Classes for CA – CPT | CA – IPCE | CA - Final

CA – IPCE

Amendment in Direct Taxation

(Simplified from Supplementary Issued by ICAI)

P.Y. 2016 – 17 | A.Y. 2017 – 18

(Applicable for May & November 2017 Exams)

Compiled by - CA Arpita S. Tulsyan

Index

Basic Concepts

Rates of Taxes:

In the case of a domestic company:
(i) Where the total turnover or gross receipt in the previous year 2014-15 does not exceed Rs. 5 crore - 29% of the total income

(ii) In case of other domestic companies - 30% of the total income

Surcharge:
The rates of surcharge applicable for P.Y.2016-17 are as follows:
(i) Individual / HUF / AOP / BOI / Artificial juridical person
Where the total income exceeds Rs. 1 crore, surcharge is payable at the rate of ***15%*** of income-tax.

(ii) Co-operative societies/Local Authorities/Firms/LLPs
Where the total income exceeds Rs. 1 crore, surcharge is payable at the rate of **12%** of income-tax.

(iii) Domestic company:
(a) In case of a domestic company, whose total income >Rs. 1 crore but is ≤ Rs. 10 crore:
Where the total income exceeds Rs. 1 crore but does not exceed Rs. 10 crore, surcharge is payable at the rate of **7%** of income-tax.

(b) In case of a domestic company, whose total income is >Rs.10 crore:
Where the total income exceeds Rs. 10 crore, surcharge is payable at the rate of **12%** of income-tax.

Rebate of up to *Rs.5,000* for resident individuals having total income of up to Rs.5 lakh [Section 87A]
To provide further relief to resident individuals in the lower income slab, section 87A has been amended to increase the maximum amount of rebate available under this provision from existing Rs. 2,000 to Rs. 5,000 from A.Y.2017-18.

Previous year for undisclosed sources of income:
There are many occasions when the Assessing Officer detects cash credits, unexplained investments, unexplained expenditure, unexplained money, etc, the source for which is not satisfactorily explained by the assessee to the Assessing Officer.
-These would attract 30% Tax Rate.
-No basic exemption or allowance or expenditure shall be allowed to the assessee under any provision of the Income-tax Act, 1961 in computing such deemed income.
-Set-off of losses not permissible against unexplained income, investments, money etc. chargeable under sections 68/69/69A/69B/69C/69D [Section 115BBE]

Residential & Scope of Total Income

No income deemed to accrue or arise in India to a foreign mining company (FMC) through or from the activities which are confined to display of uncut and unassorted diamonds in a Special Notified Zone **Effective from: A.Y. 2016-17**

In order to facilitate the FMCs to undertake activity of display of uncut diamond (without any sorting or sale) in the SNZ, clause (e) has been inserted in Explanation 1 to section 9(1)(i) to provide that in the case of a foreign company engaged in the business of mining of diamonds, no income shall be deemed to accrue or arise in India to it through or from the activities which are confined to display of uncut and unassorted diamonds in any special zone notified by the Central Government in the Official Gazette in this behalf.

Income which do not form part of Total Income

Section 10(34): Dividend

Any dividend which is liable for dividend distribution tax covered by section 115-O (being a dividend declared by a domestic company) is exempt under section 10(34) and hence would not be chargeable to tax.

Section 115BBDA has been inserted to provide that any income by way of aggregate dividend in excess of Rs. 10 lakh shall be chargeable to tax in the case of an individual, Hindu undivided family (HUF) or a firm who is resident in India, at the rate of 10%.

Further, the taxation of dividend income in excess Rs. 10 lakh shall be on gross basis i.e., no deduction in respect of any expenditure or allowance or set-off of loss shall be allowed to the assessee in computing the income by way of dividends.

Section 10(48A):

Exemption of income accruing or arising to a foreign company on account of storage of crude oil in a facility in India and sale of crude oil therefrom to any person resident in India. ***Effective from: A.Y.2016-17***

Conditions for exemption:

(1) such storage and sale by the foreign company is pursuant to an agreement or an arrangement entered into by the Central Government or approved by the Central Government; and

(2) having regard to the national interest, the foreign company and the agreement or arrangement are notified by the Central Government in this behalf.

Interest income arising to certain persons [Section 10(15)]:

(i) Income by way of interest, premium on redemption or other payment on notified securities, bonds, annuity certificates or other savings certificates is exempt subject to such conditions and limits.

-Interest from Post Office Savings Bank Account:

(1) Rs. 3,500 in case of an individual account. (2) Rs. 7,000 in case of a joint account.

-Interest on deposit certificates issued under the Gold Monetization Scheme, 2015

Section 10(38): Exemption of long-term capital gains arising from transaction undertaken in foreign currency on a recognised stock exchange located in an International Financial Services Centre even when STT is not paid in respect of such transaction.

Section 10(12A):

Payment from NPS Trust to an employee on closure of his account or on his opting out of the pension scheme exempt to the extent of 40% of such payment. Effective from: A.Y.2017-18: Any payment from National Pension System Trust to an employee on account of closure or his opting out of the pension scheme referred to in section 80CCD, is exempt upto 40%. However, the whole amount received by the nominee, on death of the assessee shall be exempt from tax.

Section 14A: Disallowance of Expenditure in relation to Exempt Income:

The expenditure in relation to income which does not form part of the total income shall be the aggregate of following amounts, namely:—

(i) the amount of expenditure directly relating to income which does not form part of total income; and

(ii) an amount equal to 1% of the annual average of the monthly averages of the opening and closing balances of the value of investment, income from which does not or shall not form part of total income

(Provided that the amount referred to in clause (i) and clause (ii) shall not exceed the total expenditure claimed by the assessee)

Income from House Property

Since housing projects are taking a longer time for completion, a higher deduction of upto Rs. 2 lakh on account of interest paid on capital borrowed for acquisition or construction of a self-occupied house property shall be available if the acquisition or construction is completed within five years from the end of the financial year in which capital was borrowed.

Special provision for arrears of rent and unrealized rent received subsequently [New Section 25A] ***Effective from: A.Y.2017-18***

(i) At present, section 25AA contains the special provisions on taxation of unrealized rent allowed as deduction when realised subsequently and section 25B contains the tax treatment of arrears of rent received.

(ii) These two provisions are now merged in new section 25A, in order to ensure uniformity in tax treatment of arrears of rent and unrealised rent. Thus, new section 25A substitutes erstwhile sections 25A, 25AA and 25B.

New section 25A(2) provides a deduction of 30% of arrears of rent or unrealised rent realised subsequently by the assessee.

New Section 25A	
	Arrears of Rent / Unrealised Rent
(i)	Taxable in the year of receipt/realisation
(ii)	Deduction@30% of rent received/realised
(iii)	Taxable even if assessee is not the owner of the property in the financial year of receipt/realisation.

PGBP

Non-compete fee received/receivable for not carrying on a profession chargeable under the head "Profits and gains of business or profession" [Section 28(va)]

Effective from: A.Y.2017-18

Assessees engaged in the business of transmission of power are also eligible for additional depreciation [Section 32(1)(iia)]

Effective from: A.Y. 2017-18

Deduction under section 32AC to be available in the year of installation in respect of actual cost of new plant and machinery acquired in the P.Y.2015-16 and P.Y.2016-17, if the actual cost of such new plant and machinery acquired in the relevant previous year exceeds Rs. 25 crores, even if the new plant and machinery has not been installed in the relevant previous year but has been installed on or before 31.3.2017

Effective from: A.Y.2016-17

Tax treatment for spectrum fee [New section 35ABA]

Effective from: A.Y.2017-18

(i) Section 32 allows depreciation in respect of assets including certain intangible assets. Section 35ABB provides for amortisation of licence fee in case of telecommunication service.

(ii) The Government has newly introduced spectrum fee for auction of airwaves.

(iii) In order to resolve the uncertainty in tax treatment of payments in respect of spectrum i.e., whether spectrum is an intangible asset and the spectrum fees paid is eligible for depreciation under section 32 or whether it is in the nature of a 'license to operate telecommunication business' and eligible for deduction under section 35ABB, new section 35ABA has been inserted to provide for tax treatment of spectrum fee.

(iv) Deduction u/s. 35ABA

Any capital expenditure incurred for acquisition of any right to use spectrum for telecommunication services:

Deduction = Appropriate fraction of the amount of such expenditure [1/total number of relevant previous years]

(Deduction shall be available from the year of actual payment or commencement of business whichever is later)

(v) Transfer of Spectrum: Treatment is same as that of Section 35ABB

NBFCs eligible for claim of deduction for provision for bad and doubtful debts
[Section 36(1)(viia)] ***Effective from: A.Y.2017-18***

Sum payable to Indian Railways for use of railway assets allowable as deduction in the year in which the liability to pay such sum is incurred, only if payment is made on or before the due date of filing of return [Section 43B]

Special provisions for computing profits and gains of business on presumptive basis [Section 44AD]:

- In case of an eligible assessee carrying on eligible business whose gross receipts from such business does not exceed ***Rs 2 Crore***, a sum equal to 8% of the gross receipts shall be deemed to be the income from such business.
- Resident individuals, HUFs and partnership firms (but not LLPs) would be covered under this scheme.
- ***In case of non-offering of income as per section 44AD for five continuous years, eligible assessee cannot opt for section 44AD for the next five AYs after the assessment year of first non-option***
- ***Salary, interest, remuneration paid to partner as per section 40(b) not deductible***
- ***Further, since the threshold limit of presumptive taxation scheme has been enhanced to Rs. 2 crore, the eligible assessee is now required to pay advance tax by 15th March of the financial year.***

Example:

Let us consider the following particulars relating to a resident individual, Mr. A, being an eligible assessee whose gross receipts do not exceed Rs. 2 crore in any of the assessment years between A.Y.2017-18 to A.Y.2019-20 –

Particulars	**A.Y.2017-18**	**A.Y.2018-19**	**A.Y.2019-20**
Gross receipts	1,80,00,000	1,90,00,000	2,00,00,000
Income offered for taxation	14,40,000	15,20,000	12,00,000
% of gross receipts	8%	8%	6%
Offered income as per Presumptive taxation scheme u/s 44AD	Yes	Yes	No

In the above case, Mr. A, an eligible assessee, opts for presumptive taxation under section 44AD for A.Y.2017-18 and A.Y.2018-19 and offers income of Rs. 14.40 lakh and Rs. 15.20 lakh on gross receipts of Rs. 1.80 crore and Rs. 1.90 crore, respectively.

However, for A.Y.2019-20, he offers income of only Rs. 12 lakh on turnover of Rs. 2 crore, which amounts to 6% of his gross receipts. He maintains books of account under section 44AA and gets the same audited under section 44AB. Since he has not offered income in accordance with the provisions of section 44AD(1) for five consecutive assessment years, after A.Y.2017-18, he will not be eligible to claim the benefit of section 44AD for next five assessment years succeeding A.Y.2019-20 i.e., from A.Y.2020-21 to 2024-25.

<u>Presumptive Taxation Scheme for assessees engaged in eligible profession [Section 44ADA]</u> **Effective from: A.Y. 2017-18**

<u>Eligible Assessee:</u>

• who is engaged in any profession referred to in section 44AA(1) such as legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or any other profession as is notified by the Board in the Official Gazette; and

• whose total gross receipts does not exceed 50,00,000 rupees in a previous year,

Deemed Income = **50% of the total gross receipts**,

Or Any Higher Income claimed by the assessee.

Capital Gains

In case of Unlisted Shares:

If the asset is held by an assessee for ≤ 24 months immediately preceding the date of its transfer, it is known as a short term capital asset.
If held for > 24 months, it is known as a long term capital asset.

(from A.Y.2017-18)

Transfer of units by unit holders on consolidation of plans within a mutual fund scheme not to be regarded as transfer.

Redemption by an individual of sovereign gold bonds issued by RBI not to constitute transfer for the purpose of levy of capital gains tax

<u>Cost of acquisition of asset, whose fair market value has been taken into account for the Income Declaration Scheme, 2016 [Section 49(5)]</u>

Sub-section (5) has been inserted with effect from A.Y.2017-18 to provide that where capital gain arises from the transfer of asset declared under the Income Declaration Scheme, 2016 and the tax, surcharge and penalty have been paid in accordance with the provisions of the Scheme, the cost of acquisition of the asset shall be deemed to be the fair market value of the asset which has been taken into account for the purposes of the said scheme.

<u>Section 50C:</u>

Stamp duty value on the date of agreement may be adopted as consideration if:
Whole or part of consideration should be paid by A/c payee cheque/bank draft or ECS through a bank A/c on or before the date of agreement.
If the above condition is not fulfilled then, SDV as on the date of transfer.

<u>Exemption of long-term capital gains on investment in notified units of specified fund [New Section 54EE]</u>

<u>Effective from: A.Y.2017-18</u>

Exemption of LTCG invested in units of specified fund*:*

If the long term capital gains proceeds are invested by an assessee in units issued before 1st April, 2019 of such fund, as may be notified by the Central Government in this behalf.

Quantum of Exemption*:*

The lower of the capital gains or the amount so invested would be exempt under section 54EE.

Time limit for investment*:*

The investment has to be made within 6 months after the date of transfer.

Ceiling limit for investment in units of the specified fund:
The maximum investment in units of the specified fund in any financial year is Rs. 50 lakh. (Whether the investment is made in the same financial year or subsequent financial year or partly in the same financial year and partly in the subsequent financial year)

Conditions for availing exemption:
*-Investment of LTCG in **units of specified fund.***
*-Investment **within 6 months** from the date of transfer*
*-Maximum investment is Rs. **50 lakhs***
*-Units should **not** be transferred for a period of **3 years***

Exemption of long-term capital gains on transfer of residential property if the sale consideration is used for subscription in equity of a new start-up manufacturing SME company to be used for purchase of new plant and machinery [Section 54GB]

Eligible Assessee:
Individual or a HUF

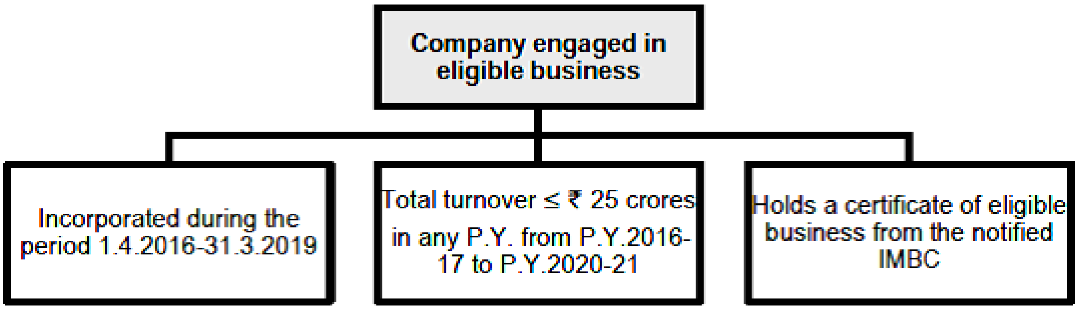
Conditions to be fulfilled:
- Assessee must transfer residential property (house or plot of land)
- Re-Invest the sale consideration before the due date u/s 139(1) in the equity shares of an eligible company being a newly incorporated SME company or ***the net consideration is invested in subscription of equity shares of a company which qualifies to be an eligible start-up*** on or before the due date of filing return of income under section 139(1);
- Such SME must be engaged in the manufacturing sector,
- Such SME must utilise the consideration for the purchase of new plant and machinery within 1 year from the date of subscription in shares or deposit in an account with any specified bank or institution before such due date of filing return of income.
- ***In case of an eligible start-up, being a technology driven start-up so certified by the notified Inter-Ministerial Board of Certification (IMBC), the company can also utilise the amount invested in shares to purchase computers or computer software.***
- Amount of net consideration utilized by the company for purchase of new plant and machinery and the amount deposited, will be deemed to be the cost of new plant and machinery for the purpose of computation of capital gains in the hands of individual or HUF.

Important Definitions:
"Eligible company" under section 54GB the company should be:
(i) incorporated in the financial year in which the capital gain arises or in the following year on or before the due date of filing return of income by the individual or HUF;
(ii) a company in which the individual or HUF holds more than 50% of the share capital or 50% of the voting rights, after the subscription in shares by the individual or HUF; and

New plant and machinery does not include:
(i) any machinery or plant which, before its installation by the assessee, was used either within or outside India by any other person;
(ii) any machinery or plant installed in any office premises or any residential accommodation, including accommodation in the nature of a guest house;

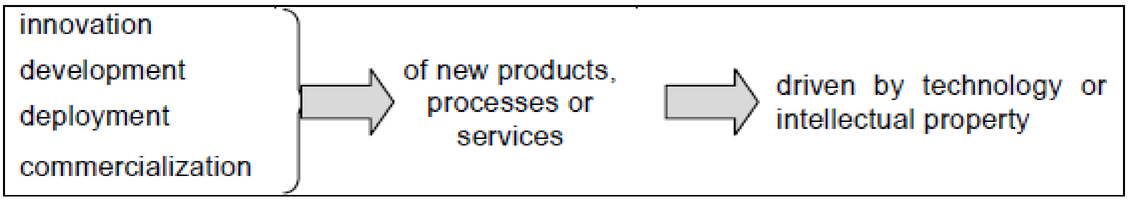
(iii) any office appliances including computers or computer software;
(iv) any vehicle; or
(v) any machinery or plant, the whole of the actual cost of which is allowed as a deduction.

Meaning of eligible start-up:



Meaning of eligible business :

A business which involves -



CII –

2016-17 **1125**

IFOS

Shares received by an individual or HUF as a consequence of demerger or amalgamation of a company or a business reorganisation of a co-operative bank not to be subject to tax by virtue of section 56(2)(vii)

Effective from: A.Y.2017-18

Set-off and Carry forward and Set-off of losses

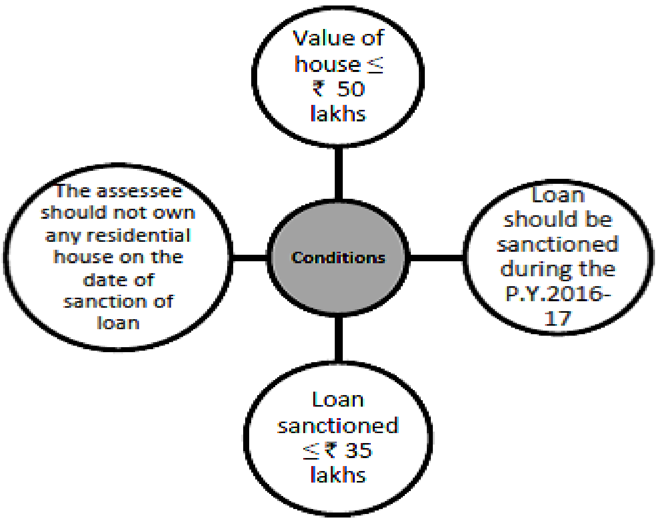
Filing of return of loss on or before the due date under section 139(1) mandatory for carry forward of loss from specified business under section 73A

Deductions from Gross Total Income

Additional deduction for interest on loan borrowed for acquisition of self-occupied house property by an individual [Section 80EE] Effective from: A.Y.2017-18

As a step towards achieving the Government's aim of providing 'housing for all', first-home buyers availing home loans are encouraged, by providing additional deduction under section 80EE from A.Y.2017-18 in respect of interest on loan taken by an individual for acquisition of residential house property from any financial institution. The maximum deduction allowable is Rs. 50,000.

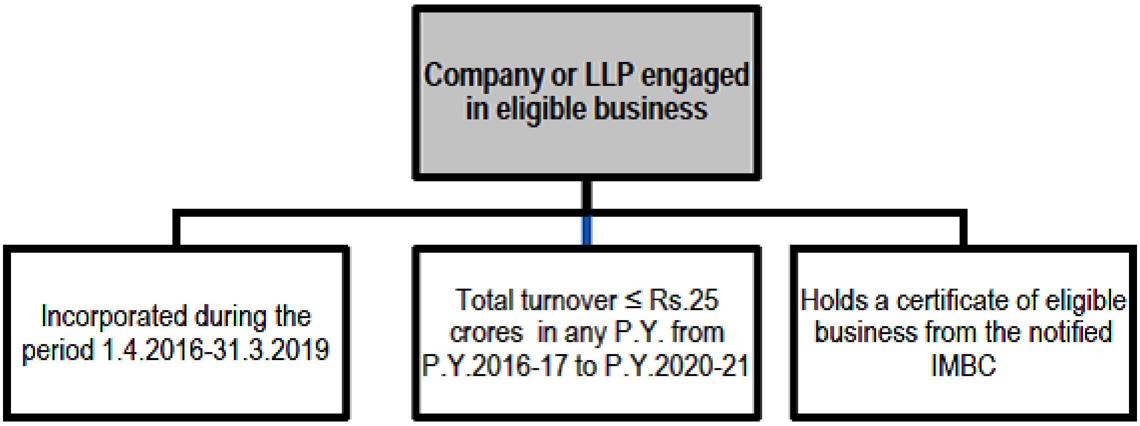
The conditions to be satisfied for availing this deduction are as follows –



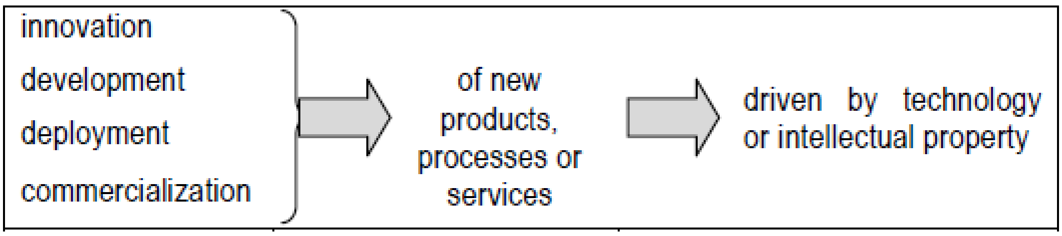
The benefit of deduction under this section would be available till the repayment of loan continues. The deduction of upto Rs. 50,000 under section 80EE is over and above the deduction of upto Rs 2,00,000 available under section 24 for interest paid in respect of loan borrowed for acquisition of a self-occupied property.

Monetary limit for maximum deduction under section 80GG increased
Effective from: A.Y 2017-18
With a view to provide relief to the individual tax payers who pay rent for the purpose of their own residence, section 80GG has been amended to increase the maximum limit of deduction from Rs. 2000 per month to Rs. 5000 per month.

Tax incentives for new start-ups [Section 80-IAC]
Effective from: A.Y.2017-18
(i) Objective:
In order to provide an incentive to start-ups and aid their growth in the early phase of their business, new section 80-IAC has been inserted.
(ii) Quantum of deduction:
Accordingly, a deduction of 100% of the profits and gains derived by an eligible start-up from an eligible business is allowed for any three consecutive assessment years out of five years beginning from the year in which the eligible start up is incorporated.
(iii) Meaning of eligible start-up:



(iv) Meaning of eligible business:
A business which involves –



Deductions in respect of profits and gains from housing projects [New Section 80- IBA]

Effective from: A.Y.2017-18

(i) Objective:

In order to provide impetus to affordable housing sector to achieve the larger objective of 'Housing for All', new section 80-IBA has been inserted.

(ii) Quantum of deduction:

Where the gross total income of an assessee includes any profits and gains derived from the business of developing and building housing projects, an amount equal to 100% of the profits and gains derived from such business is allowable as deduction under new section 80-IBA, subject to fulfillment of certain conditions.

Deduction in respect of employment of new workmen [Section 80JJAA]:

Section 80JJAA provides that the deduction there under shall be available to **an assessee** deriving profits from manufacture of goods in its factory.

Accordingly, where the gross total income of an assessee **to whom section 44AB applies**, includes any profits and gains derived from business, a deduction of an amount equal to 30% of additional employee cost incurred in the course of such business in the previous year, would be allowed for three assessment years including the assessment year relevant to the previous year in which such employment is provided.

Conditions to be fulfilled:

-The business should not be formed by splitting up, or the reconstruction, of an existing business

-The business is not acquired by the assessee by way of transfer from any other person or as a result of any business reorganization

-The report of the accountant, giving the prescribed particulars, has to be furnished along with ROI

Notes:

1) Additional employee cost:

Total emoluments paid or payable to additional employees employed during the previous year.

In the case of an existing business:

The additional employee cost shall be Nil, if–

(a) there is no increase in the number of employees from the total number of employees employed as on the last day of the preceding year;

(b) emoluments are paid otherwise than by an account payee cheque or account payee bank draft or by use of electronic clearing system through a bank account

In the first year of a new business:

The emoluments paid or payable to employees employed during that previous year shall be deemed to be the additional employee cost.

2) Additional employee:

An employee who has been employed during the previous year and whose employment has the effect of increasing the total number of employees employed by the employer as on the last day of the preceding year.

Exclusions from the definition:

(a) an employee whose total emoluments are more than Rs. 25,000 per month; or

(b) an employee for whom the entire contribution is paid by the Government under the Employees Pension Scheme notified in accordance with the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952; or

(c) an employee employed for a period of less than 240 days during the previous year; or

(d) an employee who does not participate in the recognised provident fund.

3) Emoluments:

Any sum paid or payable to an employee *in lieu* of his employment by whatever name called.

Exclusions from the definition:

a) any contribution paid or payable by the employer to any pension fund or provident fund or any other fund for the benefit of the employee under any law for the time being in force; and

b) any lump-sum payment paid or payable to an employee at the time of termination of his service or superannuation or voluntary retirement, such as gratuity, severance pay, leave encashment, voluntary retrenchment benefits, commutation of pension and the like.

Example:

Mr. A has commenced the business of of manufacture of computers on 1.4.2016. He employed 350 new employees during the P.Y.2016-17, the details of whom are as follows –

	No. of employees	*Date of employment*	*Regular/ Casual*	*Total monthly emoluments per employee (₹)*
(i)	*75*	*1.4.2016*	*Regular*	*24,000*
(ii)	*125*	*1.5.2016*	*Regular*	*26,000*
(iii)	*50*	*1.8.2016*	*Casual*	*17,000*
(iv)	*100*	*1.9.2016*	*Regular*	*24,000*

The regular employees participate in recognized provident fund while the casual employees do not. Further, out of 75, 50 and 100 regular employees employed on 1.4.2016, 1.5.2016 and 1.9.2016, only 40, 30 and 60 qualify as a "workman" under the Industrial Disputes Act, 1947.

Compute the deduction, if any, available to Mr. A for A.Y.2017-18, if the profits and gains derived from manufacture of computers that year is* Rs. *75 lakhs and his total turnover is 2.16 crores.

Solution

Mr. A is eligible for deduction under section 80JJAA since he is subject to tax audit under section 44AB for A.Y.2017-18, as his total turnover from business exceeds Rs. 1 crore and he has employed "additional employees" during the P.Y.2016-17.

Additional employee cost = Rs. 24,000 × 12 × 75 [See Working Note below] = Rs. 2,16,00,000
Deduction under section 80JJAA = 30% of Rs. 2,16,00,000 = Rs. 64,80,000.

Working Note:
Number of additional employees

Particulars		No. of workmen	
Total number of employees employed during the year			350
Less:	Casual employees employed on 1.8.2016 who do not participate in recognized provident fund	50	
	Regular employees employed on 1.5.2016, since their total monthly emoluments exceed Rs.25,000	125	
	Regular employees employed on 1.9.2016 since they have been employed for less than 240 days in the P.Y.2016-17.	100	275
Number of "additional employees"			75

Note - Since casual employees do not participate in recognized provident fund, they do not qualify as additional employees. Further, 125 regular employees employed on 1.5.2016 also do not qualify as additional employees since their monthly emoluments exceed Rs.25,000. Also, 100 regular employees employed on 1.9.2016 do not qualify as additional employees for the P.Y.2016-17, since they are employed for less than 240 days in that year.

Therefore, only 75 employees employed on 1.4.2016 qualify as additional employees, and the total emoluments paid or payable to them during the P.Y.2016-17 is deemed to be the additional employee cost. From A.Y.2017-18, it is not necessary that the employee should qualify as a "workman" under the Industrial Disputes Act, 1947 for the employer to avail benefit under section 80JJAA.

Provisions Concerning Advance Tax and Tax Deduction at Source

Enabling provision for filing of self-declaration in Form 15G/15H by recipient of rental income, for non-deduction of tax at source under section 194-I [Section 197A]

Effective from: 1st June, 2016

Increase in threshold limits and reduction of rates for deduction of tax at source in respect of certain payments [Chapter XVII-B]

Effective from: 1st June, 2016

Revision in threshold limits for deduction of tax at source from certain payments:

	Section	Nature of payment	Threshold limit (₹)	
			Upto 31.5.2016	From 1.6.2016
(1)	192A	Payment of accumulated balance due to an employee participating in recognized provident fund	30,000	50,000
(2)	194BB	Winnings from horse race	5,000	10,000
(3)	194C	Payment to contractors (revision of threshold of aggregate payment in a year)	75,000	1,00,000
(4)	194D	Insurance commission	20,000	15,000[3]
(5)	194G	Commission on sale of lottery tickets	1,000	15,000
(6)	194H	Commission or brokerage	5,000	15,000
(7)	194LA	Payment of compensation or enhanced compensation on compulsory acquisition of immovable property	2,00,000	2,50,000

Reduction in rate of tax to be deducted at source in respect of certain payments:

	Section	Nature of payment	Rate of TDS	
			Upto 31.5.2016	From 1.6.2016
(1)	194DA	Payment in respect of life insurance policy	2%	1%
(2)	194EE	Payments in respect of deposits under National Savings Scheme	20%	10%
(3)	194G	Commission on sale of lottery tickets	10%	5%
(4)	194H	Commission or brokerage	10%	5%

In addition, the rate of TDS under section 194D in respect of insurance commission has been reduced from 10% to 5%

Common advance tax payment schedule for both corporates and non-corporates (other than an eligible assessee in respect of eligible business referred to in section 44AD) from 1st June 2016:

Due date of installment	Amount payable
On or before 15th June	Not less than 15% of advance tax liability
On or before 15th September	Not less than 45% of advance tax liability, as reduced by the amount, if any, paid in the earlier installment.
On or before 15th December	Not less than 75% of advance tax liability, as reduced by the amount or amounts, if any, paid in the earlier installment or installments.
On or before 15th March	The whole amount of advance tax liability as reduced by the amount or amounts, if any, paid in the earlier installment or installments.

Note *- Any amount paid by way of advance tax on or before 31st March shall also be treated as advance tax paid during each financial year on or before 15th March.*

Non-applicability of interest under section 234C in certain cases:
Interest under section 234C shall not be leviable in respect of any shortfall in payment of tax due on returned income, where such shortfall is on account of under-estimate or failure to estimate –
(i) the amount of capital gains;
(ii) income of nature referred to in section 2(24)(ix) i.e., winnings from lotteries, crossword puzzles etc.;
(iii) income under the head "Profits and gains of business or profession" in cases where the income accrues or arises under the said head for the first time.

Requirement to furnish PAN for avoiding higher tax deduction not to apply to non corporate non-residents and foreign companies subject to certain conditions [Section 206AA]

Effective from: 1st June, 2016

Provisions for Filing Return Of Income

139(1):
Amendment by the Finance Act, 2016

Mandatory filing of return if total income before giving effect to exemption u/s 10(38) in respect of long-term capital gains exceed basic exemption limit
If such a person earns income by way of long-term capital gains in the previous year, which is exempt under section 10(38), and income of such person without giving effect to section 10(38) exceeds the basic exemption limit, then also such person shall be liable to mandatorily file return of income for the previous year on or before the due date.

139(4):
Reduction of time limit for filing belated return:
Any person who has not furnished a return within the time allowed to him under section 139(1), may furnish the return for any previous year at any time **before the end of the relevant assessment year** or before the completion of the assessment, whichever is earlier.

Thus, belated return can be filed only in case a person has not furnished his return within the time allowed under section 139(1). Also, the belated return cannot be furnished after the end of the relevant assessment year.

139(5):
Belated return can be revised:
If any person, having furnished a return under section 139(1) **or belated return under section 139(4)**, discovers any omission or any wrong statement therein, he may furnish a revised return at any time before the expiry of one year from the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

An enabling provision for revision of belated return has been introduced.

However, a return furnished in pursuance of a notice issued under section 142(1) cannot be revised.

Clause (aa) – Expln to 139(9)
Return not deemed to be defective if self-assessment tax is not paid before furnishing the return

A return which is otherwise valid would not be treated defective merely because self-assessment tax and interest payable in accordance with the provisions of section 140A has not been paid on or before the date of furnishing of the return.

ICDS

ICDS I : Accounting Policies:

(1) Non-consideration of the concepts of Prudence and Materiality:

ICDS I on Accounting Policies, while recognizing the fundamental accounting assumptions of going concern, consistency and accrual, does not recognize the concepts of "materiality" and "prudence" in selection and application of accounting policies.

The concept of prudence requires that provisions should be made for all known liabilities and losses even though the amount cannot be determined with certainty and represents only a best estimate in the light of available information. Non consideration of prudence in selection and application of accounting policies may have the impact of earlier recognition of income and gains or later recognition of expenses or losses for tax computation.

(2) Requirement of "reasonable cause" for change in accounting policy:

AS 5 vis-à-vis ICDS I: AS 5 which deals with changes in accounting policies, permits change in accounting policies if adoption of different accounting policies is required by:

(a) statute; or (b) for the purpose of compliance with an accounting standard; or

(c) if such change results in a more appropriate presentation of financial statements.

ICDS I, however, states that an accounting policy should not be changed without any 'reasonable cause'. The term "reasonable cause" has not been defined and would involve exercise of judgment by management and tax authorities.

ICDS II : Valuation of Inventories:

(1) Standard cost method not recognized for measurement of cost of inventories:

AS 2 vis-à-vis ICDS II: AS 2 permits standard cost method as one of the techniques for the measurement of the cost of inventories, for convenience if the results approximate the actual cost. However there is no enabling para in ICDS II permitting adoption of standard cost as a technique for measurement of the cost of inventories.

(2) Valuation of inventory on the date of dissolution of a firm, where the business is continued by a partner(s): ICDS II: In case of dissolution of a partnership firm requires the inventory on the date of dissolution to be valued at the **net realisable value, notwithstanding whether business is discontinued or not**.

This requirement in ICDS II is in deviation from the Supreme Court ruling where it was held that if the firm is dissolved due to death of a partner and the surviving partners reconstitute the firm and continue the business as before, **the firm is entitled to adopt cost or market price, whichever is lower**.

ICDS III: Construction Contracts:

(1) Point in time of recognition of expected loss on construction contracts

AS 7 vis-à-vis ICDS III: AS 7 permits recognition of expected loss on construction contract as well as contract costs, recovery of which is not probable, as an expense immediately.

It also permits recognition of expected loss immediately as an expense, when it is probable that total contract costs will exceed total contract revenue.

The absence of specific requirement in ICDS III to recognize such expected losses on construction contracts immediately as expense represents a significant deviation from AS 7. By implication, such losses are also to be recognized on Percentage of Completion Method as per ICDS III. Consequently, recognition of losses for tax purposes is postponed.

(2) Treatment of penalties arising from delays caused by the contractor in completion of the contract: AS 7 vis-à-vis ICDS III: AS 7 permits decrease in contract revenue as a result of penalties arising from delays caused by the contractor in the completion of the contract. However, ICDS III does not permit such reduction in contract revenue. Non-recognition of decrease in contract revenue as a result of such penalties would have the effect of inflating the taxable income and consequent tax liability.

(3) Point in time of recognition of retention money:
AS 7 vis-à-vis ICDS III: As per ICDS III, "Contract Revenue" shall comprise of the initial amount of revenue agreed in the contract, **including retentions**.
However, as per AS 7, contract revenue should comprise the initial amount of revenue agreed in the contract.
While there is a specific requirement in ICDS III to include retentions, there is no such requirement in AS 7.

ICDS IV: Revenue Recognition:
(1) Revenue recognition in case of rendering of services and use by others of person's resources yielding interest, dividend or royalty, where there is significant uncertainty as to collectability: AS 9 vis-à-vis ICDS IV: AS 9 requires recognition of revenue only if no significant uncertainty exists regarding the amount of consideration that will be derived from sale of goods, rendering of services or use by others of enterprise resources yielding interest, royalties and dividends.
ICDS IV also requires revenue from sale of goods to be recognized when there is reasonable certainty of its ultimate collection.
However, "reasonable certainty for ultimate collection" is not a criterion for recognition of revenue from rendering of services or use by others of person's resources yielding interest, royalties or dividends. By implication, revenue recognition cannot be postponed in case of uncertainty regarding collectability of consideration to be derived from rendering of services or use by others of person's resources yielding interest, dividend or royalty.

(2) Recognition of revenue from service transactions:
AS 9 vis-à-vis ICDS IV: AS 9 permits revenue from service transactions to be recognised as the service is performed, either by the proportionate completion method or by the completed service contract method, whichever relates the revenue to the work accomplished. ICDS IV requires revenue from service transactions to be recognised only on the basis of percentage completion method.

ICDS VI: Effects of changes in Foreign Exchange Rates:
(1) Treatment of exchange differences in translation of financial statements of non integral foreign operations: AS 11 vis-à-vis ICDS VI: AS 11 requires the resulting exchange differences in translating the financial statements of a non-integral foreign operation to be accumulated in a foreign currency translation reserve until the disposal of the net

investment. ICDS VI on the other hand requires such exchange differences to be recognized as income or as expenses in that previous year.

ICDS VII: Government Grants:

(1) Recognition of Government Grants:

AS 12 vis-à-vis ICDS VII: AS 12 provides that Government Grants should not be recognized until there is a reasonable assurance that the enterprise will comply with the conditions attached to them and the grants will be received.

ICDS VII also provides that Government Grants should not be recognized until there is a reasonable assurance that the enterprise will comply with the conditions attached to them and the grants will be received. However, ICDS VII goes on to provide that recognition of government grant shall not be postponed beyond the date of actual receipt.

(2) Treatment of Government Grants of capital nature and Government Grants in the nature of promoter's contribution:

AS 12 vis-à-vis ICDS VII: AS 12 permits government grants in the nature of promoters' contribution, to be treated as capital reserve which can neither be distributed as dividend nor considered as deferred income.

ICDS VII, however, does not contain specific requirement to capitalize government grants in the nature of promoter's contribution. Except in case of government grant relating to a depreciable fixed asset, which has to be reduced from written down value or actual cost, all other grants have to be recognized as upfront income or as income over the periods necessary to match them with the related costs which they are intended to compensate.

Accordingly, new sub-cluase has been inserted in the definition of income under section 2(24) to provide that assistance in the form of a subsidy or grant etc., by the Central Government or a State Government or any authority in cash or kind to the assessee would be considered as income. It is only the subsidy or grant or reimbursement which has been reduced from the actual cost of the asset in accordance with section 43(1) which would not be considered as income.

ICDS VIII: Securities:

(1) Manner of comparison of cost and NRV for valuation of securities held as stock-in-trade: ICDS VIII requires securities held as stock-in-trade to be valued at lower of actual cost initially recognized or net realizable value at the end of the year, whichever is lower. Further, such comparison has to be done **category-wise** and not for each individual security. This requirement in the ICDS deviates from the judicial position that comparison should be done stock wise.

(2) Valuation of unlisted or irregularly traded securities at actual cost initially recognized.

ICDS VIII requires valuation of the following securities only at actual cost initially recognized:

(i) Securities not listed on a recognized stock exchange; or

(ii) Securities listed but not quoted on a recognized stock exchange with regularity from time to time.

ICDS IX: Borrowing Costs:

(1) Minimum period for classification of an asset as a qualifying asset:

AS 16 vis-à-vis ICDS IX: As per AS 16, "qualifying asset" has been defined to mean an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. AS 16 clarifies that ordinarily a period of 12 months is considered as substantial period of time unless a shorter or longer period can be justified on the basis of facts and circumstances of the case.

ICDS IX, however, does not provide any minimum period for treating an asset as a qualifying asset (except in the case of inventories). Consequently, borrowing costs in respect of assets have to be capitalized even if the asset, say, land or building or plant or machinery, does not take a substantial period of time to get ready for intended use.

(2) Treatment of income earned from temporary investment of borrowed funds:

AS 16 vis-à-vis ICDS IX: AS 16 permits income earned on temporary investment of borrowed funds pending their expenditure on the qualifying asset to be deducted from borrowing costs incurred. ICDS IX however, does not permit such reduction from borrowing costs.

(3) Suspension of capitalization of borrowing costs:

AS 16 vis-à-vis ICDS IX: AS 16 permits suspension of capitalization of borrowing costs during extended periods in which active development is interrupted. ICDS IX does not permit suspension of capitalization of borrowing costs in such cases.

ICDS X: Provisions, Contingent Liabilities & Contingent Assets:

(1) Condition for recognition of Provision:

AS 29 vis-à-vis ICDS X: AS 29 requires recognition of a provision when it is **probable** that an outflow of resources embodying economic benefits will be required to settle the obligation. ICDS X requires recognition of a provision only when it is **reasonably certain** that an outflow of resources embodying economic benefits will be required to settle the obligation.

The requirement of "reasonable certainty" in ICDS X to recognize a provision is more stringent as compared to the requirement of "probability" in AS 29. This will have the effect of postponing the recognition of provision for tax purposes and consequently, result in earlier payment of taxes.

(2) Condition for recognition of Contingent Asset:

AS 29 vis-à-vis ICDS X: Both AS 29 and ICDS X provide that a contingent asset should not be recognized. Further, both AS 29 and ICDS X require contingent assets to be assessed continually.

Thereafter, recognition of contingent assets and related income is required in:

AS 29, if inflow of economic benefits is **"virtually certain"**;

ICDS X, if inflow of economic benefits is **"reasonably certain"**.

The requirement of "reasonable certainty" in ICDS X to recognize a contingent asset and the related income is more stringent as compared to the requirement of "virtual certainty" in AS 29. This deviation between AS 29 and ICDS X would have the effect of advancing recognition of income for tax purposes and consequently, result in earlier payment of taxes.