can approach advance ruling authority , arising out of a transaction which has been undertaken or is proposed to be undertaken by such applicant.

3. *Section 245-O*

Effective from: 1st October, 2014

AAR to consist of a Chairman and such number of Vice Chairman, revenue members and law members as the Central Government may by notification appoint.
Qualifications for appointment:

- Chairman – a person who has been a judge of the Supreme Court;
- Vice Chairman – a person who has been a Judge of a High Court;
- Revenue Member from The Indian Revenue Service – a person who is a Principal Chief Commissioner or Principal Director General or Chief Commissioner or Director General;
- A law Member from the Indian legal service – a person who is an Additional Secretary to the Government of India

Miscellaneous Provisions

1. SECTION 269SS AND 269T

Effective from: A.Y.2015-16

In order to enable payment by way of internet banking facilities or by use of payment gateways, sections 269SS and 269T have been amended to provide that use of electronic clearing system through a bank account shall be a permissible mode of acceptance and repayment of any loan and deposit under the said sections if the other conditions regarding the quantum etc are satisfied.

2. SECTION 271 FA:

Effective from: A.Y.2015-16

The existing provisions of section 271FA provide for penalty for failure to furnish an annual information return. It has been amended with effect from 1st April, 2015 so as to provide for penalty for failure to furnish statement of financial transaction or reportable account.

3. SECTION 271 FAA:

Effective from: A.Y.2015-16

Under this section a penalty a sum of a sum of Rs 50000 can be imposed by the prescribed income tax authority in the following cases.

- If a person who is required to furnish a statement under that section provides inaccurate information in the statement and where the inaccuracy is due to failure to comply with the due diligence requirement prescribed or is deliberate on the part of that person.
- If the above reporting financial institution knows of inaccuracy at the time of furnishing the statement of financial transaction or reportable account, but does not inform the prescribed income tax authority or such other authority.
- If the above reporting financial institution discovers the inaccuracy after the statement of financial transaction or reportable account is furnished and fails to inform and furnish correct information within 10 days. (i.e., time specified under section 285BA)

4. *SECTION 281B*

Effective from: 1st October, 2014

Section 281B(2) has been amended so as to provide that the Chief Commissioner or Principal Commissioner or Commissioner, Principal Director General or Director General or Principal Director or Director may extend the period of provisional attachment during the pendency of any proceeding for assessment or reassessment of income escaping assessment, attach provisionally any property belonging to the assesse in the manner provided in the Second Schedule, in order to protect the interest of revenue. So that total period of extension should not exceed two years or up to sixty days after the date of assessment or reassessment, whichever is later.

5. *OBLIGATION TO FURNISH STATEMENT OF FINANCIAL TRANSACTION OR REPORTABLE ACCOUNT (SEC 285BA)*

Effective from: A.Y.2015-16

In order to facilitate effective exchange of information in respect of residents and nonresidents, section 285BA has been substituted. New section 285BA imposes an obligation on specified persons to furnish statement of financial transaction or reportable account. Thus, the new section also provides for furnishing of statement by a prescribed reporting financial institution in respect of a specified financial transaction or reportable account to the prescribed income-tax authority.

If any person, having furnished a statement under section 285BA(1), or in pursuance of a notice issued under section 285BA(5), comes to know or discovers any inaccuracy in the information provided in the statement, he shall, within a period of ten days inform the income-tax authority or other authority or agency referred to in section 285BA(1), the inaccuracy in such statement and furnish the correct information in the prescribed manner.

6. *SECURITIES TRANSACTION TAX*

The provisions regulating levy of securities transaction tax have been amended with effect from October 1, 2014 in order to provide levy of securities transaction tax on transactions in units of a business trust on the same lines as are applicable to transactions in equity shares in a company.

7. *EXTENSION OF INCOME-TAX EXEMPTION TO SPECIAL UNDERTAKING OF UNIT OF TRUST OF INDIA (SUUTI)*

The Special Undertaking of Unit of Trust of India (SUUTI) was created vide the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002. It is exemption from Income-tax up to March 31, 2014. The exemption has been extended for a period of 5 years ending March 31, 2019.

Penalties

1. *SECTION 271G*

Effective from: 1st October, 2014

This section provides that if any person who has entered into an international transaction or specified domestic transaction fails to furnish any such information or document as required by section 92D(3), then such person shall be liable to a penalty which may be levied by the Assessing Officer or the Commissioner (Appeals).

As Arm's length price in several cases is determined by a Transfer Pricing Officer Therefore, section 271G has been amended to include TPO, as referred to in Section 92CA, as an authority competent to levy the penalty under section 271G in addition to the Assessing Officer and the Commissioner (Appeals).

2. ***SECTION 271H***

Effective from: 1st October, 2014

Section 271H provides for levy of penalty for failure to furnish TDS/TCS statements within the prescribed time or furnishing of incorrect information in TDS/TCS statements. however, do not specify the authority which would be competent to levy the penalty under the said section.

Section 271H has been amended to provide that the penalty under section 271H shall be levied by the Assessing Officer.

Offences and prosecution

1. ***SECTION 276D***

Effective from: 1st October, 2014

The section 276D has been amended to provide that if a person willfully fails to produce accounts and documents as required in any notice issued under section 142(1) or willfully fails to comply with a direction issued to him under section 142(2A), he shall be punishable with rigorous imprisonment for a term which may extend to one year and with fine.

Wealth tax

SECTION 22A

Provisions regulating settlement of cases under wealth tax act have been amended. After the amendment one can also have recourse to the commission for settlement in the following cases;

- If assessment or reassessment proceedings are pending under section 17
- If a proceeding for making fresh assessment in pursuance of an order under section 23A, 24, 25 setting aside or cancelling an assessment, is pending.