The Excel Academy

EXCEL COMMERCE ACADEMY PRIVATE LIMITED, JODHPUR

UPDATE FOR CA (Intermediate / IPC) for May, 2020

I N D E X

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PART “A-1”

COMPUTATION OF TOTAL INCOME OF INDIVIDUAL

Total Income is computed as under:		
Taxable income from salary	Section 15 to 17	XXX
Taxable income from House-Property	Section 22 to 27	XXX
Taxable income from B/P/V	Section 28 to 44DB	XXX
Taxable income from Capital Gain	Section 45 to 55A	XXX
Taxable income from Other Sources	Section 56 to 59	XXX
Gross Total Income		XXX
Less: Deductions under Chapter VI-A	Section 80C to 80U	XXX
Total Income		XXX
Rounded off (in the nearest multiple of Rs. 10/-)	Section 288A	XXX

While computing total income –

(i) Only those receipts / inflows which are covered within the definition of “income” u/s 2(24) shall be included. Receipts / inflows which are not outside the definition of “income” shall not be included.

(ii) Only those incomes which fall within the “Scope of total income” u/s 5 to 9 shall be included. Incomes which are outside the “Scope of total income” shall not be included.

(iii) Incomes which are exempted under Chapter III (i.e. section 10 to 13B) shall not be included.

(iv) Clubbable incomes shall be included under the respective heads as per section 60 to 65.

(v) Undisclosed incomes shall be aggregated under the respective heads as per section 68 to 69D, and

(vi) Losses shall be set off / carried forward as per section 70 to 80.

COMPUTATION OF TAX LIABILITY OF INDIVIDUAL

The tax liability shall be **computed in 3 Steps** –

(i) Step-1: Regular tax
(ii) Step-2: Alternate Minimum (AMT)
(iii) Step-3: Tax liability

Step – 1 : Regular Tax

Basic Tax on special incomes @ special rates		XXX
Basic Tax on remaining income @ normal rates ***(Note - Agricultural income shall be considered for rate purpose)***		XXX
Total Basic Tax		XXX
Less: Rebate u/s 87A	*If allowable*	XXX
Add : Surcharge	*If applicable*	XXX
Less: Marginal relief of surcharge (MRS)	*If allowable*	XXX
Basic tax + Surcharge		XXX

Add: Health & Education Cess		XXX
Tax before Relief		XXX
Less: Relief u/s 89	*If allowable*	XXX
REGULAR TAX		XXX

BASIC TAX ON SPECIAL INCOMES @ SPECIAL RATES:

Certain incomes are chargeable @ special rates. Such incomes and special rates are given below:

Section	Assessee	Special Income	AY 2019-20	AY 2020-21
111A	Any	STCG on transfer of (i) equity shares, or (ii) equity oriented mutual funds, or (iii) units of a business trust which has suffered STT	15%	15%
112	Any	LTCG (other than LTCG covered u/s 112A)	10% / 20%	10% / 20%
112A	Any	LTCG on transfer of (i) equity shares, or (ii) equity oriented mutual funds, or (iii) units of business trust which has suffered STT	First 1,00,000 – 0% Extra – 10%	First 1,00,000 – 0% Extra – 10%
115BB	Any	7 incomes (i.e. casual incomes)	30%	30%
115BBDA	Specified persons [i.e. any person other than a domestic company or a fund / trust / institution covered u/s 10(23C) or 12AA]	Aggregate dividend from one or more domestic companies covered u/s 2(22)(a),(b),(c),(d) in excess of Rs. 10,00,000 in one previous year	10%	10%
115BBE	Any	Undisclosed income u/s 68 to 69D	60%	60%

BASIC TAX ON NORMAL INCOMES CHARGEABLE @ NORMAL RATES:

Incomes, other than special income taxable @ special rates, shall be taxable at the normal rates:

Assessee	AY 2019-20		AY 2020-21	
	Income	**Rate**	**Income**	**Rate**
Normal individual– (i.e. other than those individuals who are covered under special categories discussed below)	First 2,50,000	Nil	First 2,50,000	Nil
	2,50,001 to 5,00,000	5%	2,50,001 to 5,00,000	5%
	5,00,001 to 10,00,000	20%	5,00,001 to 10,00,000	20%
	Balance	30%	Balance	30%
Senior resident individual-- (a resident aged 60 years or more but less than 80 years at any time during the previous year)	First 3,00,000	Nil	First 3,00,000	Nil
	3,00,001 to 5,00,000	5%	3,00,001 to 5,00,000	5%
	5,00,001 to 10,00,000	20%	5,00,001 to 10,00,000	20%
	Balance	30%	Balance	30%

Very senior resident individual- (a resident aged 80 years or more at any time during the previous year)	First 5,00,000	Nil	First 5,00,000	Nil
	5,00,001 to 10,00,000	20%	5,00,001 to 10,00,000	20%
	Balance	30%	Balance	30%

REBATE U/S 87A:

AY 2019-20	AY 2020-21
✓ This rebate is allowed to a **resident individual** whose **total income does not exceed Rs. 3,50,000/-**. ✓ The amount of rebate shall be Rs. 2,500/- or Basic tax on Total Income, *whichever is less*. In other words, the maximum amount of rebate shall be Rs. 2,500/-. ✓ The rebate is not allowed against tax casual income covered u/s 115BB, dividend income covered u/s 115BBDA and undisclosed income covered u/s 115BBE and LTCG taxable u/s 112A. In short, the rebate shall be allowed against tax on STCG u/s 111A, LTCG u/s 112 and Normal income.	✓ This rebate is allowed to a **resident individual** whose **total income does not exceed Rs. 5,00,000/-**. ✓ The amount of rebate shall be Rs. 12,500/- or Basic tax on Total Income, *whichever is less*. In other words, the maximum amount of rebate shall be Rs. 12,500/-. ✓ The rebate is not allowed against tax casual income covered u/s 115BB, dividend income covered u/s 115BBDA and undisclosed income covered u/s 115BBE and LTCG taxable u/s 112A. In short, the rebate shall be allowed against tax on STCG u/s 111A, LTCG u/s 112 and Normal income.

SURCHARGE:

AY 2019-20		AY 2020-21	
Total Income	**Rate**	**Total Income**	**Rate**
Upto Rs. 50 lakh	Nil	Upto Rs. 50 lakh	Nil
Exceeding Rs. 50 lakh but upto Rs. 1 Crore	10%	Exceeding Rs. 50 lakh but upto Rs. 1 Crore	10%
Exceeding Rs. 1 crore	15%	Exceeding Rs. 1 crore but upto Rs. 2 Crore	15%
		Exceeding Rs. 2 crore but upto Rs. 5 Crore	25%
		Exceeding Rs. 5 crore	37%

MARGINAL RELIEF OF SURCHARGE (MRS):

AY 2019-20	AY 2020-21
Marginal relief of surcharge (MRS) is allowed in appropriate situations.	Marginal relief of surcharge (MRS) is allowed in appropriate situations.

CESS:

AY 2019-20	AY 2020-21
Health & Education Cess shall be 4%.	Health & Education Cess shall be 4%.

ALERT:

In the case of undisclosed income covered u/s 68 to 69D, the rate of basic tax shall be 60% u/s 115BBE and the rate of surcharge shall be 25% for all assessees (the rates of surcharge discussed above shall not apply). Hence the effective tax rate on undisclosed income shall be as under:

AY 2019-20	AY 2020-21
Effective tax rate shall be 60% + 25% surcharge + 4% cess = 78%.	Effective tax rate shall be 60% + 25% surcharge + 4% cess = 78%.

Step – 2: Alternate Minimum Tax (AMT)

(a) *Applicability –*

AMT provision is applicable to **an individual** who has claimed **Exemption u/s 10AA or Income-related deduction u/s 80JJAA, 80QQB, 80RRB or Deduction u/s 35AD <u>and</u> the "adjusted total income"** exceeds Rs. 20 Lakh.

(b) How to compute "Adjusted Total Income" –

"Adjusted Total Income" = Total Income (+) Exemption u/s 10AA (+) Income-related deduction u/s 80JJAA, 80QQB, 80RRB (+) Deduction u/s 35AD (-) Depreciation allowable u/s 32 on the assets for which deduction has been claimed u/s 35AD

(c) How to compute AMT –

AMT will be computed as follows—

Calculation	Relevant provision	Amount
Basic tax @ 18.50% of "**Adjusted Total Income"**	*115JC*	XXX
Add: Surcharge	*If applicable*	XXX
Less: Marginal relief of surcharge (MRS)	*If allowable*	XXX
Add: Health & Education Cess @ 4%		XXX
AMT		**XXX**

Surcharge:

Surcharge is payable as under:

If the Adjusted Total Income is upto Rs. 50 lakh	No surcharge
If the Adjusted Total Income exceeds Rs. 50 lakh but upto Rs. 1 Crore	10% of basic tax
If the Adjusted Total Income exceeds Rs. 1 crore but upto Rs. 2 Crore	15% of basic tax
If the Adjusted Total Income exceeds Rs. 2 crore but upto Rs. 5 Crore	25% of basic tax
If the Adjusted Total Income exceeds Rs. 5 crore	37% of basic tax

<u>*AMT CREDIT u/s 115JD*</u>

Section 115JD provides for a scheme of AMT credit. The provisions of this section are as follows—

*(1) The credit shall **arise** in the year in which **AMT exceeds Regular Tax**. The amount of credit shall be **AMT (-) Regular Tax**.*

*(2) The credit shall be **allowed / utilised** in the year in which **Regular Tax exceeds AMT**. The maximum allowable credit shall be to the extent of **Regular Tax (-) AMT**.*

*The AMT credit can be carried forward to next **15** years after which the credit shall lapse.*

Step – 3: Tax Liability

Tax liability [Higher of (i) Regular Tax or (ii) AMT]		XXX
Less: Prepaid taxes	Advance Tax, TDS, TCS, Self-assessment u/s 140A	XXX
Balance payable / Refundable		**XXX**
<u>Rounding off</u> The amount payable / refundable shall be rounded off to the nearest multiple of ten rupees.	Section 288B	XXX

Example:

Mr. A provides following information. Compute his total income, tax liability and AMT Credit to be C/F:

Taxable Income from SEZ unit (before claiming exemption u/s 10AA)	*40,00,000*
Exemption allowable u/s 10AA	*32,00,000*
Profit of specified business covered u/s 35AD (before claiming deduction u/s 35AD)	*1,05,00,000*
Deduction allowable u/s 35AD	*65,00,000*
Depreciation allowable u/s 32 on assets of 35AD Business	*6,50,000*
Royalty income from books (before deduction u/s 80QQB)	*1,00,000*
Deduction allowable u/s 80QQB	*30,000*

Solution:

COMPUTATION OF TOTAL INCOME

Income from BP:		
Taxable Income from SEZ unit (before exemption u/s 10AA)	*40,00,000*	
Less: Exemption allowable u/s 10AA	*32,00,000*	*8,00,000*
Profit of specified business covered u/s 35AD (before deduction u/s 35AD)	*1,05,00,000*	
Less: Deduction allowable u/s 35AD	*65,00,000*	*40,00,000*
Income from Other Sources:		
Royalty income from books (before deduction u/s 80QQB)		*1,00,000*
GROSS TOTAL INCOME		***49,00,000***
Less: Deductions u/s 80QQB		*30,000*
TOTAL INCOME		***48,70,000***

COMPUTATION OF TAX LIABILITY

Step-1 – Regular Tax

	Basic tax on 48,70,000 @ Slab rates	*12,73,500*
Add	*Health & Education Cess @ 4%*	*50,940*
	Regular Tax	*13,24,440*

Step-2 – AMT

	Total Income	*48,70,000*
Add	*Exemption u/s 10AA*	*32,00,000*
Add	*Deduction u/s 35AD*	*65,00,000*
Less	*Depreciation u/s 32 on assets of 35AD Business*	*6,50,000*
Add	*Deduction u/s 80QQB*	*30,000*
	Adjusted Total Income	*1,39,50,000*
	Basic Tax @ 18.50% of 1,39,50,000	*25,80,750*
Add	*Surcharge @ 15% because adjusted total income exceeds Rs. 1 Crore*	*3,87,113*
Less	*MRS*	*Nil*
		29,67,863
Add	*Health & Education Cess @ 4% of 29,67,863/-*	*1,18,715*
	AMT	*30,86,578*

Step-3 – Tax liability

	Regular Tax or AMT whichever is HIGHER [Higher of 13,24,440 or 30,86,578]	*30,86,578*
	R/O u/s 288B	***30,86,580***

AMT credit to be C/F to next 15 Years

	AMT	*30,86,580*
	Regular tax	*13,24,440*
	AMT Credit to carried forward	*17,62,140*

SECTIONWISE AMENDMENTS

Section 9	Income deemed to accrue or arise in India
New law	Income arising outside India, being any sum of money paid without consideration, by an Indian resident person to a Foreign Company or a Non-resident Non-corporate (FC / NRNC) on or after 05.07.2019, shall be deemed to accrue or arise in India if the same is chargeable to tax u/s 56(2)(x) i.e. if the aggregate of such sum received by the FC / NRNC exceeds Rs. 50,000.
Example	*Mr. Modi, goes to USA and gives a gift of Rs. 11,00,000 to Mr. Trump. Mr. Trump is non-resident in India.* *In this case, the gift of Rs. 11,00,000 shall be deemed to accrue or arise in India u/s 9. Hence Mr. Trump shall be taxable in India.*
Section 10(12A)	**Exemption to withdrawal from NPS**
Old law	If an assessee withdraws amount from NPS on account of closure or opting out of NPS A/c, 40% of receipt was exempted and remaining 60% portion was taxable.
New law	60% of receipt shall be exempted and remaining 40% portion shall be taxable.
Section 16	**Standard deduction from Gross Salary**
Old law	Standard deduction was Gross Salary or Rs. 40,000, whichever is less.
New law	Standard deduction shall be Gross Salary or Rs. 50,000, whichever is less.
Section 23(4)	**Nil annual value of SOP(Residence) or NOP**
Old law	If the assessee was having multiple houses for SOP(R) or NOP u/s 23(2), he could select any one house u/s 23(2) and all other houses were deemed to be u/s 23(1).
New law	If the assessee is having multiple houses for SOP(R) or NOP u/s 23(2), he could select any two houses u/s 23(2) and all other houses shall be deemed to be u/s 23(1).
Example	*Mr. A is having 3 houses for SOP(R). He has following options:* *(i) Option-1 : House 1 u/s 23(2) + House 2 u/s 23(2) + House 3 u/s 23(1)* *(ii) Option-2 : House 1 u/s 23(2) + House 2 u/s 23(1) + House 3 u/s 23(2)* *(iii) Option-3 : House 1 u/s 23(1) + House 2 u/s 23(2) + House 3 u/s 23(2)*
Section 23(5)	**Nil annual value of House Property held as stock-in-trade**
Old law	Where the house property or part of the property is held as stock-in-trade and such property or part of the property is not let during the whole or any part of the previous year, the annual value of such property or part of the property for the period upto **1 year from the end of the financial year in which the certificate of completion of construction of property is obtained from the competent authority**, shall be taken to be Nil.
New law	The time period has been extended from 1 year to 2 years.
Example	*A Ltd., a builder has constructed a house property, the construction of which was completed on 15.12.2019. It has obtained a certificate of completion from the competent authority on 06.05.2020. Discuss the treatment under Income from HP head.* *Answer:* *In this case, section 23(5) shall apply and the treatment shall be as under:*

	(a) The annual value of the house property till 31.03.2023 (2 years from end of the financial year in which the certificate of completion of construction of property is obtained from the competent authority) shall be taken as Nil, provided the house has not been let out. *(b) W.e.f. 01.04.2023, the house property shall be taxable u/s 23(1). The assessee shall pay tax on Expected Rent (even if the property is not let out).*
Section 24(b)	**Deduction of Interest**
New law	(1) The aggregate deduction of interest in respect of two houses treated as SOP(R) or NOP u/s 23(2) shall not exceed the limit of Rs. 30,000 / Rs. 2,00,000. (2) If the assessee has taken two loans for house properties treated u/s 23(2) out of which one has limit of Rs. 30,000 and other has limit of Rs. 2,00,000; the aggregate deduction shall not exceed Rs. 2,00,000.
Example	*Mr. A is owner of two house properties, both occupied for self-residence. The houses were constructed on 03.08.2015 by taking loans from State Bank of India and the interest for the previous year 2019-20 were Rs. 90,000 and Rs. 1,30,000 respectively for 1st House and 2nd House.* *In this case, the total interest is Rs. 90000 + Rs. 130000 = 220000 but the aggregate deduction of interest allowable u/s 24(b) for SOP(R) shall be restricted to Rs. 200000.*
Section 35AD **Section 40A(3)** **Section 40A(3A)** **Section 43(1)** **Section 43CA** **Section 44AD** **Section 50C** **Section 56(2)(x)** **Section 80JJAA**	**Several provisions**
Old law	These sections require payment / receipt through A/c Payee Cheque or A/c Payee Draft or ECS.
New law	In addition to A/c Payee Cheque or A/c Payee Draft or ECS, “such other electronic mode as may be prescribed” has also been permitted.
Example	*Payment / receipt through new digital modes such as BHIM, UPI, UPI-QR Code, Aadhar Pay, Debit Cards, RTGS, NEFT, etc. shall be permitted.*
Section 40(a)(i)	**Disallowance due to TDS default**
New law	If there is a default in deduction or payment of TDS out of any sum payable outside India or to a foreign company or to a non-resident non-corporate but the Payer is not deemed to be in default u/s 201(1), then it shall be deemed that the Payer has deducted and paid TDS on the date of furnishing of Return by the Payee. Effect: The relevant expenditure disallowed in earlier year, shall be re-allowed as deduction to the payer in subsequent year (i.e. in the year in which the payee has furnished his Return).
Please note	Such provision is already existing in section 40(a)(ia).
Please note	The amendment in section 40(a)(i) and 201(1) should be studied simultaneously.

<table>
<tr><th>Section 43B</th><th colspan="3">Deduction of certain expenses on payment basis</th></tr>
<tr><td>New law</td><td colspan="3">Interest on any loan or borrowing payable to a “Deposit taking Non-Banking Financial Company (NBFC)” or a “Systematically important non-deposit taking Non-Banking Financial Company (NBFC)”, shall be covered u/s 43B.

“Deposit taking NBFC” means a NBFC which is accepting or holding public deposits and and is registered with the RBI.

“Systematically important non-deposit taking NBFC” means a NBFC which is not accepting or holding public deposits but having total assets of at least 500 crore rupees as per the last audited Balance-Sheet and is registered with RBI.

<u>Special provision for conversion of unpaid interest into a new loan</u>:
If the unpaid interest is converted into a new loan by the Deposit taking NBFC / Systematically important non-deposit taking NBFC, such conversion into a new loan shall not be treated as payment of interest and hence disallowance would be attracted. However, subsequently as and when the new loan is paid, it shall be deemed that the assessee has paid the due interest and deduction shall be allowed.</td></tr>
<tr><th>Section 10(34A), 46A, 115QA</th><th colspan="3">Capital gain on buy-back of shares</th></tr>
<tr><td rowspan="5">New law</td><td colspan="3">In the case of buy-back of shares by a company from its shareholders, the income-tax treatment shall be as under:</td></tr>
<tr><th>Situation</th><th>Taxability in the hands of company</th><th>Taxability in the hands of shareholder</th></tr>
<tr><td>If a domestic company buys back shares</td><td>The company shall be liable to pay Income-Distribution Tax u/s 115QA to 115QC.</td><td>The shareholders shall be exempted u/s 10(34A).</td></tr>
<tr><td>If a foreign company buys back shares</td><td>No tax on company.</td><td>The shareholder shall be liable to capital gain tax u/s 46A. The taxable gain shall be computed as per normal procedure of section 48. The amount received from company shall be treated as FVC.</td></tr>
<tr><td>If a domestic company or foreign company buys back specified securities (i.e. ESOPs or other notified securities)</td><td>- do -</td><td>- do -</td></tr>
<tr><th>Section 48</th><th colspan="3">Cost Inflation Index for Capital Gain</th></tr>
<tr><td>New law</td><td colspan="3">The cost inflation index for financial year 2019-20 shall be 289.</td></tr>
<tr><th>Section 54</th><th colspan="3">Exemption for investment in residential house property</th></tr>
<tr><td>Old law</td><td colspan="3">The new investment can be made in only one residential house. If the assessee makes investment in more than one residential house, the exemption shall be restricted to one residential house (as per choice of assessee).</td></tr>
</table>

New law	If the capital gain does not exceed Rs. 2 crore, the assessee has option to purchase or construct two residential houses in India. If the assessee has once exercised this option, he shall not be subsequently entitled to exercise this option for the same or any other assessment year. In short, this option shall be allowed only once in the life time of assessee.
Section 80C	**Deduction of certain investments**
Old law	Contribution to Tier-II Account of NPS is not eligible for deduction under any section.
New law	Contribution made by a **Central Govt. employee** to **additional account under NPS [i.e. Tier-II Account of NPS]** referred to in section 80CCD for a fixed period of not less than 3 years, shall be eligible for deduction u/s 80C.
Section 80CCD(2)	**Deduction of NPS**
Old law	In the case of a salaried employee, the employer's contribution to NPS is also eligible for deduction u/s 80CCD. But the maximum limit is 10% of salary.
New law	The maximum limit shall be: (a) 14% of salary in case of contribution made by an employer which is Central Govt. (b) 10% of salary in case of contribution made by any other employer
Section 80EEA	**Deduction of interest on housing loan**
New law	The provisions of this section are as under: ***Eligible assessee:*** An Individual not eligible to claim deduction u/s 80EE. ***Why deduction?*** Interest payable on loan taken from a financial institution for acquisition of a residential house property. Here "financial institution" means a bank or a housing finance company. ***Conditions:*** ✓ The loan must be sanctioned by the financial institution during 01.04.2019 to 31.03.2020 (i.e. PY 2019-20). ✓ The amount of loan – No condition. ✓ The stamp duty value of residential house property should not exceed Rs. 45 lakh. ✓ The assessee should not own any residential house property on the date of sanction of loan. ***How much deduction?*** Maximum deduction shall be Rs. 1,50,000/-. ***Extra points:*** (1) Interest on house loan is deductible u/s 24(b) itself. Hence what is extra-utility of section 80EEA? **Answer:** It is true that section 80EEA is not useful in the case of a property covered u/s 23(1) or 23(5) because the assessee can full deduction u/s 24(b) itself. But the 80EEA shall be useful if the property is covered u/s 23(2), because in the case of a property covered u/s 23(2), the maximum allowable deduction u/s 24(b) is Rs. 2,00,000/- and the deduction upto Rs. 1,50,000/- u/s 80EEA shall be over and above the deduction upto Rs. 2,00,000/- u/s 24(b). Hence the assessee should first claim deduction u/s 24(b) upto Rs. 2,00,000/- and

thereafter the remaining interest, if any, should be claimed u/s 80EEA [upto a maximum of Rs. 1,50,000/-]. In short, in the case of a property covered u/s 23(2), the assessee can claim deduction upto Rs. 3,50,000 [Maximum upto Rs. 2,00,000 u/s 24(b) + Maximum upto Rs. 1,50,000 u/s 80EEA], provided all conditions of section 80EEA are satisfied.

(2) Care must be taken that the same amount is not doubly claimed, once u/s 24(b) and again u/s 80EEA because it is specifically restricted in section 80EEA.

(3) Section 80EEA prescribes that the loan must be taken for **"acquisition"** of a residential property. There is no definition of **"acquisition"**. Thus, although it is very much clear that the section is not applicable if the loan is taken for repair or renovation of property, yet a doubt arises as to whether the section 80EE shall apply to purchase of house or construction as well. It appears that the intention of Govt. is to apply section 80EEA only in case of purchase of a residential house property and not in case of construction of a residential house property.

Please note

Now we have two sections for deduction of interest on housing loan, viz. section 80EE and 80EEA. Hence we shall make a comparative analysis of these two sections for a quick understanding.

<u>Section 80EE Vs. Section 80EEA</u>

Provision	**Section 80EE**	**Section 80EEA**
Condition – 1	Deduction allowed to an Individual	Deduction allowed to an Individual who is not eligible to claim deduction u/s 80EE.
Condition – 2	The assessee must take loan for acquisition of a residential house property	Same condition
Condition – 3	Loan must be taken from a financial institution	Same condition
Condition – 4	Loan must be sanctioned during 01.04.2016 to 31.03.2017	01.04.2019 to 31.03.2020
Condition – 5	Sanctioned loan should not exceed Rs. 35 lakh	No such condition
Condition – 6	Value of residential house should not exceed Rs. 50 lakh	Stamp duty value of house should not exceed 45 lakh.
Condition – 7	Assessee should not own any residential house on the date of sanction of loan	Same condition
Maximum deduction	Rs. 50,000	Rs. 1,50,000
Please note	Maximum deduction upto Rs. 2,00,000 shall be claimed u/s 24(b). Thereafter, extra interest shall be claimed u/s 80EE.	Maximum deduction upto Rs. 2,00,000 shall be claimed u/s 24(b). Thereafter, extra interest shall be claimed u/s 80EEA.
Effective maximum deduction	Rs. 2,00,000 u/s 24(b) + Rs. 50,000 u/s 80EE = Rs. 2,50,000.	Rs. 2,00,000 u/s 24(b) + Rs. 1,50,000 u/s 80EEA = Rs. 3,50,000.

Section 80EEB	Deduction of interest on loan taken for electric vehicle
New law	The provisions of this section are as under: ***Eligible assessee:*** Individual ***Why deduction?*** Interest payable on loan taken from a financial institution for purchase of an electric vehicle. Here "financial institution" means a bank, a deposit-taking NBFC or a systematically important non-deposit taking NBFC. Please refer section 43B for meaning of a "deposit-taking NBFC" or a "systematically important non-deposit taking NBFC". ***Conditions:*** The loan must be sanctioned by the financial institution during 01.04.2019 to 31.03.2023 (i.e. PY 2019-20 to 2022-23). ***How much deduction?*** Maximum deduction shall be Rs. 1,50,000/-. ***Meaning of "electric vehicle":*** "Electric vehicle" means a vehicle which is powered exclusively by an electric motor whose traction energy is supplied exclusively by traction battery installed in the vehicle and has such electric regenerative braking system, which during braking provides for the conversion of vehicle kinetic energy into electrical energy.

PART "A-2"

Surcharge	**Reduction in surcharge on STCG u/s 111A and LTCG u/s 112A**
Background	We have studied earlier that in the case of individuals, HUFs, AJPs, AOPs and BOIs, the surcharge rates for AY 2020-21 have been increased substantially as under:

AY 2019-20		**AY 2020-21**	
Total Income	**Rate**	**Total Income**	**Rate**
Upto Rs. 50 lakh	Nil	Upto Rs. 50 lakh	Nil
Exceeding Rs. 50 lakh but upto Rs. 1 Crore	10%	Exceeding Rs. 50 lakh but upto Rs. 1 Crore	10%
Exceeding Rs. 1 crore	15%	Exceeding Rs. 1 crore but upto Rs. 2 Crore	15%
		Exceeding Rs. 2 crore but upto Rs. 5 Crore	25%
		Exceeding Rs. 5 crore	37%

Further amendment	Due to this "Kamartod increase", there was a serious protest from public, particularly the stock markets of India. Hence the increased surcharge of 25% and 37% had been withdrawn by Govt. on the STCG taxable u/s 111A and LTCG taxable u/s 112A. In simple words, the surcharge @ 25% / 37% shall be applied on "Total Income excluding the STCG u/s 111A and LTCG u/s 112A".

Examples	Components of Total Income				Surcharge	
	STCG u/s 111A	LTCG u/s 111A	Other income	Total Income	On STCG u/s 111A + LTCG u/s 112A	Surcharge on Normal Income
1	20 lakh	15 lakh	10 lakh	45 lakh	Nil	Nil
2	30 lakh	25 lakh	40 lakh	95 lakh	10%	10%
3	60 lakh	65 lakh	50 lakh	175 lakh	15%	15%
4	54 lakh	55 lakh	300 lakh	409 lakh	15%	25%
5	50 lakh	65 lakh	600 lakh	715 lakh	15%	37%
6	60 lakh	55 lakh	110 lakh	225 lakh	15%	15%

Section 32	**Depreciation**
New law	Depreciation rates have been increased on motor vehicles acquired during 23.08.2019 to 31.03.2020. Accordingly, the depreciation rates shall be as under:

Type of motor vehicle	**Acquired upto 22.08.2019**	**23.08.2019 to 31.03.2020 and put to use upto 31.03.2020**
Motor cars	15%	30%
Motor buses, motor lorries and motor taxies used in a business of running them on hire	30%	45%

<table>
<tr><th>Section 139(1)</th><th>Compulsory filing of Return of Income</th></tr>
<tr><td>Old law</td><td>Every person, being an individual, HUF, AOP, BOI or AJP, if his total income before giving effect to Deductions under Chapter VI-A, exceeds the maximum amount not chargeable to tax (MANCT), shall compulsorily submit his ITR or ITR of such other person, in a prescribed form on or before due date.</td></tr>
<tr><td>New law</td><td>Every person, being an individual, HUF, AOP, BOI or AJP, if his total income before giving effect to Deductions under Chapter VI-A or Exemption u/s 54 to 54GB, exceeds the maximum amount not chargeable to tax (MANCT), shall compulsorily submit his ITR or ITR of such other person, in a prescribed form on or before due date.</td></tr>
<tr><th>Section 139(1)</th><th>Compulsory filing of Return of Income</th></tr>
<tr><td>Old law</td><td>We have discussed following 5 categories of persons who are required to file return of income compulsorily:
<table>
<tr><th>Category</th><th>Person</th></tr>
<tr><td>1</td><td>Company</td></tr>
<tr><td>2</td><td>Firm / LLP</td></tr>
<tr><td>3</td><td>Ordinary residents having assets located outside India</td></tr>
<tr><td>4</td><td>Individual, HUF, AJP, AOP or BOI whose total income before giving effect to Deductions under Chapter VI-A or Exemption u/s 54 to 54GB, exceeds the maximum amount not chargeable to tax (MANCT)</td></tr>
<tr><td>5</td><td>Every person (other than a person covered under any of the above categories), if his total income or the total income of any other person in respect of whom he is chargeable to tax, exceeds the maximum amount not chargeable to tax (MANCT),</td></tr>
</table></td></tr>
<tr><td>New law</td><td>Now a new category (we may call “6th Category”) is also added according to which any person who is not required to furnish a return any of the first 5 categories but who, during the previous year,—
(i) has deposited an amount or aggregate of the amounts exceeding Rs. 1 Crore in one or more current accounts maintained with a banking company or a co-operative bank, or
(ii) has incurred expenditure of an amount or aggregate of the amounts exceeding Rs. 2 lakh for himself or any other person for travel to a foreign country, or
(iii) has incurred expenditure of an amount or aggregate of the amounts exceeding Rs. 1 lakh towards consumption of electricity, or
(iv) fulfills such other conditions as may be prescribed,
shall furnish ITR, in a prescribed form on or before due date.</td></tr>
<tr><th>Section 139A</th><th>PAN</th></tr>
<tr><td>New law</td><td>Certain amendments have been made for inter-chargeability of PAN and Aadhar Number, as under:

<u>139A(5E):</u>
Every person who is required to furnish / intimate / quote his PAN, may furnish / intimate / quote his Aadhar Number if he -
(a) has not been allotted a PAN but possesses the Aadhaar Number and such person shall be allotted a PAN in such manner as may be prescribed, or
(b) has been allotted a PAN and has intimated his Aadhaar Number to prescribed authority in accordance with the requirement under section 139AA(2) [In other words – the person has linked his Aadhar Number and PAN].</td></tr>
</table>

	139(6A): Every person entering into any such transaction as is prescribed, shall quote his PAN or Aadhaar Number, in the documents pertaining to such transactions and also authenticate such PAN or Aadhaar Number. **139A(6B):** Every person receiving any document relating to the transactions referred to in sub-section (6A), shall ensure that PAN or Aadhaar Number, as the case may be, has been duly quoted in such document and also ensure that such PAN or Aadhaar Number is so authenticated. **Meaning "Authentication":** **"Authentication"** means the process by which the PAN or Aadhaar Number alongwith demographic information or biometric information of an individual is submitted to the income-tax authority or such other authority or agency as may be prescribed for its verification and such authority or agency verifies the correctness, or the lack thereof, on the basis of information available with it. **Rule 114**: Following amendment have been made in Rule 114 in order to support the above amendments in section 139A: (a) Any person who has not been allotted a PAN but possesses the Aadhaar Number and has furnished / intimated / quoted his Aadhaar Number in accordance with section 139A(5E), shall be deemed to have applied for allotment of PAN and he shall not be required to apply for PAN or submit any document for allotment of PAN. (b) Any person who has not been allotted a PAN but possesses the Aadhaar may apply for allotment of PAN by intimating Aadhar Number and he shall not be required to submit any document for allotment of PAN.
Section 139AA	**Intimating Aadhar Number**
Old law	Every person who has been allotted PAN as on 01.07.2017 and who is eligible to obtain Aadhar Number, shall intimate his Aadhar Number to the prescribed authority of Income-tax Department on or before 31.12.2019 (Practically … we say **"linking of Aadhar Number with PAN"**). If such person fails to intimate the Aadhar Number, the PAN allotted to him shall be deemed to be invalid and other provisions of the Act shall apply, as if such person has not applied for allotment of PAN.
New law	Every person who has been allotted PAN as on 01.07.2017 and who is eligible to obtain Aadhar Number, shall intimate his Aadhar Number to the prescribed authority of Income-tax Department on or before 31.12.2019 If such person fails to intimate the Aadhar Number, the PAN allotted to him shall be made inoperative after 31.12.2019.
Section 194A	**TDS out of interest other than interest on securities**
New law	The threshold limit of TDS has been increased from Rs. 10,000 to Rs. 40,000. The old limits and new limits are given below:

<table>
<tr><td rowspan="4"></td><td>Situation</td><td>Old Limit</td><td>New Limit</td></tr>
<tr><td>Where interest is paid / credited by (i) a bank, (ii) a co-operative bank, or (iii) Post Office</td><td>Normally the threshold shall be Rs. 10,000/-. However, if the payee is a senior resident, the threshold shall be Rs. 50,000.</td><td>Normally the threshold shall be Rs. 40,000/-. However, if the payee is a senior resident, the threshold shall be Rs. 50,000.</td></tr>
<tr><td>Where interest is paid on compensation amount awarded by the Motor Accidents Claims Tribunal (MACT)</td><td>50,000</td><td>50,000</td></tr>
<tr><td>Any other case</td><td>5,000</td><td>5,000</td></tr>
<tr><td>Section 194DA</td><td colspan="3">TDS out of payment under life insurance policy</td></tr>
<tr><td>Old law</td><td colspan="3">TDS rate was 1%.</td></tr>
<tr><td>New law</td><td colspan="3">TDS rate shall be 5%.
<u>Memorandum to Finance Bill, 2019:</u>
It is also clarified in the Memorandum to Finance Bill, 2019 that the TDS u/s 194DA shall be on “income component” and not on “gross payment under policy”. Here “income component” means “gross payment under insurance policy (-) total premium paid by the policy holder.</td></tr>
<tr><td>Section 194-I</td><td colspan="3">TDS out of rent</td></tr>
<tr><td>Old law</td><td colspan="3">The threshold limit of TDS was Rs. 1,80,000 in a year.</td></tr>
<tr><td>New law</td><td colspan="3">The threshold limit of TDS shall be Rs. 2,40,000 in a year.</td></tr>
<tr><td>Section 194-IA</td><td colspan="3">TDS out of payment of consideration for purchase of immovable property</td></tr>
<tr><td>New law</td><td colspan="3">“Consideration for transfer of immovable property” shall include all charges of the nature of club membership fee, car parking fee, electricity or water facility fee, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property.</td></tr>
<tr><td>Example</td><td colspan="3">Mr. A purchases a flat from Arihant Ltd. for Rs. 54 lakh. He also pays following amounts to Arihant Ltd.:
(a) Club membership fee – Rs. 2 lakh
(b) Car parking fee – Rs. 1 lakh
(c) Electricity and water facility fee – Rs. 1 lakh
(d) Maintenance fee – Rs. 1 lakh
In this case, Mr. A shall deduct TDS on Rs. 54 + 2 + 1 + 1 + 1 = 59 lakh.</td></tr>
<tr><td>Section 194M</td><td colspan="3">TDS out of certain payments by individual or HUF</td></tr>
<tr><td rowspan="2">New law</td><td colspan="3">This section has been inserted to introduce TDS out of certain payments made by an individual or HUF. The provisions of this section are as under:</td></tr>
<tr><td>Nature of payment</td><td colspan="2">(i) Payment for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract or sub-contract, or
(ii) Commission / Brokerage, or
(iii) Fee for Professional Service</td></tr>
</table>

	Definitions	• "Work" shall have the same meaning as in section 194C. • "Commission / Brokerage" shall have the same meaning as in section 194H. • "Fee for Professional Service" shall have the same meaning as in section 194J.
	Examples	▪ *Payment to a contractor for construction / repair / renovation of building* ▪ *Payment to an interior decorator* ▪ *Payment to a doctor for treatment of cancer / neurological disorder* ▪ *Payment to a contractor for catering service in a wedding*
	PRP (deductor)	Individual or HUF (Other than those required to deduct TDS u/s 194C, 194D, 194H, 194J)
	Payee (deductee)	Resident
	Threshold limit for no TDS	Rs. 50,00,000 during a financial year
	TDS Rate	5%
	Time of deduction	Credit to the A/c of Payee or Payment, whichever is earlier
	Time for payment of TDS to Govt. A/c	As prescribed in section 200(1)
	Certificate u/s 197	Yes allowed
	Declaration u/s 197A	Not allowed
	Extra Points	Section 203A shall not apply. Hence no need to obtain TAN.
	Simplified procedure for filing of Return of TDS	There shall be a single consolidated form (i.e. Form No. 26QD) for payment of TDS as well as furnishing of Return of TDS. This form is known as "Challan-cum-Statement". The tax payment + submission of Return shall be done through this single consolidated form within 30 days from end of the month in which deduction is made.
Example	*Refer Page No. 9.48 of ICAI Module*	
Section 194N	**TDS out of cash withdrawal from Bank**	
New law	This section has been inserted to introduce TDS out of cash withdrawal from banks. The provisions of this section are as under:	
	Nature of payment	Withdrawal in cash
	PRP (deductor)	Bank / Co-operative Bank / Post Office
	Payee (deductee)	Any person
	Threshold limit for no TDS	Rs. 1 Crore in a financial year
	TDS Rate	2% of the withdrawal exceeding Rs. 1 Crore
	Time of deduction	Payment (in other words.. at the time of withdrawal)
	Time for payment of TDS to Govt. A/c	As prescribed in section 200(1)

	Certificate u/s 197	Not allowed
	Declaration u/s 197A	Not allowed
	No TDS	If the withdrawal is made by: (i) Govt. (ii) Bank or Co-operative Bank (iii) Business Correspondent of a Bank or Co-operative Bank (iv) White Label ATM Operators (WLATMOs) of a Bank or Co-operative Bank (v) Notified persons Following persons have been notified: (a) Cash Replenishment Agencies (CRAs) or Franchise Agents of WLATMOs maintaining a separate bank account from which withdrawals are made only for the purpose of replenishing cash in ATMs operated by WLATMOs. (b) Commission Agents / Traders operating under Agricultural Produce Marketing Committee and Registered under any law relating to Agricultural Produce Market of the concerned State, who has intimated to the Bank / Co-operative Bank / Post Office the account number from which he wishes to withdraw cash exceeding Rs. 1 crore alongwith his PAN and has certified to the Bank / Co-operative Bank / Post Office that the withdrawals of cash is for the purpose of making payments to farmers towards purchase of agricultural produce. (c) The dealers of foreign exchange authorized by RBI / their franchise agents / sub-agents and Full Fledged Money Changers licensed by RBI / their franchise agents, provided they maintain a separate account from which withdrawals are made only for the purpose of purchase of foreign currency from foreign tourists or non-residents visiting India or from resident Indians on their return to India in cash or disbursement of inward remittances to the recipient beneficiaries in India in cash under Money Transfer Service Scheme of RBI. This exemption from TDS shall be available only if the dealers of foreign exchange authorized by RBI / their franchise agents / sub-agents and Full Fledged Money Changers licensed by RBI / their franchise agents furnishes a certificate to the Bank that the withdrawals are made only for the specified purposes.
	Extra Points	It the payee is maintained more than one accounts with the PRP, the cash-withdrawals from all those accounts shall be aggregated together.
	Press Release dated 30.08.2019	Section 194N shall apply from 01.09.2019. Hence any cash withdrawal upto 31.08.2019 shall not attract TDS. However, it may be noted that the threshold limit of Rs. 1 crore shall apply for the whole financial year. Hence if a person has already withdrawn Rs. 1 crore or more upto 31.08.2019, the TDS shall

<table>
<tr><td></td><td></td><td>apply on all subsequent withdrawals.</td></tr>
<tr><td></td><td>Rule 37BA read with section 199</td><td>This Rule has been amended to provide that the credit of TDS shall be allowed to the person from whose account the TDS has been deducted for the Assessment Year relevant to the Previous Year in which TDS has been deducted.</td></tr>
<tr><td>Section 201(1)</td><td colspan="2">Relief to PRP</td></tr>
<tr><td>Old law</td><td colspan="2">The PRP shall not be deemed to be in default for non-deduction of tax at source out of any sum credited / paid by him to a resident-payee provided following conditions are satisfied –
The payee has submitted his Return of income (ITR) u/s 139,
The payee has included the relevant sum in computing his taxable income,
The payee has paid the tax due on the income declared by him in the Return of income (ITR), and
The PRP submits a certificate of a CA in a prescribed form (Form No. 26A) to Income-tax Department to the effect that all these conditions are satisfied.</td></tr>
<tr><td>New law</td><td colspan="2">The benefit of this provision has been extended in respect of all payees whether resident or non-resident.</td></tr>
<tr><td>Please note</td><td colspan="2">The amendment in section 40(a)(i) and 201(1) should be studied simultaneously.</td></tr>
<tr><td>Section 201(3)</td><td colspan="2">Time-limit for deeming the PRP in default</td></tr>
<tr><td>Old law</td><td colspan="2">The order deeming the PRP in default for failure to deduct tax at source from any person resident in India, shall be passed within 7 years from end of the financial year in which payment of the relevant sum is made or credit is given to the account of payee.</td></tr>
<tr><td>New law</td><td colspan="2">Such order can be passed within:
(i) 7 years from end of the financial year in which payment of the relevant sum is made or credit is given to the account of payee, or
(ii) 2 years from end of the financial year in which the Correction Statement is filed u/s 200(3),
whichever is later.</td></tr>
<tr><td>Section 206A</td><td colspan="2">Return of No TDS</td></tr>
<tr><td>Old law</td><td colspan="2">Following persons are required to furnish the “Return of No TDS” in Form No. 26QA/ 26QAA:
a Banking Company / Co-operative Bank who credits / pays interest u/s 194A not exceeding Rs. 10,000 to a single payee in one financial year,
a Housing Finance Company who credits / pays interest u/s 194A not exceeding Rs. 5,000 to a single payee in one financial year.</td></tr>
<tr><td>New law</td><td colspan="2">Following persons shall be required to furnish the “Return of No TDS” in Form No. 26QA / 26QAA:
a Banking Company / Co-operative Bank who credits / pays interest u/s 194A not exceeding Rs. 40,000 to a single payee in one financial year,
a Housing Finance Company who credits / pays interest u/s 194A not exceeding Rs. 5,000 to a single payee in one financial year.
Further the PRP can submit a “Correction Statement” for rectification of any mistake or to add, delete or update the information furnished in the “Return of No TDS”.</td></tr>
</table>

Tax Rates for Non-Individuals

Note: We have only Tax Rates of Non-Individuals in our syllabus. We do not have Computation of Total Income and Computation of Tax Liability of Non-Individuals. Hence the students are required to remember only Tax Rates of Non-Individuals.

Rate of Basic Tax on Special Incomes:

Section	Assessee	Special Income	AY 2019-20	AY 2020-21
111A	Any	STCG on transfer of (i) equity shares, or (ii) equity oriented mutual funds, or (iii) units of a business trust which has suffered STT	15%	15%
112	Any	LTCG (other than LTCG covered u/s 112A)	10% / 20%	10% / 20%
112A	Any	LTCG on transfer of (i) equity shares, or (ii) equity oriented mutual funds, or (iii) units of business trust which has suffered STT	First 1,00,000 – 0% Extra – 10%	First 1,00,000 – 0% Extra – 10%
115BB	Any	7 incomes (i.e. casual incomes)	30%	30%
115BBDA	Specified persons [i.e. any person other than a domestic company or a fund / trust / institution covered u/s 10(23C) or 12AA]	Aggregate dividend from one or more domestic companies covered u/s 2(22)(a),(b),(c),(d) in excess of Rs. 10,00,000 in one previous year	10%	10%
115BBE	Any	Undisclosed income u/s 68 to 69D	60%	60%

Rates of Basic Tax on Normal Incomes:

Assessee	AY 2019-20		AY 2020-21	
	Total Income	**Rate**	**Total Income**	Rate
HUF	First 2,50,000	Nil	First 2,50,000	Nil
	2,50,001 to 5,00,000	5%	2,50,001 to 5,00,000	5%
	5,00,001 to 10,00,000	20%	5,00,001 to 10,00,000	20%
	Balance	30%	Balance	30%
Artificial Juridical Person (AJP)	First 2,50,000	Nil	First 2,50,000	Nil
	2,50,001 to 5,00,000	5%	2,50,001 to 5,00,000	5%
	5,00,001 to 10,00,000	20%	5,00,001 to 10,00,000	20%
	Balance	30%	Balance	30%

Assessee	AY 2019-20			AY 2020-21	
AOP / BOI	If the situation is covered u/s 167B	Any amount	MMR or Higher Rate	Any amount	MMR or Higher Rate
	If the situation is not covered u/s 167B	Nil	Nil	Nil	Nil
		250001 to 500000	5%	2,50,001 to 5,00,000	5%
		500001 to 1000000	20%	5,00,001 to 10,00,000	20%
		Balance	30%	Balance	30%
Co-operative Society	First 10,000		10%	First 10,000	10%
	10,001 to 20,000		20%	10,001 to 20,000	20%
	Balance		30%	Balance	30%
Partnership firm / LLP	Any amount		30%	Any amount	30%
Local authority	Any amount		30%	Any amount	30%
Domestic company	If the *total turnover or gross receipts of company in the Previous Year 2016-17 did not exceed Rs. 250 crore*		25%	If the *total turnover or gross receipts of company in the Previous Year 2017-18 did not exceed Rs. 400 crore*	25%
	Other domestic company		30%	Other domestic company	30%
Foreign company	Any amount		40%	Any amount	40%

Rate of Surcharge:

Assessee	AY 2019-20		AY 2020-21	
	Total Income	**Rate**	**Total Income**	**Rate**
HUF, AJP, AOP, BOI	Upto Rs. 50 lakh	Nil	Upto Rs. 50 lakh	Nil
	Exceeding Rs. 50 lakh but upto Rs. 1 Crore	10%	Exceeding Rs. 50 lakh but upto Rs. 1 Crore	10%
	Exceeding Rs. 1 crore	15%	Exceeding Rs. 1 crore but upto Rs. 2 Crore	15%
			Exceeding Rs. 2 crore but upto Rs. 5 Crore	25%
			Exceeding Rs. 5 crore	37%
Co-operative society, Firm, LLP, Local authority	Upto 1 Crore	0%	Upto 1 Crore	0%
	Exceeding 1 Crore	12%	Exceeding 1 Crore	12%
Domestic company	Upto 1 Crore	0%	Upto 1 Crore	0%
	Exceeding 1 Crore but upto 10 Crore	7%	Exceeding 1 Crore but upto 10 Crore	7%
	Exceeding 10 Crore	12%	Exceeding 10 Crore	12%
Foreign company	Upto 1 Crore	0%	Upto 1 Crore	0%
	Exceeding 1 Crore but upto 10 Crore	2%	Exceeding 1 Crore but upto 10 Crore	2%
	Exceeding 10 Crore	5%	Exceeding 10 Crore	5%

Marginal Relief of Surcharge (MRS):

AY 2019-20	AY 2020-21
Marginal relief of surcharge (MRS) is allowed in appropriate situations.	Marginal relief of surcharge (MRS) is allowed in appropriate situations.

Cess:

AY 2019-20	AY 2020-21
Health & Education Cess shall be 4%.	Health & Education Cess shall be 4%.

Alert:

n the case of undisclosed income covered u/s 68 to 69D, the rate of basic tax shall be 60% u/s 115BBE and the rate of surcharge shall be 25% for all assessees (the rates of surcharge discussed above shall not apply). Hence the effective tax rate on undisclosed income shall be as under:

AY 2019-20	AY 2020-21
Effective tax rate shall be 60% + 25% surcharge + 4% cess = 78%.	**Effective tax rate shall be 60% + 25% surcharge + 4% cess = 78%.**

Section 40(b) – Question No. 9 in Mock Test Series – II for May, 2019 Exam

Following question was set out in Mock Test Series. This is a tricky question, suitable to CA Final level. However, since it has been set out in Mock Test, we step to understand:

Question:
M/s ABC & Co., a firm carrying on business, furnishes the following particulars for the PY 2018-19:

Book Profits (before setting of unabsorbed depreciation and brought forward business loss)	2,50,000
Unabsorbed depreciation of PY 2012-13	1,20,000
Brought forward business loss of PY 2017-18	2,00,000

Compute the amount of remuneration allowable u/s 40(b) from the book profit:
(a) Rs. 2,25,000 (b) Rs. 1,80,000 (c) Rs. 1,50,000 (d) Rs. 1,17,000

Solution:

Related provisions of Income-tax Act, 1961:
(i) The maximum allowable remuneration u/s 40(b) is linked with "Book-Profit".
(ii) "Book-Profit" means "Income u/s 28 (Income under BP head) before deducting remuneration to partners"
(iii) Unabsorbed depreciation of earlier year is brought forward u/s 32(2).
(iv) Brought forward business loss of earlier year is set off u/s 72.
(v) The "Sequence of set off" prescribed in Income-tax Act, 1961 is:
 (a) First set off – Brought forward business loss
 (b) Then set off – Unabsorbed depreciation
(vi) The conclusion is – While computing "Book-Profit", we have to adjust "unabsorbed depreciation". but not "Brought forward business loss". However, we have to apply "Sequence of set off".

Keeping in mind above provisions, the computation of "Book-Profit" shall be as under:

Book Profits given in question (before setting of unabsorbed depreciation and brought forward business loss)	2,50,000
Less: B/F business loss of PY 2017-18 – deducted for the limited purpose to maintain the requirement of sequence of set off prescribed in section 72	2,00,000
	50,000
Less: B/F depreciation of PY 2012-13 – Rs. 1,20,000 but maximum possible set off is Rs. 50,000	50,000
	Nil
Add: B/F business loss of PY 2017-18 not to be set off as per definition of "Book-Profit"	2,00,000
Book Profit	**2,00,000**
Maximum allowable remuneration shall be – Rs. 1,50,000 or 90% of Rs. 2,00,000, whichever is Higher	1,80,000
Correct option	**(b)**

PART “B-1”

All amendments as discussed in “Amendment Class held for Nov. 2019 exam.” have already been studied in our regular classes for May 2020 exam. and also included in our book for May, 2020 exam.

PART “B-2”

Chapter 2 – Definitions and Concept of Supply

Section 7(2)(b)	**Concept of Supply**
Background	Section 7(2)(b) prescribes that the activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government, shall be treated neither as Supply of Goods nor as Supply of Service.
New law	<u>Notification No. 25 / 2019 CT(R) dated 30.09.2019 / IT(R) dated 30.09.2019</u>: In terms of section 7(2)(b), it has been notified that the following activity or transaction shall be treated neither as a Supply of Goods or a Supply of Service: *“Service by way of grant of alcoholic liquor licence, against consideration in the form of licence fee or application fee or by whatever name it is called”.*
Please note	This exclusion is applicable to grant of alcoholic licence only. This does not apply to grant of other licences.
Example	*Govt. of Rajasthan grants an alcoholic liquor licence to M/s Rajasthan Wines and receives an application fee of Rs. 15,000 and licence fee of Rs. 2,50,000. No GST shall be payable on these receipts since they are excluded from supply u/s 7(2)(b).*
Example	*Govt. of Gujrat grants privileges, licences, mining rights, natural resources, spectrum, etc. (other than alcoholic licence) to business entities against payment of consideration in the form of fee or royalty. These receipts shall be taxable under GST.*
Section 7(1)	**Concept of Supply**
New law	<u>Circular No. 116 / 35 / 2019 GST dated 11.10.2019</u>: Individual donors provide financial help in the form of donation / gift to religious or charitable institutions, schools, hospitals, orphanages, old age homes etc. The recipient institutions place a name plate or similar acknowledgement in their premises to express the gratitude towards donor. When the name of the donor is displayed in the premise of recipient institution in a manner which can be said to be an expression of gratitude and public recognition of donor’s act of philanthropy and is not aimed at giving publicity to the donor in a manner of advertising or promotion of his business, then it can be said that there is no supply of service because there is no obligation *(quid pro quo)* on the part of recipient institutions to do any activity. Hence GST is not leviable. Accordingly, it is clarified that where all of the 3 conditions are satisfied, viz. (i) the donation / gift is made to a charitable organization, etc. (ii) the payment bears the character of donation / gift, (iii) the purpose is philanthropic and not advertisement or commercial gain, GST is not leviable. *Examples:* *(a) “Good wishes from Mr. Rajesh” printed underneath a digital blackboard donated by Mr. Rajesh to a charitable institution.* *(b) “Donated by Smt. Malati Devi in the memory of her father” written on the door or floor of a room or any part of a temple complex which was constructed from such donation.*

<table>
<tr><th colspan="2">Chapter 3 – Charge of tax</th></tr>
<tr><td>Section 10(2)</td><td>Composition Scheme</td></tr>
<tr><td>N/N – 2 / 2019</td><td>6% Concessional Scheme</td></tr>
<tr><td>Old law</td><td>The manufacturers of (i) Ice cream, (ii) Pan masala and (iii) Tobacco are not eligible to claim Composition Scheme.
Further, the suppliers of (i) Ice cream, (ii) Pan masala and (iii) Tobacco are not eligible to claim 6% Concessional Scheme.</td></tr>
<tr><td>New law</td><td>Now the manufacturers of “aerated water” shall also be not eligible to claim Composition Scheme.
Further, the suppliers of “aerated water” shall also be not eligible to claim 6% Concessional Scheme.</td></tr>
<tr><td>Section 9(3) / Section 5(3)</td><td>RCM</td></tr>
<tr><td>Old law</td><td>Supply of service BY an author, music composer, photographer, artist or the like by way of transfer or permitting the use of enjoyment of a copyright covered u/s 13 of Copyright Act, 1957 relating to original literary, dramatic, musical or artistic works TO a publisher, music company, producer or the like located in taxable territory is covered under RCM.</td></tr>
<tr><td>New law</td><td>The above entry has been split in two parts as under:
(1) Supply of service BY a music composer, photographer, artist or the like by way of transfer or permitting the use of enjoyment of a copyright covered u/s 13 of Copyright Act, 1957 relating to original dramatic, musical or artistic works TO a music company, producer or the like located in taxable territory shall be covered under RCM.
(2) Supply of service BY an author by way of transfer or permitting the use of enjoyment of a copyright covered u/s 13 of Copyright Act, 1957 relating to original literary works TO a publisher located in taxable territory shall be covered under RCM.
However, an author can choose to pay tax under Forward Charge if:
(a) He has taken registration under CGST Act and files a declaration in a prescribed form that he exercises option to pay GST under Forward Charge and comply with all provisions of GST laws and that he shall not withdraw this option for a period of 1 year from the date of exercising option.
(b) He makes a declaration on the invoices issued by him in prescribed manner to the supplier.</td></tr>
<tr><td>Section 9(3)/ Section 5(3)</td><td>RCM</td></tr>
<tr><td>New law</td><td>Following new services have been added in RCM:
<table>
<tr><th></th><th>Category of supply of service</th><th>Supplier</th><th>Recipient</th></tr>
<tr><td>1</td><td>Services provided by way of renting of a motor vehicle</td><td>Any person other than a body corporate who is paying CGST @ 2.50% + SGST @</td><td>A body corporate located in taxable territory</td></tr>
</table></td></tr>
</table>

		provided **TO** a body corporate located in taxable territory	2.50% or IGST @ 5% on renting of motor vehicles with ITC only of input services in the same line of business	
	2	Services by way of lending of securities under Securities Lending Scheme, 1997 of SEBI	Securities-Lender	Securities-Borrower

Chapter 4 – Exemptions

Section 11	**Exemptions**		
	Entry	**Old law**	**New law**
	7	Services provided by the Central Govt., State Govt., Union Territory or Local authority to a business entity with an Aggregate Turnover upto Rs. 20 lakh (Rs. 10 lakh in case of a Special Category States) in the preceding Financial Year [**i.e. a small business entity]**. This exemption is not allowed to following services: (i) Services covered in Sub-entry No. (a), (b) and (c) of Entry No. 6. (ii) Services by way of renting of immovable property	Services provided by the Central Govt., State Govt., Union Territory or Local authority to a business entity with an Aggregate Turnover upto such amount in the preceding Financial Year as makes it eligible for exemption from registration under CGST Act [**i.e. a small business entity]**. This exemption is not allowed to following services: (i) Services covered in Sub-entry No. (a), (b) and (c) of Entry No. 6. (ii) Services by way of renting of immovable property
	45	(a) Service provided **by** an "**arbitral tribunal" to** - (i) Central Govt., State Govt., UT Govt., Local authority, Governmental authority or Govt. entity (ii) any person other than a business entity; or (iii) a business entity with an aggregate turnover up to Rs. 20 lakh (Rs. 10 lakh in case of Special Category States) in the preceding financial year [**i.e. a small business entity].**	(a) Service provided **by** an "**arbitral tribunal" to** - (i) Central Govt., State Govt., UT Govt., Local authority, Governmental authority or Govt. entity (ii) any person other than a business entity; or (iii) a business entity with an aggregate turnover up to such amount in the preceding Financial Year as makes it eligible for exemption from registration under CGST Act [**i.e. a small business entity]**.

		(b) Legal service provided **by** an **"an individual advocate or a partnership firm of advocates (other than a senior advocate)" to** – (i) Central Govt., State Govt., UT Govt., Local authority, Governmental authority or Govt. entity (ii) any person other than a business entity; (iii) a business entity with an aggregate turnover up to Rs.20 lakh (Rs.10 lakh in case of Special Category States) in the preceding financial year [**i.e. a small business entity]**; or (iv) an advocate or partnership firm of advocates providing legal service. (c) Legal service provided **by** a "**senior advocate" to** – (i) Central Govt., State Govt., UT Govt., Local authority, Governmental authority or Govt. entity (ii) a person other than a business entity; or (iii) a business entity with an aggregate turnover up to Rs. 20 lakh (Rs.10 lakh in case of Special Category States) in the preceding financial year [**i.e. a small business entity].**	(b) Legal service provided **by** an **"an individual advocate or a partnership firm of advocates (other than a senior advocate)" to** – (i) Central Govt., State Govt., UT Govt., Local authority, Governmental authority or Govt. entity (ii) any person other than a business entity; (iii) a business entity with an aggregate turnover up to such amount in the preceding Financial Year as makes it eligible for exemption from registration under CGST Act [**i.e. a small business entity]**; or (iv) an advocate or partnership firm of advocates providing legal service. (c) Legal service provided **by** a "**senior advocate" to** – (i) Central Govt., State Govt., UT Govt., Local authority, Governmental authority or Govt. entity (ii) a person other than a business entity; or (iii) a business entity with an aggregate turnover up to such amount in the preceding Financial Year as makes it eligible for exemption from registration under CGST Act [**i.e. a small business entity]**.
	9AA	X	Services provided BY and TO **Federation Internationale de Football Association (FIFA)** and its subsidiaries, related to any of the events under **FIFA U-17 Women's World Cup 2020** to be hosted in India
	14	Services **by** a hotel, inn, guest house, club or campsite (by whatever name called) for residential or lodging purposes,	Services **by** a hotel, inn, guest house, club or campsite (by whatever name called) for residential or lodging purposes,

		having **<u>declared tariff of a unit of accommodation below Rs. 1,000</u>** per day. **"Declared tariff"** includes charges for all amenities provided in the unit of accommodation (given on rent for stay) like furniture, air-conditioner, refrigerators or any other amenities, but without excluding any discount offered on the published charges for such unit.	having **<u>value of supply of a unit of accommodation below or equal to</u>** Rs. 1,000 per day.
	22	Services **by way of** giving on hire – (a) to a State Transport Undertaking (STU), a motor vehicle meant to carry **more than** 12 passengers, or (b) to a Goods Transport Agency (GTA), a means of transportation of goods, or (c) motor vehicle for transport of students, faculty and staff, to a person providing services of transportation of students, faculty and staff to an educational institution providing services by way of pre-school education and education upto higher secondary school or equivalent.	Services **by way of** giving on hire – (a) to a State Transport Undertaking (STU), a motor vehicle meant to carry **more than** 12 passengers, or (aa) <u>to a local authority, an Electrically Operated Vehicle meant to carry more than 12 passengers,</u> or (b) to a Goods Transport Agency (GTA), a means of transportation of goods, or (c) motor vehicle for transport of students, faculty and staff, to a person providing services of transportation of students, faculty and staff to an educational institution providing services by way of pre-school education and education upto higher secondary school or equivalent.
	24B	X	Services by way of storage / warehousing of cereals, pulses, fruits, nuts, vegetables, spices, copra, sugarcane, jaggery, raw vegetable fibres such as cotton, flax, jute etc., indigo, unmanufactured tobacco, betel leaves, tendu leaves, coffee and tea.
	29B	X	Services of life insurance provided by the Central Armed Police Forces Group Insurance Funds to their members under group insurance schemes

	35	Services of **general insurance business** provided under **certain specified schemes**. There is a long list of specified schemes, which is not given here (If interested, please refer your Study Material). However, some important schemes are: (a) Pradhan Mantri Suraksha Bima Yojna. (b) Niramaya Health Insurance Scheme. (c) Restructured Weather based Crop Insurance Scheme (RWCIS). (d) Pradhan Mantri Fasal Bima Yojana (PMFBY)	A new scheme **"Bangla Shasya Scheme"** has also been specified.
	82A	X	Services by way of right to admission to the events organized under **FIFA U-17 Women's World Cup 2020** to be hosted in India
Section 11	**Circular No. 102 / 21 / 2019 GST dated 28.06.2019**		

Issue:

An Equated Monthly Installment (EMI) is a monthly fixed amount paid by a person to another which has two components, viz. (i) Principal, and (ii) Interest. Further, if the EMI is not paid in time, additional / penal interest is also charged. In practical life, different strategies of EMI transactions are being adopted. Hence there arises doubts regarding taxability under GST.

Reply:

There are two provisions in GST laws to deal with interest:

(i) Section 15 of CGST Act prescribes that the value of supply shall include interest, late fee or penalty for delayed payment of any consideration for any supply charged by Supplier. Therefore, GST is leviable on such interest.

(ii) Entry 27 of Exemption u/s 11 prescribes that services **by way of** extending deposits, loans or advances **in so far as** the consideration is represented by way of **interest or discount, shall be exempt from GST. Therefore, GST is exempted on such interest.**

For this purpose, **"Interest"** means interest payable in any manner in respect of any moneys borrowed or debt incurred (including a deposit, claim or other similar right or obligation) but does not include any service fee or other charge in respect of the money borrowed or debt incurred or in respect of any credit facility which has not been utilized.

Based on these legal provisions, the following clarifications have been issued by Govt.:

		Case-1	
		X sells a mobile phone to Y. The cost of mobile phone is Rs. 40,000/-. However, X gives Y an option to pay in installments, Rs 11,000/- every month before 10th day of the following month, over next 4 months (Rs 11,000/- *4 = Rs. 44,000/-). Further, as per the contract, if there is any delay in payment by Y beyond the scheduled date, Y would be liable to pay additional / penal interest amounting to Rs. 500/- per month for the delay. In this case, an alternative pattern of invoicing could be such that Mr. X is charges Rs. 40,000/- for the mobile in a separate invoice + interest @ 2.5% per month in a separate invoice. Further, he also charges an additional / penal interest amounting to Rs. 500/- per month for delay in payment through a separate invoice.	In this case, irrespective of the method of invoicing, the interest of Rs. 4,000 and additional / penal interest, if any, shall be included in the value of supply of mobile phone u/s 15 and GST shall be charged on Rs. 40,000 + 4,000 + Additional / Penal interest, if any.
		Case-2	
		X sells a mobile phone to Y. The cost of mobile phone is Rs 40,000/-. Y has the option to avail a loan at interest of 2.5% per month from M/s ABC Ltd. for purchasing the mobile. The terms of the loan from M/s ABC Ltd. allows Y a period of 4 months to repay the loan and an additional / penal interest @ 1.25% per month for any delay in payment.	In this case, the interest of Rs. 4,000 and additional / penal interest, if any, is charged for a transaction between Y and M/s ABC Ltd., and the same would be exempted under Entry No. 27 of Exemption. The value of supply of mobile by X to Y would be Rs. 40,000/- and GST shall be levied on Rs. 40,000/- only.
Section 11	**Circular No. 109 / 28 / 2019 dated 22.07.2019**		
		Issue	**Clarification**
	1	Are the maintenance charges paid by residents to the Resident Welfare Association (RWA) exempt from GST?	Entry No. 77 gives exemption to the services provided by an unincorporated body or non-profit entity registered under any law for the time being in force, to its own members by way of reimbursement of charges or share of contribution— (a) as a trade union; or (b) for the provision of carrying out any activity which is exempt from levy of GST; or (c) upto an amount of Rs. 7,500 per month per member for sourcing of goods or services from a third

<table>
<tr><td></td><td></td><td></td><td>person for the common use of its members in a housing society or a residential complex.
The maintenance charges paid by residents to the Resident Welfare Association (RWA) shall be exempt upto Rs. 7,500/- per month per member under Point No. (c).</td></tr>
<tr><td></td><td>2</td><td>What will happen if the monthly charges exceed Rs. 7,500/-?</td><td>GST shall be payable on full amount and not on excess amount.
Example:
If monthly charges are Rs. 9,000/-, the exemption of Rs. 7,500 shall not be allowed. GST shall be payable on Rs. 9,000/- and not on 1,500/-.</td></tr>
<tr><td></td><td>3</td><td>If a person owns two or more apartments / flats in a housing society, whether the exemption of Rs. 7,500 shall be allowed per apartment / flat or per person?</td><td>The exemption of Rs. 7,500 shall be allowed per apartment / flat and not per person.</td></tr>
<tr><td></td><td>4</td><td>If the Aggregate Turnover of RWA does not exceed the registration-limit of Rs. 20 lakh / 10 lakh as specified in section 22, would the RWA be required to pay tax if the monthly charges exceed Rs. 7,500?</td><td>RWA shall be required to obtain registration only if the Aggregate Turnover exceeds Rs. 20 lakh / 10 lakh. If the Aggregate Turnover does not exceed limit, no registration is required and therefore no GST is payable even if the monthly charges exceed Rs. 7,500.
Thus, the position can be summarized as under:
<table>
<tr><th>Aggregate Turnover of RWA</th><th>Monthly charges exceed Rs. 7,500/-</th><th>Monthly charges upto Rs. 7,500/-</th></tr>
<tr><td>Exceeding Rs. 20 lakh / 10 lakh</td><td>Fully Taxable</td><td>No GST</td></tr>
<tr><td>Upto Rs. 20 lakh / 10 lakh</td><td>No GST</td><td>No GST</td></tr>
</table></td></tr>
<tr><td></td><td>5</td><td>Is RWA entitled to take ITC on capital goods (such as generator, furniture, water pump etc.), inputs (taps, pipes, other sanitary fittings, etc.) and input services (repairs and maintenance services etc.) and utilize against the output tax payable on the monthly charges exceeding Rs. 7,500/-?</td><td>Yes</td></tr>
</table>

Section 11	Circular No. 117 / 36 / 2019 GST dated 11.10.2019
	Under Entry 66(a), the services provided by an **"educational institution" to** its **students, faculty and staff, are exempted**. For this purpose **"Educational institution**" means an institution providing services by way of: (a) pre-school education [for example – Nursery and KG] and education upto higher secondary school **["Higher secondary" means 12th standard]**; (b) education as a part of a curriculum for obtaining a qualification recognised by any law [for example – Conduct of degree courses by colleges, universities, ICAI, Indian Institute of Managements (IIMs)]; (c) education as a part of an approved vocational education course. New clarification: Now it is clarified that the **Maritime Training Institutes and their training courses** are approved by the Director General of Shipping under the provisions of Merchant Shipping Act, 1958. Therefore, the courses conducted by them are exempt under Entry No. 66(a).

Chapter 7 – ITC

Section 16(2)	Availing ITC
Background	We are aware that GSTR-1, 2A and 3B are active but the GSTR-2 and 3 are deferred. Further, GSTR-3B is a summarized Return and independent Return not having any link with the GSTR-1 filed by the suppliers. Hence many Recipients have started claiming wrong / excess ITC in GSTR-3B. In order to provide a check over wrong / excess ITC, Rule 36(4) has been introduced w.e.f. 09.10.2019.
New law	The new Rule 36(4) prescribes the quantum of ITC which can be claimed by the Recipient against the Invoices / Debit Notes uploaded and not uploaded by the Suppliers in GSTR-1. As per this Rule, the ITC to be availed by the Recipient against the Invoices / Debit Notes, the details of which have not been uploaded by the Suppliers in GSTR-1, cannot exceed 20% of the "eligible ITC available in respect of the Invoices / Debit Notes uploaded by the Suppliers in GSTR-1". The effect of Rule 36(4) can be understood as under:

Situation	Amount of ITC which can be claimed by the Recipient
ITC of Invoices / Debit Notes ***uploaded*** by Suppliers in GSTR-1	Full ITC shall be available.
ITC of Invoices / Debit Notes ***not uploaded*** by Suppliers in GSTR-1	Maximum 20% of "Eligible ITC" available in respect of Invoices / Debit Notes uploaded in GSTR-1 can be availed.

Example	*During the month of Oct. 2019, Mr. A receives 100 purchase invoices involving GST of Rs. 10 lakh, from various suppliers. Compute the ITC that can be availed by Mr. A in GSTR-3B for the month of Oct. 2019 to be filed by 20/11/2019 assuming that the GST of Rs. 10 lakh is otherwise eligible for ITC:* *(1) Out of 100 invoices, 80 invoices involving ITC of Rs. 6 lakh were uploaded by the suppliers in GSTR-1 and 20 invoices involving ITC of Rs. 4 lakh were not uploaded.*

(2) Out of 100 invoices, 75 invoices involving ITC of Rs. 8.50 lakh were uploaded by the suppliers in GSTR-1 and 25 invoices involving ITC of Rs. 1.50 lakh were not uploaded.

Answer:

As per Rule 36(4), the ITC to be availed by a registered person in respect of invoices / debit notes, of which details have not been uploaded by the suppliers in their GSTR-1, cannot exceed 20% of the "eligible ITC available in respect of the Invoices / Debit Notes uploaded by the Suppliers in GSTR-1".

Based on this provision, the ITC to be availed by Mr. A in GSTR-3B for the month of Oct, 2019 shall be computed as follows:

Invoices	***ITC involved***	***ITC which can be availed by Mr. A in GSTR-3B***
Case – 1		
80 Invoices uploaded by suppliers in GSTR-1	*6 lakh*	*Full ITC = 6 lakh*
20 Invoices not uploaded by suppliers in GSTR-1	*4 lakh*	*20% of 6 lakh = 1.20 lakh*
Total	*10 lakh*	*7.20 lakh*
Case – 2		
75 Invoices uploaded by suppliers in GSTR-1	*8.5 lakh*	*Full ITC = 8.50 lakh*
25 Invoices not uploaded by suppliers in GSTR-1	*1.5 lakh*	*20% of 8.50 lakh = 1.70 lakh, but the actual ITC is Rs. 1.50 lakh. Hence 1.50 lakh.*
Total	*10 lakh*	*10 lakh*

Notes:

1) *Full ITC is availed in respect of invoices / debit notes uploaded by the suppliers in GSTR-1.*
2) *The ITC in respect of invoices / debit notes not uploaded by the suppliers in GSTR-1 has been restricted to 20% of the eligible ITC available in respect of the Invoices / Debit Notes uploaded by the Suppliers in GSTR-1".*

Chapter 9 – Registration

Section 25	**Procedure for Registration**
New law	While filing application for registration, a person is required to submit the details of his Bank A/c. Now Rule 10A has been introduced to relax this requirement. Hence a person has option to submit details of his Bank A/c after obtaining registration, within 45 days of grant of registration or due date for furnishing of Return u/s 39, whichever is earlier. This relaxation is not allowed to the persons seeking registration as TDS deductor / TCS Collector under Rule 12 or who are granted *suo motu* registration (also called "temporary registration) by Proper Officer under Rule 16.

Section 29	**Cancellation of registration**
New law	Rule 21 has been amended to provide that if a person violates Rule 10A (i.e. does not submit details of his Bank A/c after obtaining registration, within 45 days of grant of registration or due date for furnishing of Return u/s 39, whichever is earlier), his registration shall be liable to be cancelled.
Section 29	**Suspension of Registration**
Old law	A registered person, whose registration has been suspended, - (a) **shall not make any taxable supply** during the period of suspension, and (b) shall not be required to furnish any Return u/s 39
New law	(i) The expression **"shall not make any taxable supply"** shall mean that the registered person shall not issue a Tax Invoice and, accordingly, not charge tax on supplies made by him during the period of suspension. (ii) Where any order having the effect of revocation of suspension has been passed, the provision of section 31(3)(a) [i.e. Revised Invoice] and section 40 [First Return] shall apply in respect of supplies made during the period of suspension.
Chapter 10 - Tax Invoice, Credit Note and Debit Note	
Section 31(3)(b)	**Daily Consolidated Invoice**
Old law	A registered person **may not issue** a **"Tax Invoice"** if all of the following conditions are satisfied – (i) the value of goods/services/both supplied is ***less than*** Rs. 200, (ii) the recipient is unregistered, and (iii) the recipient does not require Tax Invoice. However, in such a case, the registered person shall have to issue a consolidated tax invoice for such supplies at the close of each day in respect of all such supplies.
New law	This option shall not be available to a supplier engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens.
Rule 54	**Any other document in lieu of invoice**
New law	A supplier engaged in making supply of services by way of admission to exhibition of cinematograph films in multiplex screens, shall be required to issue an electronic ticket and the said electronic ticket shall be deemed to be a tax invoice for all purposes of the Act, even if such ticket does not contain the details of the recipient of service but contains the other information as mentioned under rule 46. It is further prescribed that the supplier of such service in a screen other than multiplex screens may, at his option, follow this procedure.
Section 68	**Rule 138(10) - Validity period of E-Way Bill**
New law	Rule 138(10) has been amended to provide also for validity period of E-Way Bill in case of Multimodal Shipment **(MMS)** in which at least one leg involves transport by ship. The validity period of E-Way Bill in case of MMS shall be same as in Over Dimensional Cargo (ODC).

Summary Table of Validity Period of E-Way Bill

Sl.	Distance within country	Validity period from "Relevant date"
	In the case of ODC or MMS	
1	Upto 20 Km	1 day
2	For every 20 Km or part thereof thereafter	1 additional day
	In the case of any cargo other than ODC and MMS	
1	Upto 100 Km	1 day
2	Every 100 Km or part thereof thereafter	1 additional day

Section 68	**Rule 138(10) - Extension of validity period of E-Way Bill**
Old law	If, *due to exceptional circumstances*, the goods cannot be transported within the validity period of the E-Way Bill, the transporter may extend the validity period after updating the details in **Part B**, if required. The transporter can extend the validity of the E-Way Bill only if the consignment has not reached destination within the validity period of E-Way due to exceptional circumstances like natural calamity, law and order issues, trans-shipment delays, accidence of vehicle, etc. He needs to explain the reasons while extending the validity period. It may be noted that there is no time-limit prescribed in Rule 138(10) within which the validity period should be extended. However, based on clarification mentioned in FAQ on E-Way Bill Portal, the option for extension shall be available before 8 hours and after 8 hours of expiry of validity.
New law	Now Rule 138(10) has been amended and it is provided that the validity of E-Way Bill can be extended within 8 hours of expiry of validity.

Chapter 12 – Return

Section 39	**Rule 61(5) - GSTR-3B**
Background	We are aware that GSTR-3 has been suspended. Currently we are filing GSTR-3B. Still there is a gross confusion as to the exact nature of GSTR-3B. Whether GSTR-3B is a Return u/s 39(1) or not? Whether, despite filing GSTR-3B, in future the Govt. shall require the person to furnish GSTR-3 or not?
New law	Rule 61(5) has been amended retrospectively w.e.f. 01.07.2017 to provide that GSTR-3B is a Return u/s 39(1) and where a person has furnished GSTR-3B, he shall not be required to furnish GSTR-3.
Section 44	**Annual Return**
New law	<u>Notification No. 47 / 2019 dated 09.10.2019</u>: Filing of Annual Return is a tough task. Hence filing of Annual Return for the Financial Year 2017-18 and 2018-19 has been made optional for the registered person whose turnover is less than Rs. 2 crore. In such a case, the Annual Return shall be deemed to have been filed if the person does not file.

PART "C" – How to attend Paper in Exam?

❖ **Rule 1 – Don't panic**

Remember that you are not required to score 90% or above (this is not CBSE exam). Even if you do not know any question or part of question, just relax. Do not panic at all.

❖ **Rule 2 – Attempt all questions**

Never leave any question unanswered. Attempt all question. Be cautious of time-management.

❖ **Rule 3 - Read carefully**

- Read carefully the exact requirement of question?
- Answer what is required by question.
- Do not answer what is not required by question.
- If the question has multiple requirements – answer all those requirements.

❖ **Rule 4 – Write carefully**

(i) How to answer Practical Question?

Use following format:

COMPUTATION OF TOTAL INCOME / TAX LIABILITY / GST LIABILITY

Particulars	Working Note No.	Amount
	1	
	2	

Working Notes:
(1) ____________________
(2) ____________________

Please be aware that - Working Notes have substantial marks. If you do not give Working Notes, there would be a big loss of marks. Mention brief working notes / assumptions. It's better to mention working notes separately under the heading "Working Notes". Don't include Working Notes in the Main Answer.

(ii) How to answer General Theory Question / Narrative Question?

Use following format:
(a) Write the opening paragraph (It is very easy. You can extract from the language of question)
(b) Narrate / Explain the provision of law

(iii) How to answer Case-Study/True-False/State with reasons/Statement Validity Question?

Use following format:
(a) **Facts --** Write the facts (This is very easy. You have to reproduce the language of question itself in your own style)
(b) **Issue -** Write the issue involved (This is also very easy. You have to reproduce the language of question itself in your own style)
(c) **Law -** Write the relevant provision of law
(d) **Application -** Apply the provision of law to the Issue involved
(e) **Conclusion --** Write your conclusion (like the Statement is True - False / Valid - Invalid)

Note: Please try to write keywords of law

Best of luck ... God bless you .. Do give feedback on 9414130248