

An overview of
Finance Bill, 2014
(as passed in Lok Sabha)



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Budget Highlights

- Road map for Fiscal deficit 2014-15 estimated at 4.10% of GDP
2015-16 targeted at 3.60%
2016-17 targeted at 3%.
- GDP savings rate 2011-12 31.30%
2012-13 30.10%
- Constitution of Expenditure Management Commission to look into various aspects of expenditure reforms to be undertaken.
- Reintroduced Kisan Vikas Patra (KVP)
- Steps for revival of SEZs



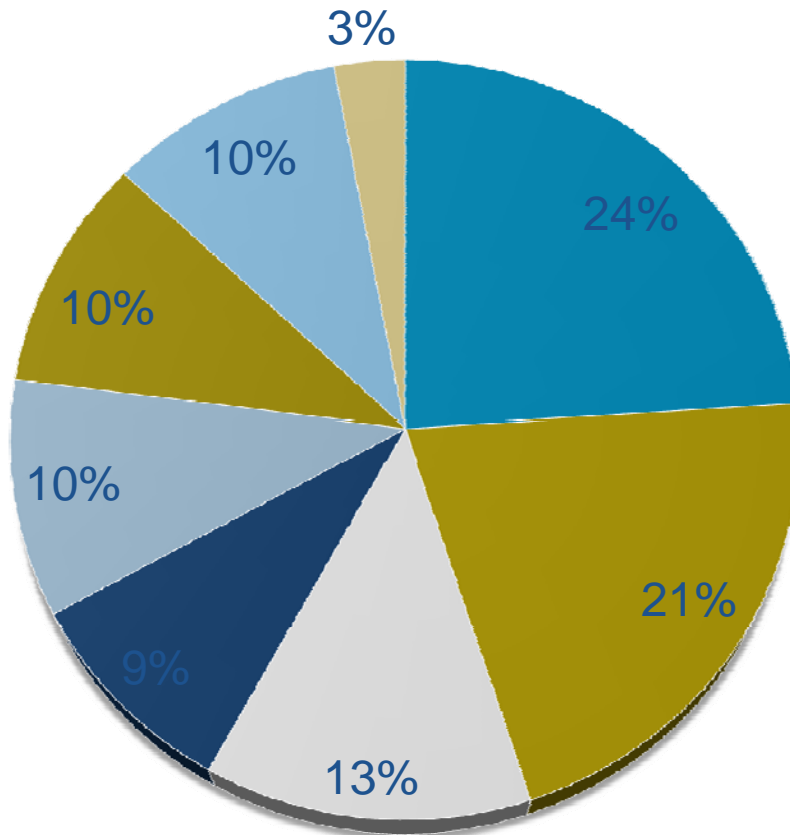
Tax Administration

- Net Effect of the direct tax proposals to result in revenue loss of Rs. 22,200 Crores
- Fresh matters arising out of the retrospective amendments of 2012 in respect of indirect transfer to be scrutinized by High Level Committee to be constituted by CBDT.
- Opportunity provided to residents for obtaining Advance ruling.
- Introduced “Roll Back” provision in Advance pricing Agreement scheme so that such agreement entered into for future transactions may also be applied to international transactions undertaken in previous four years in specified circumstances.
- Introduced range concept for determination of Arm’s length Price. However, the arithmetic mean concept will continue to apply where number of comparable is inadequate.
- Proposed to amend the transfer Pricing regulations to allow use of multiple year data for comparable analysis.



Rupee Comes from [2013]

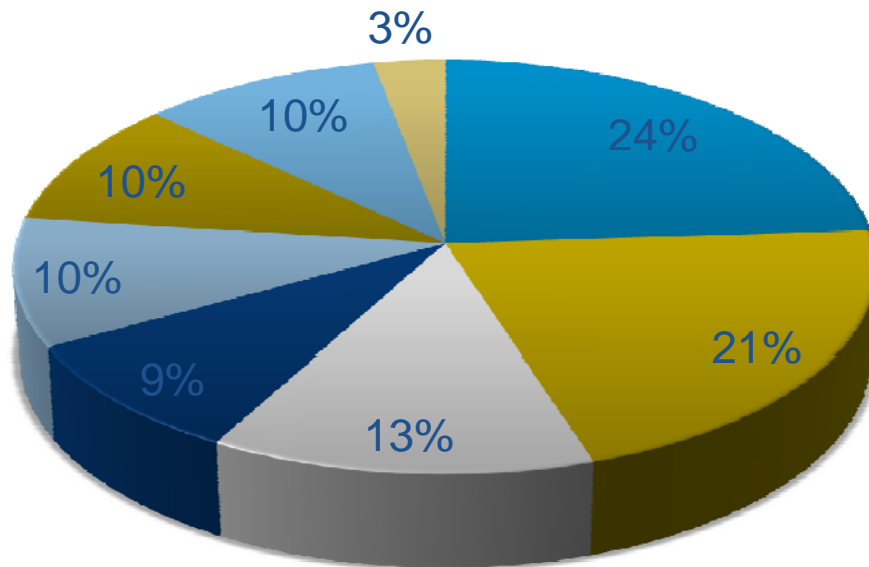
Chart Title



- Borrowing and Other Liabilities - 24%
- Corporation tax - 21%
- Income tax - 13%
- Custom - 9%
- Union excise duty - 10%
- Service tax and other taxes - 10%
- Non-tax revenue - 10%

Finance Bill, 2014

Rupee comes from



- Borrowing and Other Liabilities - 24%
- Corporation tax - 21%
- Income tax - 13%
- Custom - 9%
- Union excise duty - 10%
- Service tax and other taxes - 10%
- Non-tax revenue - 10%
- Non-debt capital receipt - 3%

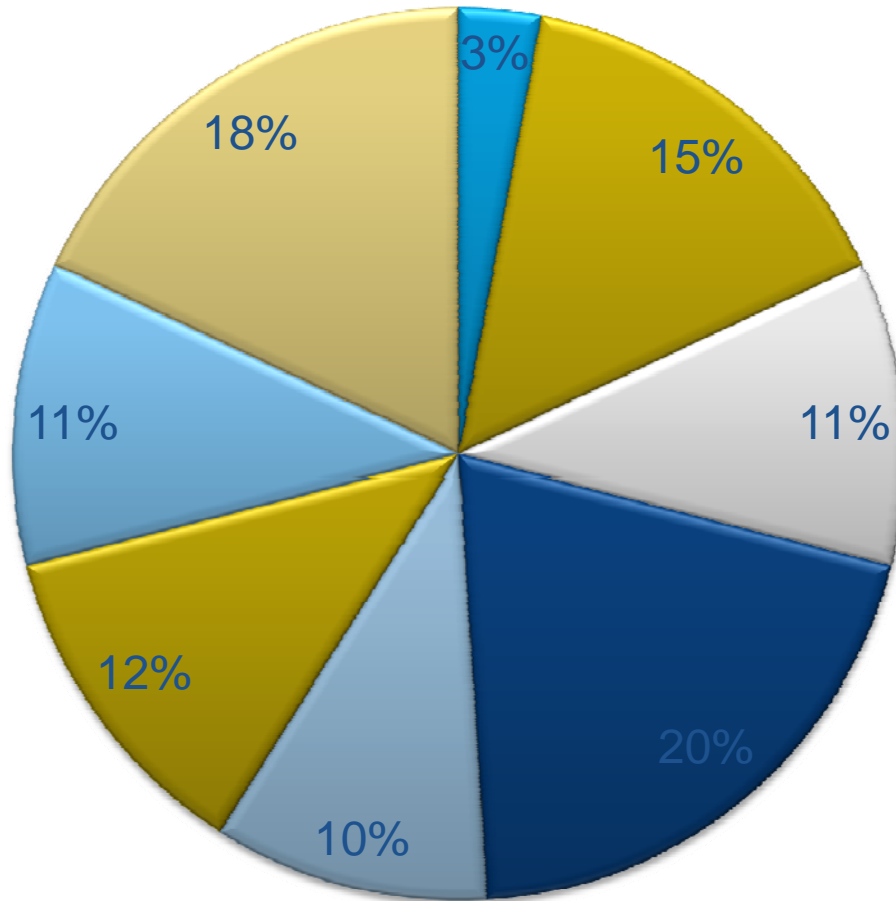
34%

29%

Total 63% (34 + 29) comes from Taxes (Direct + Indirect)



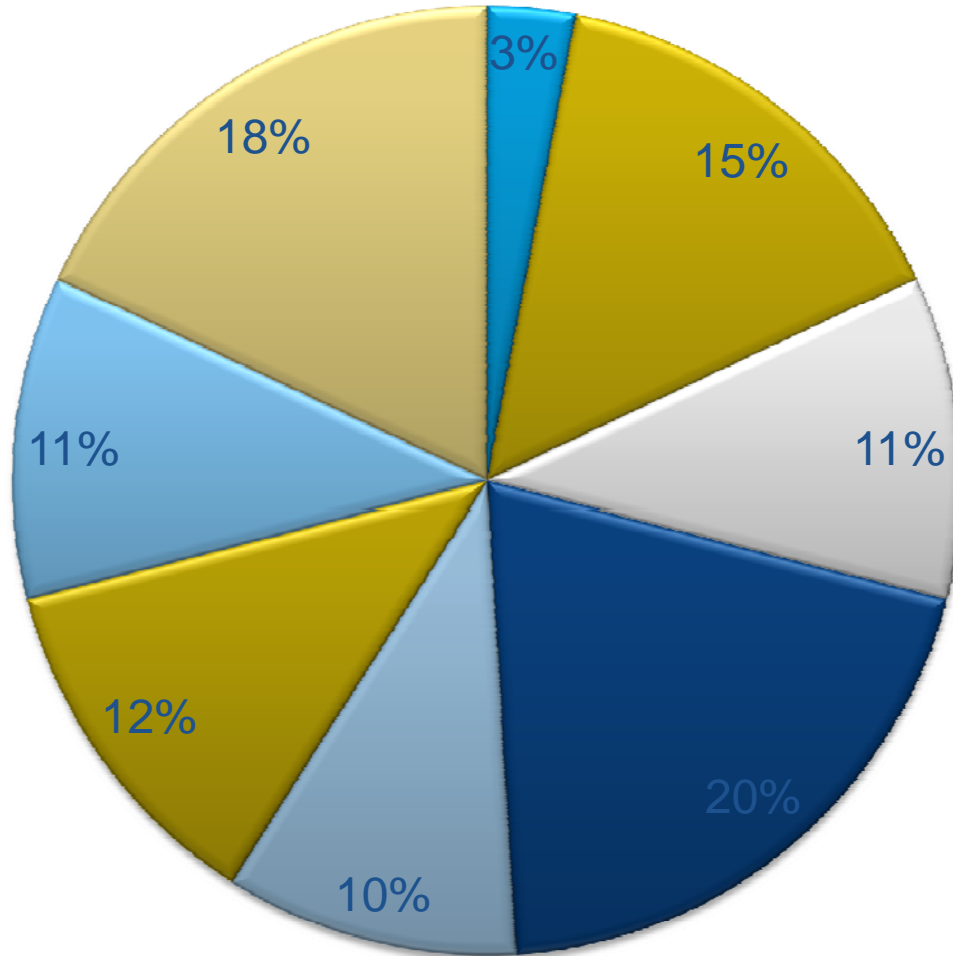
Rupee Goes to [2013]



- Non-Plan assistance to State & UT Govt. - 3%
- Plan Assisnace to State & UT - 15%
- Central Plan - 11%
- Interest Payment - 20%
- Defence - 10%
- Subsidies - 12%
- Other Non- Plan Expenditure - 11%
- State share of Taxes & Duty - 18%

Finance Bill, 2014

Rupee Goes to



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Impact of Budget on the various sectors

S. No.	Sector	Impact	Positive/ Negative
1	Financial	<ul style="list-style-type: none">Proposed to adopt new Ind AS by Indian companies from FY 2015-16 on voluntary basis and from FY 2016-17 on mandatory basis.Regulators will separately notify the date of implementation of Ind AS for Banks, Insurance companies etc. and standards for the computation of tax to be notified separately.Banks will be encouraged to extend Long term loans to Infrastructure sector with flexible structuring to absorb potential adverse contingencies sometimes known as 5/25 structure.Banks will be permitted to raise long term funds for lending to infrastructure sector with minimum regulatory pre-emption such as CRR, SLR and Priority Sector Lending (PSL)Six new Debt Recovery Tribunals to be set up at Chandigarh, Bengaluru, Ernakulum, Dehradun, Siliguri and Hyderabad for rising NPAs of Public Sector Banks.	Positive Positive Positive Positive



Impact of Budget on the various sectors Contd...

S. No.	Sector	Impact	Positive/ Negative
1	Financial (Contd...)	<ul style="list-style-type: none">• Six new Debt Recovery Tribunals to be set up at Chandigarh, Bengaluru, Ernakulum, Dehradun, Siliguri and Hyderabad for rising NPAs of Public Sector Banks.• Extend liberalized facility of 5% withholding tax to all bonds issued by Indian corporate abroad for all sectors and extend the validity of the scheme to 30.06.2017.• Liberalize ADR/GDR regime to allow issuance of depository receipts on all permissible securities.• Introduce a much more liberal and ambitious Bharat Depository Receipt (BhDR) and completely revamp the Indian Depository Receipt (IDR).• Allow international settlement of Indian debt securities	Positive Positive Positive Positive Positive



Impact of Budget on the various sectors Contd...

S. No.	Sector	Impact	Positive/ Negative
2	Infrastructure	<ul style="list-style-type: none">Allocated Rs. 37,880 crores for NHAI and State Roads including Rs. 3000 crores for the North EastAllocated Rs. 500 crores for select expresswaysAllocated Rs. 1000 crore for development of rail connectivity in the North Eastern RegionRs. 11,635 crores allocated for outer harbor project in Tuticorin for Phase I. Further 16 new ports are proposed.Rs. 100 crores allocated for metro projects in Lucknow & Ahmedabad.Proposed to set up an institution to provide support to mainstreaming PPPs called 3P India, with a corpus of Rs. 500 crores.Rs. 14389 crore allocated for Pradhan Mantri Gram Sadak Yojna (PMGSY)	Positive Positive Positive Positive Positive Positive



Impact of Budget on the various sectors Contd...

S. No.	Sector	Impact	Positive/ Negative
4	Oils & Gas	<ul style="list-style-type: none"> Proposed application of Piped Natural Gas (PNG) Proposed to increase the gas pipeline network by another 15000 KM using appropriate PPP models Reduced custom duty: <ul style="list-style-type: none"> → from 10% to 2.5% on refromates → from 5% to 2.5% on ethane, propane, ethylene, propylene, butadiene and ortho-xylene. → from 7.5% to 5% on methyl alcohol and denatured ethyl alcohol → from 10% to 5% on crude naphthalene. 	Positive Positive Positive
5	Information Technology Media & Entertainment	<ul style="list-style-type: none"> Allocated Rs. 500 crores for National Rural Internet and Technology Mission Allocated Rs. 200 crores for technology driven green revolution in agriculture and establishment of technology centre network Greater use of technology techniques in taxation Allocation of Rs. 100 Crores for setting up virtual classrooms 	Positive Positive Positive Positive



Impact of Budget on the various sectors Contd...

S. No.	Sector	Impact	Positive/Negative
6	Telecommunication	<ul style="list-style-type: none"> 10% basic customs duty imposed on specified telecom products that are outside Information Technology Agreement 	Negative
7	Power	<ul style="list-style-type: none"> Extend 10 year tax holiday to undertakings which begin generation, distribution and transmission of power by 31.03.2017 Clean energy cess on coal increased from Rs. 50/ tonne to Rs. 100/ tonne. Rs. 100 crore allocated for Ultra Modern Super Critical Coal Based Thermal Power Technology. Rs. 500 crores allocated for Ultra Mega Solar Power Projects in Rajasthan, Gujarat, Tamil Nadu, Andhra Pradesh and Laddakh. Rs. 400 crores allocated for a scheme for solar power driven agricultural pump sets and water pumping stations. Rs. 200 crores allocated for power reforms and Rs. 500 crores for water reforms in Delhi. Custom duty on machinery & equipments required for setting up of solar energy production plant reduced to 5%. 	<p>Positive</p> <p>Neutral</p> <p>Positive</p> <p>Positive</p> <p>Positive</p> <p>Positive</p> <p>Positive</p>



Impact of Budget on the various sectors Contd...

S. No.	Sector	Impact	Positive/ Negative
8	Textiles	<ul style="list-style-type: none">Rs. 50 crores allocated to set up Trade Facilitation Centre and Crafts Museum for development & promotion of handloom products.Rs. 200 crores allocated for 7 new Textile Mega Cluster at Varanasi, Bareilly, Lucknow, Surat, Kuttch, Bhagalpur, Mysore and Tamil Nadu.	Positive Positive
9	Housing / Real Estate	<ul style="list-style-type: none">Proposed complete pass through for the Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) for the purpose of taxation.Deduction limit on account of interest on loan in respect of self occupied house property u/s 24(b) increased from Rs. 1,50,000/- to Rs. 2,00,000/-.Rs. 7060 crores proposed for developing 100 Smart Cities.	Positive Positive Positive



Impact of Budget on the various sectors Contd...

S. No.	Sector	Impact	Positive/ Negative
9	Housing / Real Estate (Contd...)	<ul style="list-style-type: none">Rs. 4000 crores allocated for National Housing Banks from priority sector in view to increase the flow of cheaper credit for affordable housing to the urban poor/EWS/LIG segment.Rs. 8000 crores allocated for National Housing Banks to support rural housing.Projects which commit at least 30% of total project cost for low cost affordable housing will be exempted from minimum built up area and capitalization requirements, with the condition of 3 years lock-in.	Positive Positive Positive



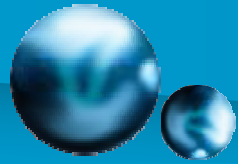
Impact of Budget on the various sectors Contd...

S. No.	Sector	Impact	Positive/ Negative
10	Metals & Mining	<ul style="list-style-type: none"> • The current impasse in mining sector, including, iron ore mining, will be resolved expeditiously. Necessary changes in MMDR Act, 1957 would be introduced to facilitate this. • Stringent mechanism for quality control, supply of crushed coal & setting up of washeries to enhance domestic coal production. • Rationalize duty structure on all non-agglomerated coal at 2.5% basic customs duty and 2% CVD. • Increase basic customs duty on metallurgical coke from NIL to 2.5%. • Reduce basic customs duty on Steel grade limestone and steel grade dolomite from 5% to 2.5%. • Increase basic customs duty on imported flat-rolled products of stainless steel from 5% to 7.5%. 	<p>Positive</p> <p>Positive</p> <p>Positive</p> <p>Negative</p> <p>Positive</p> <p>Positive (for local steel inds.)</p>



Impact of Budget on the various sectors Contd...

S. No.	Sector	Impact	Positive/Negative
11	Tourism	<ul style="list-style-type: none">• Introduce E-Visas (Electronic Travel Authorization) facility at 9 airports within the next six months.• Rs. 500 crores allocated to develop 5 tourist circuits around specific themes.• Services provided by Indian tour operators to foreign tourists in relation to a tour wholly conducted outside India will be taken out of the tax net and CENVAT credit for services of rent-a-cab and tour operators will be allowed to promote tourism.• Rs. 100 crores allocated for projects like National Mission on Pilgrimage Rejuvenation and Spiritual Augmentation Drive (PRASAD).• Rs. 200 crores allocated for National Heritage City Development and Augmentation Yojana (HRIDAY) to conserve and preserve heritage character.	Positive Positive Positive Positive Positive



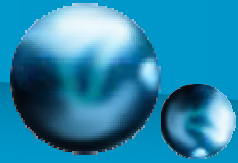
BUDGET AT A GLANCE

Rupees in Crores

Particulars	2012-2013 Actual	2013-2014 Revised Estimates	2014-2015 Budget Estimates
Revenue Receipts	8.79 lacs (8,79,232.00)	10.29 lacs (10,29,252.00)	11.89 lacs (11,89,763.00)
Capital Receipts	5.31 lacs (5,31,140.00)*	5.46 lacs (5,46,182.00)	5.87 lacs (5,87,969.00)
Total Receipts	14.10 lacs (14,10,372.00)	15.75 lacs (15,75,434.00)	17.77 lacs (17,77,732.00)
Non-Plan Expenditure	9.96 lacs (9,96,747.00)	11.14 lacs (11,14,902.00)	12.19 lacs (12,19,892.00)
Plan Expenditure	4.13 lacs (4,13,625.00)	4.75 lacs (4,75,532.00)	5.75 lacs (5,75,000.00)
Total Expenditure	14.10 lacs (14,10,372.00)	15.90 lacs (15,90,434.00)	17.94 lacs (17,94,892.00)
Fiscal Deficit	4.90 lacs (4,90,190.00)	5.24 lacs (5,24,539.00)	5.31 lacs (5,31,177.00)
(% of GDP)	4.80%	4.60%	4.10%

Direct and Indirect Tax Revenue Collection

	(Rupees in crores)		
Head	Actual 2012-13	Revised 2013-2014	Budget 2014-15
Corporation Tax	3.56 lacs (3,56,326.00)	3.94 lacs (3,93,677.00)	4.51 lacs (4,51,005.00)
Taxes on Income	2.01 lacs (2,01,487.00)	2.42 lacs (2,41,691.00)	2.84 lacs (2,84,266.00)
Wealth Tax	846.00	950.00	950.00
Sub total (A)	5.59 lacs (5,58,659.00)	6.36 lacs (6,36,318.00)	7.36 lacs (7,36,221.00)
Customs	1.65 lacs (1,65,346.00)	1.75 lacs (1,75,056.00)	2.02 lacs (2,01,819.00)
Union Excise Duties (Net)	1.76 lacs (1,76,535.00)	1.79 lacs (1,79,538.00)	2.07 lacs (2,07,110.00)
Service Tax	1.32 lacs (1,32,601.00)	1.65 lacs (1,64,927.00)	2.16 lacs (2,15,973.00)
Sub total (B)	4.74 lacs (4,74,482.00)	5.19 lacs (5,19,521.00)	6.25 lacs (6,24,902.00)
Taxes on Union Territory	3,094.00	3,067.26	3,401.41
Total Tax Revenue (A)+(B)	10.36 lacs (10,36,235.00)	11.59 lacs (11,58,906.26)	13.64 lacs (13,64,524.41)



BUDGET ESTIMATES 2014-15

Budget Estimates of Total Expenditure for 2014-2015 of Rupees 17,94,892.00 crore shows a net increase of Rupees 2,04,458 crore over the Revised Estimates of 2013-14.

Non-Plan Expenditure of Rupees 12,19,892.00 crore has shown an increase of Rupees 1,04,990 crore and Plan expenditure of Rupees 5,75,000.00 crore has increased by Rupees 99,468 crore. The Major items where variations have occurred are indicated below:

<i>Rupees In crores</i>						
Plan Expenditure	Actual 2012-13	Revised 2013-14	Budget 2014-15	Variation Saving (-)/ Excess(+) in Budget 2014-15 as compared to Revised estimates of 2013-14		
Revenue	3.29 lacs	3.72 lacs	4.54 lacs	(+)	0.82 lacs	22%
	(3,29,208.00)	(3,71,851.00)	(4,53,503.00)		(81,652.00)	
Capital	0.84 lacs	1.04 lacs	1.21 lacs	(+)	0.17 lacs	17%
	(84,417.00)	(1,03,681.00)	(1,21,497.00)		(17,816.00)	
Total Plan Expenditure	4.13 lacs	4.75 lacs	5.75 lacs	(+)	0.99 lacs	21%
	(4,13,625.00)	(4,75,532.00)	(5,75,000.00)		(99,468.00)	

BUDGET ESTIMATES 2014-15

Contd...

Rupees In crores

Non-Plan Expenditure	Actual 2012-13	Revised 2013-14	Budget 2014-15	Variation Saving (-)/ Excess(+) in Budget 2014-15 as compared to Revised estimates of 2013-14		
Interest Payments	3.13 lacs (3,13,170.00)	3.80 lacs (3,80,066.00)	4.27 lacs (4,27,011.00)	(+)	0.46 lacs (46,945.00)	12%
Defence expenditure	1.81 lacs (1,81,776.00)	2.03 lacs (2,03,672.00)	2.29 lacs (2,29,000.00)	(+)	0.25 lacs (25,328.00)	12%
Grants to State & U.T. Governments	0.47 lacs (47,996.00)	0.61 lacs (61,617.00)	0.69 lacs (69,936.00)	(+)	0.08 lacs (8,319.00)	14%
Pensions	0.69 lacs (69,479.00)	0.74 lacs (74,076.00)	0.81 lacs (81,983.00)	(+)	0.07 lacs (7,907.00)	11%
Police	0.37 lacs (37,285.00)	0.43 lacs (43,148.00)	0.46 lacs (46,390.00)	(+)	0.03 lacs (3,242.00)	8%
Other Non-Plan Revenue expenditure	3.35 lacs (3,35,099.00)	3.43 lacs (3,43,981.00)	3.54 lacs (3,54,877.00)	(+)	0.10 lacs (10,896.00)	3%
Other Non Plan expenditure	0.11 lacs (11,942.00)	0.08 lacs (8,342.00)	0.10 lacs (10,695.00)	(+)	0.02 lacs (2,353.00)	28%
Total Non-Plan Expenditure	9.96 lacs (9,96,747.00)	11.14 lacs (11,14,902.00)	12.19 lacs (12,19,892.00)	(+)	1.04 lacs (1,04,990.00)	9%



Amendment to
The Finance (No. 2) Bill, 2014



Amendment to clause 3 of Finance (No. 2) Bill, 2014 [w.e.f. 01/04/2015]

Amendment to Section 2(42A):

After the proviso, but before *Explanation 1*, the following proviso shall be inserted :--

“Provided further that in case of a share of company (not being a share listed in a recognized stock exchange) or a unit of a Mutual Fund specified under clause (23D) of section 10, which is transferred during the period beginning on the 1st day of April, 2014 and ending on the 10th day of July, 2014, the provisions of this clause shall have effect as if for the words “thirty-six months”, the words “twelve months” had been substituted.”

Brief of the Amendment:

Clarification regarding the transfer of share of unlisted company or unit of Mutual Fund specified u/s 10(23D) between April 1, 2014 to 10 July, 2014 shall be deemed to be considered as long term capital assets if held for more than period of 12 months instead of 36 months.



Amendment to clause 34 of Finance (No. 2) Bill, 2014 [w.e.f. 01/04/2015]

Amendment to Section 112:

After the proviso occurring after clause (d), the following proviso shall be inserted, namely:-

“Provided further that where the tax payable in respect of any income arising from the transfer of a long-term capital asset, being a unit of a Mutual Fund specified under clause (23D) of section 10, during the period beginning on the 1st day of April, 2014 and ending on the 10th day of July, 2014, exceeds ten per cent of the amount of capital gains, before giving effect to the provisions of the second proviso to section 48, then, such excess shall be ignored for the purpose of computing the tax payable by the assessee.”

Brief of the Amendment:

Clarification regarding the taxability of Long term capital gain on transfer of unit of mutual funds during the period from April 1, 2014 to 10 july,2014, such LTCG shall be taxable @ 10% without indexation.



A new clause 31A inserted to Finance Bill, 2014 [w.e.f. 01/04/2015]

Amendment to Section 92C(2):

- After the second proviso, but before the *Explanation*, the following proviso shall be inserted:--

“Provided also that where more than one price is determined by the most appropriate method, the arm’s length price in relation to an international transaction or specified domestic transaction undertaken on or after the 1st day of April, 2014, shall be computed in such manner as may be prescribed and accordingly the first and second proviso shall not apply.”

Brief of the Amendment:

As per existing law, in case more than one price is determined by applying most appropriate method, the arithmetic mean (AM) of all such prices is considered for determination of ALP in range of + - 3% or + - 1%, as the case may be.

Amendment to the definition of 'Case'
as referred u/s 245A for which
assessee may file application before the
Settlement Commission



A new clause 62A inserted to Finance Bill, 2014 [w.e.f. 01/10/2014]

Amendment to Section 245A(b):

- *The proviso shall be omitted;*

- *in the Explanation,--*
 - a. *in clause (i),* for the words, brackets and figure “referred to in clause (i) of the proviso”, the words and figures “under section 147” shall be substituted;

 - b. *for clause (iii), the following clause shall be substituted, namely:--*

“(iii) a proceeding for making fresh assessment in pursuance of an order under section 254 or section 263 or section 264, setting aside or cancelling an assessment shall be deemed to have been commenced from the date on which such order, setting aside or cancelling an assessment was passed;”

 - c. *in clause (iv),* for the words, brackets, figures and letter “clause (i) or clause (iv) of the proviso or clause (iiia) of the Explanation”, the words, brackets, figures and letter “clause (i) or clause (iii) or clause (iiia)” shall be substituted.’



Brief of the Amendment:

The scope of approaching the Settlement Commission for settlement of tax disputes has been expended and includes the cases where proceedings have been initiated for reassessment, otherwise known as reopened cases, and proceedings which are pending for making a fresh assessment in pursuance of an order of a Tribunal or a Commissioner for setting aside or cancelling the assessment itself.

The proposed Amendment to Direct Taxes under the Finance Bill, 2014

1. Additional Resource Mobilisation

2. Measures to Promote Socio-economic Growth

3. Relief and Welfare Measures

4. Widening of Tax Base and Anti Tax Avoidance Measures

5. Rationalization Measures

Note: The applicable date being 01.04.2015 denotes the amendment is applicable w.e.f. A.Y. 2015-16



1. Additional Resource Mobilisation



1. Additional Resource Mobilisation

S. No.	Brief	Section	Clause No.	Effective date [i.e. w.e.f.]
a	Dividend and Income Distribution Tax	115-O & 115-R	40 & 41	01.10.2014
b	Loan- term Capital Gains on debt oriented Mutual Fund and its qualification as Short- term capital asset	2(42A)	3	01.04.2015
c	C) Tax on Long- term Capital Gains on Units	112	34	01.04.2015



a) Dividend and Income Distribution Tax

[Clauses 40 & 41]

Amendment to Section 115-O [w.e.f 1st October, 2014]

[Clauses 40] [Newly inserted]

- *After the Explanation to sub-section (1A), the following sub-section shall be inserted with effect from the 1st day of October, 2014, namely:—*
- *“(1B) For the purposes of determining the tax on distributed profits payable in accordance with this section, any amount by way of dividends referred to in sub-section (1) as reduced by the amount referred to in sub-section (1A) [hereafter referred to as net distributed profits], shall be increased to such amount as would, after reduction of the tax on such increased amount at the rate specified in sub-section (1), be equal to the net distributed profits.”*

Brief of Amendment:

Now the dividend distribution tax is to be computed after grossing up of the Dividend distribution tax.

Now, where the amount of dividend paid or distributed by a company is Rs. 85, then DDT under the amended provision would be calculated as follows:

Dividend amount distributed = Rs. 85

Increase by Rs. 15 [i.e. $(85 \times 0.15) / (1 - 0.15)$]

Increased amount = Rs. 100

DDT @ 15% of Rs. 100 = Rs. 15

Tax payable u/s 115-O is Rs. 15

Dividend distributed to shareholders = Rs. 85



Amendment to Section 115-R [w.e.f 1st April, 2015] [Clauses 41]

- After the *Explanation* to sub-section (2), the following sub-section shall be inserted with effect from the 1st day of October, 2014, namely:—
 - (2A) *For the purposes of determining the additional income-tax payable in accordance with sub-section (2), the amount of distributed income referred therein shall be increased to such amount as would, after reduction of the additional income-tax on such increased amount at the rate specified in sub-section (2), be equal to the amount of income distributed by the Mutual Fund.”;*
- (b) sub-section (3A) shall be omitted with effect from the 1st day of April, 2015.

Brief of Amendment :

Grossing up of distributed income



b) LTCG on debt oriented Mutual Fund and its qualification as Short-term Capital Asset [Clause 3]

Amendment of section 2 (42A) [w.e.f. 01/04/2015]

- "short-term capital asset" means a capital asset held by an assessee for not more than thirty-six months immediately preceding the date of its transfer
- **Provided** that in the case of a ~~share held in a company or any other security listed in a recognised stock exchange in India~~ a security (other than a unit) listed in a recognised stock exchange in India or a unit of the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963) or a unit of a Mutual Fund specified under clause (23D) of section 10 or a zero coupon bond, the provisions of this clause shall have effect as if for the words "thirty-six months", the words "twelve months" had been substituted.

Note: The expression "security" shall have the meaning assigned to it in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956).] [Refer Explanation 2]

As per clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956).]

“securities” include-

- (i) shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate;
- (ia)** derivative;
- (ib)** units or any other instrument issued by any collective investment scheme to the investors in such schemes;]
- (ic)** *security receipt as defined in clause (zg) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;]*
- (id)** *units or any other such instrument issued to the investors under any mutual fund scheme;*
Explanation- *For the removal of doubts, it is hereby declared that "securities" shall not include any unit linked insurance policy or scrips or any such instrument or unit, by whatever name called, which provides a combined benefit risk on the life of the persons and investment by such persons and issued by an insurer referred to in clause (9) of section 2 of the Insurance Act, 1938 (4 of 1938);]*
- (ie)** *any certificate or instrument (by whatever name called), issued to an investor by any issuer being a special purpose distinct entity which possesses any debt or receivable, including mortgage debt, assigned to such entity, and acknowledging beneficial interest of such investor in such debt or receivable, including mortgage debt, as the case may be.*

Brief of Amendment:

Section 2(42A) has been amended to exclude from short term capital asset, securities (other than units) listed on recognized stock exchange and units of equity oriented mutual fund. In other words, shares of companies (not listed on recognized stock exchange) and units of debt oriented mutual fund shall be treated as short term capital asset if transferred before 36 months from its date of acquisition.



c) Tax on Long- term capital gains on Units

[Clause 34]

- In section 112 of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 2015,—
- (a) in the proviso, occurring after clause (d), for the words “being listed securities or unit”, the words and brackets “being listed securities (other than a unit)” shall be substituted;
- (b) in the *Explanation*, clause (b) shall be omitted.

Brief of Amendment :

It is proposed to amend the provision of section 112 to allow the benefit of concessional rate of tax of 10% in case of LTCG on listed securities (other than unit) and zero coupon bonds.

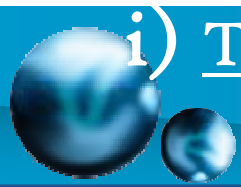


2. Measures to Promote Socio-Economic Growth



2. Measures to Promote Socio-Economic Growth.....

S. No.	Particulars	Section	Clause	Effective date (i.e. w.e.f.)
i.	Taxation Regime for Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (Invit)	2(13A), 10(23C), 47, 49, 111A, 115A, 139, 194A, 194D, 194LB, 194LC	3, 5, 18, 20, 33, 35, 43, 47, 54, 56, 57 & 109	01.10.2014 / 01.04.2015 (Subject to the clauses)
ii.	Investment Allowance to a Manufacturing Company	32AC	11	01.04.2015
iii.	Extension of the sunset date under section 80-IA for the power sector	80-IA	30	01.04.2015
iv.	Deduction in respect of capital expenditure on specified business	35AD	6 & 12	01.04.2015



i) Taxation Regime for Real Estate Investment Trust (REIT) & Infrastructure Investment Trust (Invit)

[Clause 3,5,18,20,33,35,43,47,54,56,57, & 109]

Brief of Amendment:

- Open new form of ventures namely, Real Estate Investment Trust (REIT) & Infrastructure Investment Trust (Invit).
- The income-investment model of such REITs and Invits (referred to as business trusts) has the following distinctive elements:
 - raise capital by way of issue of units (*to be listed on a recognised stock exchange*) and can also raise debts directly both from resident as well as non-resident investors;
 - the income bearing assets would be held by the trust by acquiring controlling or other specific interest in an Indian company (SPV) from the sponsor. **[clause 3][w.e.f. 01.10.2014]**
- Proposed to amend clause (38) to section 10(23C):
 - (i) after the words “unit of an equity oriented fund”, the words “**or a unit of a business trust**” shall be inserted;
 - (ii) after the proviso but before the Explanation, the following proviso shall be inserted, namely:—
“Provided further that the provisions of this clause shall not apply in respect of any income arising from transfer of units of a business trust which were acquired in consideration of a transfer referred to in clause (xvii) of section 47.” **[clause 5][w.e.f. 01.04.2015]**



Brief of Amendment:

- **Proposed to insert a new clause (xvi) to section 47** so as to provide that any transfer of a capital asset, being share of a SPV, to a business trust in exchange of units allotted by that trust to the transferor shall not be regarded as transfer for the purposes of section 45. [**clause 18**][w.e.f. **01.04.2015**]
- **Cost of acquisition of shares of SPV** shall be deemed to be cost of acquisition of units of Business Trust exchanged in lieu of shares of SPV. [**clause 20**][w.e.f. **01.04.2015**]
- **Units of Real Estate Investment Trust and Infrastructure investment trust** now recognized at par with listed equity shares and thus 15% STCG u/s 111A will be applicable. Section 115A now covers distributed income being interest as referred in section 194LBA(2). [**clause 33**][w.e.f. **01.04.2015**]



- The units of Real Estate Investment Trust and Infrastructure Investment Trust when sold within the period of twelve months will attract short term capital gain under Sec 111A@ 15%. [clause 35][w.e.f. 01.04.2015]
- New Chapter XII-FA “Tax on income of unit holder and business trust” shall be inserted w.e.f. 1st day of April, 2015. [clause 43][w.e.f. 01.04.2015]
- Explanation is provided regarding the procedure to deduct tax on the income distributed by such business trust and interest income of such business trust. [clause 54, 56 & 57] [w.e.f. 01.10.2014]
- Requirement to file Return of Income by Business Trust. [clause 47][w.e.f. 01.04.2015]

A new sub-section (4E) proposed to be inserted to section 139 to provide that **Every business trust**, which is not required to furnish return of income or loss under any other provisions of this section, **shall furnish the return of its income** in respect of its income or loss in every previous year and all the provisions of this Act shall, so far as may be, apply if it were a return required to be furnished under sub-section (1).

The proposed provisions shall be inserted to specify the taxation regime to providing the way the income in the hands of such trusts is to be taxed and the taxability of the income distributed by such business trusts in the hands of the unit holders of such trusts. As per the memorandum to Finance Bill, 2014, the main features of the such regime are as under:

- i. The listed units of a business trust, when traded on a recognised stock exchange, would attract same levy of securities transaction tax (STT), and would be given the same tax benefits in respect of taxability of capital gains as equity shares of a company i.e., long term capital gains, would be exempt and short term capital gains would be taxable at the rate of 15%.
- ii. In case of capital gains arising to the sponsor at the time of exchange of shares in SPVs with units of the business trust, the taxation of gains shall be deferred and taxed at the time of disposal of units by the sponsor. However, the preferential capital gains regime (consequential to levy of STT) available in respect of units of business trust will not be available to the sponsor in respect of these units at the time of disposal. Further, for the purpose of computing capital gain, the cost of these units shall be considered as cost of the shares to the sponsor. The holding period of shares shall also be included in the holding period of such units.

As per the memorandum to Finance Bill, 2014, the main features of the such regime are as under:

- iii. The income by way of interest received by the business trust from SPV is accorded pass through treatment i.e., there is no taxation of such interest income in the hands of the trust and no withholding tax at the level of SPV. However, withholding tax at the rate of 5 per cent. in case of payment of interest component of income distributed to non-resident unit holders, at the rate of 10 per cent. in respect of payment of interest component of distributed income to a resident unit holder shall be effected by the trust.
- iv. In case of external commercial borrowings by the business trust, the benefit of reduced rate of 5 per cent. tax on interest payments to non-resident lenders shall be available on similar conditions, for such period as is provided in section 194LC of the Act.
- v. The dividend received by the trust shall be subject to dividend distribution tax at the level of SPV but will be exempt in the hands of the trust, and the dividend component of the income distributed by the trust to unit holders will also be exempt.
- vi. The income by way of capital gains on disposal of assets by the trust shall be taxable in the hands of the trust at the applicable rate. However, if such capital gains are distributed, then the component of distributed income attributable
- vii. to capital gains would be exempt in the hands of the unit holder. Any other income of the trust shall be taxable at the maximum marginal rate



ii) Investment Allowance to a Manufacturing Company [Clause 11]

Amendment to Section 32AC [w.e.f. 01/04/2015]

Brief of Amendment:

Sub- section (1A) is proposed to be inserted

- Where a company engaged in the business of manufacturing or production of any article or thing, acquires and install new asset and the amount of actual cost of such **new assets acquired and installed during any P.Y. exceeds Rs. 25 Crore** then there shall be allowed a deduction of a sum equal to 15% of the **actual cost of such new assets.**
- No deduction under sub section (1A) shall be allowed
 - for the A.Y. commencing on 01.04.2015 to the assessee, which is eligible to claim deduction under sub section (1) for the said A.Y.
 - any A.Y. commencing on or after the 01/04/2018 (A.Y.2018-19)
- If assessee **sold or otherwise transferred** the new asset acquired and installed (*except in case of amalgamation or demerger*) within 5 years from the date of its installation. Then the deduction allowed under sub section (1A) shall be taxable under the head PGBP.



iii) Extension of the sunset date u/s 80-IA for the power sector [clause 30]

Brief of Amendment [w.e.f. 01/04/2015]:

- Extension of the sunset date u/s 80-IA for the power sector by 3 more years to 31-03-2017.
- This date otherwise expired on 31-03-2014.



(iv) Deduction in respect of capital expenditure on 'Specified business' [Clause 6 & 12]

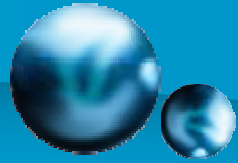
Amendment to Section 35AD [w.e.f. 01/04/2015]

Brief of Amendment:

- No deduction shall be allowed U/s 35AD (8)(c) in respect of the specified business claimed deduction u/s 10AA for same or any other A.Y.
- Two new businesses are added in the list of specified business u/s 35AD(8)(c) namely:
 - laying & operating a slurry pipeline for the transportation of iron ore;
 - setting up and operating a semi-conductor wafer fabrication manufacturing unit notified by the Board in accordance with such guidelines as may be prescribed.
- Specified Assets should be used at least for 8 years for specified purpose.
- Amount of deduction allowable u/s 35AD is chargeable under PGBP if specified Assets are not used for specified purpose during specified period of 8years subject to depreciation to be allowed.
- The provisions of Section 7B not apply to company become Sick company during specified period of 8 years.



3. Relief and Welfare Measures



3. Relief and Welfare Measures

S. No.	Particulars	Section	Clause	Effective date (i.e. w.e.f.)
a.	Raising the limit of deduction u/s 80 C	80C, 80CCD	27, 28 & 29	01.04.2015
b.	Deduction from Income from House Property	24(b)	10	01.04.2015
c.	Concessional Rate of Tax on Overseas Borrowings	194LC, 206AA	57 & 61	01.10.2014
d.	Reduction in tax rate on certain dividends received from foreign companies	115BBD	37	01/04/2015
e.	Roll back provision in Advance Pricing Agreement (APA) Scheme	92CC	32	01.10.2014
f.	Characterisation of Income in case of Foreign Institutional Investors	2(14)	3	01.04.2015



a) Raising the limit of deduction u/s 80 C

[Clauses 27, 28 & 29]

w.e.f. 01/04/2015

Section 80C: The limit of investments eligible for deduction u/s 80C increased from the existing limit of Rs. 1 lakh to Rs.1.5 lakh. [Clause 27]

- Tax benefits provided u/s 80CCD is extended to private sector employees

[clause 28]

The condition of the date of joining the service on or after 1.1.2004 not applicable to the employees in private sector for the purposes of deduction under the said section. **The limit under this section has been fixed at Rs. 1 Lakh.** Thus, the assessee is free to invest in any one or more of the eligible instruments within overall ceiling of Rs. 1Lakh.

Raising the limit of deduction u/s 80C, 80CCC & 80CCD [clause 29]

The aggregate limit of deduction u/s 80C, 80CCC and 80CCD has been increased from the existing Rs. 1 lakh to Rs.1.5 lakh.



b) Deduction from Income from House Property [Clauses 10]

Amendment to Section 24 clause (b) of the second proviso [w.e.f. 01.04.2015]

Brief of Amendment:

- Tax benefit to the Assesses who has income from house property.
- Interest on Housing Loan deduction increased to Rs. 2 Lakh from Rs. 1.50 lakh Limit.



C) Concessional rate of Tax on Overseas Borrowings [clause 57 & 6I]

Amendment to Section 194LC (Income by way of interest from Indian company) Inserted by the Finance Act, 2012, w.e.f. 1-7-2012.

And Section 206AA (7) [w.e.f.01/10/2014]

Brief of Amendment:

- Relief of lower rate of deduction of tax extended to all non-resident investor not having PAN in long term bond referred in section 194LC.
- The word infrastructure is proposed to be omitted from section 206AA(7) meaning thereby if a non-resident person does not furnish his PAN to the deductor of tax at source, such deductor shall not deduct tax at high rate in respect of long term bonds as referred section 194LC.



d) Reduction in tax rate on certain dividends received from foreign companies [Clause 37]

Amendment to Section 115BBD(1) [w.e.f.01/04/2015]

Brief of Amendment:

- The specific assessment years have been excluded as a clarification that repatriation of dividends by Indian companies from its foreign entities will continue to enjoy concessional rate of 15% now perpetually.



e) Roll back provision in Advance Pricing agreement Scheme [Clause 32]

Amendment to Section 92CC [w.e.f. 1st October, 2014]

Section 92CC of the Act provides for Advance Pricing Agreement (APA). It empowers the CBDT, with the approval of the Central Government, to enter into an APA with any person for determining the Arm's Length Price (ALP) or specifying the manner in which ALP is to be determined in relation to an international transaction which is to be entered into by the person.

The agreement entered into is valid for a period, not exceeding 5 previous years, as may be mentioned in the agreement. Once the agreement is entered into, the ALP of the international transaction, which is subject matter of the APA, would be determined in accordance with such an APA.

Brief of Amendment:

- In many countries the APA scheme provides for “roll back” mechanism for dealing with ALP issues relating to transactions entered into during the period prior to APA. The “roll back” provisions refers to the applicability of the methodology of determination of ALP, or the **ALP, to be applied to the international transactions which had already been entered into in a period prior to the period covered under an APA.** However, the “roll back” relief is provided on case to case basis subject to certain conditions. Providing of such a mechanism in Indian legislation would also lead to reduction in large scale litigation which is currently pending or may arise in future in respect of the transfer pricing matters.
- Therefore, it is proposed to amend the Act to provide roll back mechanism in the APA scheme. The APA may, subject to such prescribed conditions, procedure and manner, provide for determining the arm’s length price or for specifying the manner in which arm’s length price is to be determined in relation to an international transaction entered into by a person during any period not exceeding four previous years preceding the first of the previous years for which the advance pricing agreement applies in respect of the international transaction to be undertaken in future.



f) Characterisation of Income in case of Foreign Institutional Investors [Clause 3]

Amendment in definition of Capital Asset as provided in Section 2(14) [w.e.f. 01.04.2015]

Brief of Amendment :

- Presently, the expression 'capital asset' means any assets other than stock in trade.
- Definition of capital assets is proposed to be amended to include:
 - i. property of any kind held by an assessee whether or not connected with his business or profession but does not include any Stock in Trade.
 - ii. **Any Securities held by a Foreign Institutional Investor which has invested in such securities in accordance with the regulation of SEBI.**
- As a result of amendment, it is clarified that Income arising to FII would be in the nature of Capital Gain and not PGBP.



4. Widening of Tax base & Anti Tax Avoidance Measures



4. Widening of Tax base & Anti Tax Avoidance Measures.....

S. No.	Particulars	Section of the I.T. Act	Clauses of Finance Bill, 2014	Effective date (i.e. w.e.f.)
a	Alternate Minimum Tax	115JC	38	01.04.2015
b	Taxability of advance for transfer of a capital asset.	51, 56(2) & 2(24)	3, 21 & 25	01.04.2015
c	Tax deduction at source from non-exempt payments made under life insurance policy	194DA (newly inserted)	55	01.10.2014



a). Alternate Minimum Tax [Clauses 38]

Amendment in Section 115JC[w.e.f. 01.04.2015]

Brief of the amendment:

Now the income computed under AMT will include the Investment linked deduction referred u/s 35AD net off depreciation.

Illustration-

Total Income :	Rs 60
Deduction under Chapter VI-A:	Rs 40
Deduction under Sec 35AD:	Rs 100

Computation of AMT

Total Income:	Rs. 60
Add: Deduction under Ch VI-A	Rs 40
Add: Deduction under Sec 35AD	Rs 100
Less: Depreciation u/s32	Rs. 15
	Rs. 85

Total adjusted income u/s 115JC is Rs. 185

b). Taxability of advance for transfer of a capital asset [Clause 3, 21 & 25]

Amendment in section 51, Section 56(2) & Section 2(24) [w.e.f. 01.04.2015]

- Proposed to insert a proviso to section 51:

*“Provided that where any sum of money, received as an advance or otherwise in the course of negotiations for transfer of a capital asset, has been included in the total income of the assessee for any previous year in accordance with the provisions of clause (ix) of sub-section (2) of section 56, then, such sum **shall not be deducted from the cost** for which the asset was acquired or the written down value or the fair market value, as the case may be, in computing the cost of acquisition.”*

- Proposed to insert new clause (ix) to section 56(2):

“any sum of money received as an advance or otherwise in the course of negotiations for transfer of a capital asset, if,—

(a) such sum is forfeited; and

(b) the negotiations do not result in transfer of such capital asset.”

- Proposed to insert new clause (xvii) to section 2:

“any sum of money referred to in clause (ix) of sub-section (2) of section 56.”



Taxability of advance for transfer of a capital asset

[Clause 3, 21 & 25]

Brief of the Amendment:

- This proviso proposes that the amount forfeited in respect of negotiations for transfer of capital asset shall not be deducted from the cost of acquisition of the capital asset where such negotiation does not result in transfer of capital asset.
- **Therefore, *CIT vs Meera Goyal [2014] 360 ITR 346 (Delhi), Upendrakumar Shah v. ITO [2011] 14 taxmann.com43 (ITAT-Mum.), Smt. Smita N. Shah v. JCIT [2005] 94 ITD 492 (ITAT - Mum.), & Travancore Rubber & Tea Co. Ltd v. CIT (2000)243 ITR 158 (SC) over-ruled.***
- Corresponding amendment proposed u/s Section 56(2) & 2(24) to consider such amount as Income from Other Sources.



c) TDS from non-exempt payments made under life insurance policy [Clause 55]

Proposed to insert new Section 194DA for payment in respect of life insurance policy [w.e.f. 01.10.2014]:

“Any person responsible for paying to a resident any sum under a life insurance policy, including the sum allocated by way of bonus on such policy, other than the amount not includible in the total income under clause (10D) of section 10, shall, at the time of payment thereof, deduct income-tax thereon at the rate of two per cent.

***Provided that** no deduction under this section shall be made where the amount of such payment or, as the case may be, the aggregate amount of such payments to the payee during the financial year is less than one hundred thousand rupees.”*

Brief of Amendment:

- Certain sum payable by the insurance company is proposed to be liable for TDS @ 2%.
- It is proposed that any sum exceeding Rs. 1,00,000/- payable under a life insurance policy, including the sum allocated by way of bonus on such policy, other than the amount not includible in the total income under clause (10D) of section 10 shall deduct tax @ 2%.



5. Rationalisation Measures

5. RATIONALISATION MEASURES.....

Particulars	Section of the I.T. Act	Clauses of Finance Bill, 2014	Effective date (i.e. w.e.f.)
Signing and verification of return of income	140	Clause 48	01.10.2014
Rationalisation of taxation regime in the case of charitable trusts and institutions	11 & 10(23C)	Clauses 5 & 7	01.04.2015
Clarification in respect of section 10(23C) of the Act	10(23C)	Clause 5	01.04.2015
Cancellation of registration of the trust or institution in certain cases	12AA	Clause 9	01.10.2014
Anonymous donations u/s 115BBC	115BBC	Clause 36	01.04.2015
Rationalisation of the Definition of International Transaction	92B	Clause 31	01.04.2015
Levy of Penalty u/s 271G by Transfer Pricing Officers	271G	Clause 67	01.10.2014
Extension of income-tax exemption to Special Undertaking of Unit Trust of India (SUUTI) [Section 13(1) of Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002]	-	Clause 108	01.04.2015

Particulars	Section of the I.T. Act	Clauses of Finance Bill, 2014	Effective date (i.e. w.e.f.)
Applicability to earlier years of the registration granted to a trust or institution	12A(2)	Clause 8	01.10.2014
Corporate Social Responsibility (CSR)	37	Clause 13	01.04.2015
Disallowance of expenditure for non-deduction of tax at source	40(a)(ia)	Clause 14	01.04.2015
Tax Deduction at Source	200(3), 201 & 271H	Clauses 58, 59, 60 & 68	01.10.2014
Business of Plying, Hiring or Leasing Goods Carriages	44AE	Clause 16	01.04.2015
Income Computation and Disclosure Standards	145	Clause 50	01.04.2015
Transfer of Government Security by one non-resident to another non-resident	47	Clause 18	01.04.2015
Speculative transaction in respect of commodity derivatives	43(5)(e)	Clause 15	01.04.2015

Particulars	Section of the I.T. Act	Clauses of Finance Bill, 2014	Effective date (i.e. w.e.f.)
Capital gains arising from transfer of an asset by way of compulsory acquisition	45(5)(b)	Clause 17	01.04.2015
Cost Inflation Index	48	Clause 19	01.04.2016
Capital gains exemption in case of investment in a residential house property	54 & 54F	Clauses 22 & 24	01.04.2015
Capital gains exemption on investment in Specified Bonds	54EC	Clause 23	01.04.2015
Losses in Speculation Business	73	Clause 26	01.04.2015
Income-tax Authorities	116, 117 & 2	Clauses 3, 4 & 44	01.06.2013
Power of survey	133A	Clause 45	01.10.2014

Contd...

Particulars	Section of the I.T. Act	Clauses of Finance Bill, 2014	Effective date (i.e. w.e.f.)
Mutual Funds, Securitisation Trusts and Venture Capital Companies or Venture Capital Funds to file return of income	139	Clauses 41, 42 & 47	01.04.2015
Inquiry by prescribed income-tax authority	133C	Clause 46	01.10.2014
Estimate of value of assets by Valuation Officer	142A	Clauses 49, 51 & 52	01.10.2014
Interest payable by the assessee u/s 220	220	Clause 62	01.10.2014
Mode of acceptance or repayment of loans and deposits	269SS & 269T	Clauses 63 & 64	01.04.2015
Failure to produce accounts and documents	276D	Clause 69	01.10.2014
Provisional attachment u/s 281B	281B	Clause 70	01.10.2014
Obligation to furnish statement of Information	285BA & 271FAA	Clauses 65, 66 & 71	01.04.2015
Assessment of income of a person other than the person who has been searched	153C	Clause 53	01.10.2014
Credit of Alternate Minimum Tax	115EE	Clause 39	01.04.2015



Signing and verification of return of income [Clause 48]

Amendment in Section 140[w.e.f. 01.10.2014]

Brief of the Amendment:

- Signed and verified” shall be substituted by the word “**verified**” in view of digitized returns & signatures.

Rationalization of taxation regime in the case of Charitable Trusts and Institutions [Clause 5&7]

Amendment in Section 11 and 10(23C)[w.e.f. 01.04.2015]

- Under the existing provisions and judicial pronouncements, the trusts or institutions claim double benefit in respect of applicability of income on account of purchase of capital asset i.e. depreciation allowance as well as capital expenditure. Now, it is clarified that in case capital cost has been claimed as an application, no further deduction on allowance of depreciation would be permitted.
- Amend the provisions to prevent the practice followed by the trusts claiming exemption u/s 10 in respect of taxable income to avoid tax liability. Thus, proposed to insert new section 11(7) to provide specifically that Trust or an institution registered for the purposes of availing exemption u/s 11, and the registration is in force for P.Y., cannot claim any exemption under any provision of section 10 *[other than that relating to exemption of agricultural income and income exempt u/s 10(23C)]*.
- Also, the entities approved/ notified for claiming benefit of exemption u/s 10(23C) would not be entitled to claim any benefit of exemption under other provisions of section 10 *(except for agricultural income)*.



Clarification in respect of section 10(23C) of the Act [Clause 5]

Amendment in Section 10(23C)[w.e.f. 01.04.2015]

Brief of the Amendment:

- Under the existing provisions, the phrase “substantially financed by the Government” has not been defined which leads to litigation.
- Therefore, it is proposed to insert an Explanation that :
if the Government grant to a university or other educational institution, hospital or other institution during the relevant previous year exceeds a percentage (to be prescribed) of the total receipts (including any voluntary contributions), of such university or other educational institution, hospital or other institution, as the case may be, then such university or other educational institution, hospital or other institution shall be considered as being substantially financed by the Government for that previous year.



Cancellation of registration of the trust or institution in certain cases [Clause 9]

Amendment in Section 12AA[w.e.f. 01.10.2014]

Brief of the Amendment:

Proposed to insert sub-section (4)

- Under the current provisions, the powers of Commissioner to cancel registration are restricted he may cancel the registration under two circumstances:
 - the activities of a trust or institution are not genuine, or;
 - the activities are not being carried out in accordance with the objects of the trust or institution.
- No such power of cancellation in cases where such entity has not applied income or made investment in accordance with specified manner. Whereas, section 10(23C) vested the power of withdrawal of approval with the prescribed authority.



Cancellation of registration of the trust or institution in certain cases [Clause 9].....

Contd...

- In order to rationalize the provisions it is proposed to provide that where a trust or an institution has been granted registration, and subsequently it is noticed that its activities are being carried out in such a manner that,—
 - **its income not applied for the benefit of general public;**
 - **it is for benefit of any particular religious community or caste (in case it is established after commencement of the Act);**
 - **any income or property of the trust is applied for benefit of specified persons;**
 - **its funds are invested in prohibited modes.**
 - **then the Principal Commissioner/ Commissioner may cancel the registration if there was no reasonable cause proved by the trust.**

Thus, 4 more conditions are proposed to be added granting the power of cancellation.

Anonymous donations u/s 115BBC

[Clause 36]

Amendment in Section 115BBC[w.e.f. 01.04.2015]

In sub-section (1), for clause (ii), the following clause shall be substituted:

“(ii) the amount of income-tax with which the assessee would have been chargeable had his total income been reduced by the aggregate of anonymous donations received in excess of the amount referred to in sub-clause (A) or sub-clause (B) of clause (i), as the case may be.”

Brief of the Amendment:

Clarification issued on mechanism of aggregation of tax payable by charitable institutions or trust etc. Now tax payable would be aggregate of 30% of Anonymous donation as defined u/s 115BBC, being higher of 5% of total donations received or Rs. 1lakhs, AND tax computed on remaining total income after reducing the income on which tax @ 30% has been paid as being anonymous donation.

Illustration: If a trust has total income of Rs 100 L of which Rs 40 L is anonymous donation. Then, the application of Income is to be made of Rs. 100 L irrespective of payment of taxes on Rs. 40L. However, payment of taxes can be treated as part of application of funds.

In nutshell, the amendment seems to tax the anonymous donation which was earlier not even been considered before applying the 30% rate to the portion of such income.



Rationalisation of the Definition of International Transaction [Clause 31]

Amendment in Section 92B [w.e.f. 01.04.2015]

In sub-section (2)

- Proposed to substitute following:

*the words “deemed to be a transaction”, the words “**deemed to be an international transaction**”*

- Proposed to inserted following: *after the words “**determined in substance between such other person and the associated enterprise**”, the words “**where the enterprise or the associated enterprise or both of them are non-residents irrespective of whether such other person is a non-resident or not**” shall be inserted.*



Brief of the Amendment:

- The existing provisions of section 92B of the Act define 'International transaction' as a transaction in the nature of purchase, sale, lease, provision of services, etc. between two or more associated enterprises, either or both of whom are non-residents.
- Sub-section (2) of the said section extends the scope of the definition of international transaction by providing that a transaction entered into with an unrelated person shall be deemed to be a transaction with an associated enterprise, if there exists a prior agreement in relation to the transaction between such other person and the associated enterprise, or the terms of the relevant transaction are determined in substance between the other person and the associated enterprise. The sub-section as presently worded has led to a doubt whether or not, for the transaction to be treated as an international transaction, the unrelated person should also be a non-resident.



Brief of the Amendment:

- Therefore, it is proposed to amend section 92B of the Act to provide that where, in respect of a transaction entered into by an enterprise with a person other than an associated enterprise, there exists a prior agreement in relation to the relevant transaction between the other person and the associated enterprise or, where the terms of the relevant transaction are determined in substance between such other person and the associated enterprise, and either the enterprise or the associated enterprise or both of them are non-resident, then such transaction shall be deemed to be an international transaction entered into between two associated enterprises, whether or not such other person is a non-resident.



Levy of Penalty u/s 271G by Transfer Pricing Officers [Clause 67]

Amendment in Section 271G [w.e.f. 01.10.2014]

*“If any person who has entered into an international transaction or specified domestic transaction fails to furnish any such information or document as required by sub-section (3) of section 92D, the Assessing Officer **or the Transfer Pricing Officer as referred to in section 92CA** or the Commissioner (Appeals) may direct that such person shall pay, by way of penalty, a sum equal to two per cent of the value of the international transaction or specified domestic transaction for each such failure.”*

Brief of the Amendment:

It is proposed to give powers to Transfer pricing officer to levy penalty under section 271G. Thus, power to levy penalty extended to Transfer pricing officer as well.



Applicability to earlier years of the registration granted to a trust or institution [Clause 8]

Amendment in Section 12A(2) [w.e.f. 01.10.2014]

Proposed to insert the following provisos to sub-section (2):

“Provided that where registration has been granted to the trust or institutions u/s 12AA then the provision of sec 11 and 12 shall apply in respect of any income derived from property held under trust of any Assessment Year preceding the aforesaid Assessment Year for which Assessment Year are pending before the AO as on the date of Such registration and the objects and activities of such trust or institution remain the same for such preceding Assessment Year

Provided further that no action u/s 147 shall be taken by the AO in case of such trust or institutions for any AY preceding the aforesaid Assessment year only for non – registration of such trust or institutions for the said Assessment year.

Provided also that provision contained in the first and second proviso shall not apply in case of any trust or institutions which was refused registration or the registration granted to it was cancelled at any time u/s 12AA.”



Brief of the Amendment: [w.e.f. 01.10.2014]

- It is proposed to amend section 12A of the Act to provide that in case where a trust or institution has been granted registration u/s 12AA, the benefit of sections 11 & 12 shall be available in respect of any income derived from property held under trust in any assessment proceeding for an earlier A.Y. which is pending before the AO as on the date of such registration subject to the condition that there is no change in objects & activities in earlier years, on the basis of which such registration has been granted.
- The AO shall not reopen the assessment u/s 147, merely due to the reason that registration could not be obtained by such trust or institution for earlier years. (*except where trust or institution at any time had applied for registration and the same was refused u/s 12AA or a registration once granted was cancelled.*)



Corporate Social Responsibility (CSR)

[Clause 13]

Amendment in Section 37 [w.e.f. 01.04.2015]

Proposed to insert explanation 2 to section 37:

“For the removal of doubts, it is hereby declared that for the purposes of sub-section (1), any expenditure incurred by an assessee on the activities relating to **corporate social responsibility** referred to in section 135 of the Companies Act, 2013 **shall not be deemed to be an expenditure incurred by the assessee for the purposes of the business or profession.**”

Brief of the Amendment:

The amendment proposes to clarify that Expenditure on CSR (as referred Section 135 of Companies Act, 2013) is appropriation of the Reserve/ Profit and the same would not be allowed as Expenditure.



Disallowance of expenditure for non- deduction of TDS [Clause 14]

Amendment in Section 40(a)(ia) [w.e.f. 01.04.2015]

Brief of the Amendment:

- This amendment proposes to bring equity with the expenses incurred and payable to residents that expense (as specified) may be allowed as deduction in respect of which tax has been deposited on or before the due date u/s 139(1).
- Presently u/s 40(a)(ia) of the Act, any expense (as specified) claimed as deduction in respect whereof either TDS has not been deducted or having been deducted has not been deposited, the whole amount is not allowed as expense.
- As per the proposed amendment, the disallowance would be restricted to only 30% of the amount in respect of which either TDS has not been deducted or having been deducted has not been deposited.
- Unfortunately, the earlier definition of the specified payments have been enlarged to include ALL PAYMENTS stated under Chapter XVII-B of the Act, including Salary, Cross Word puzzles prizes, etc which have been claimed as expenditure.



Tax Deduction at Source [Clause 58,59,60 & 68]

Amendment in Section 200(3), 201 and 271H [w.e.f. 01.10.2014]

- It is proposed that a person may also deliver the correction statement for the return of TDS as per Tax deduction at source scheme 2013 notified vide Notification No. 13/2013 dated 15-01-2013.
- Also the present section 201(3)(ii) permits reopening of TDS matters upto 6 years from the end of the FY in which payment is made. However, notice u/s 148 can be issued within 6 years from the end of the relevant assessment years. The time of one year as available u/s 148 is also being provided u/s 201(3)(ii).
- Assessing officer can levy the penalty u/s 271H for non filing of TDS / TCS return or furnishing incorrect information under TDS / TCS return.

Brief of the Amendment:

A correction statement of return of deduction of tax at sources for salary income can be filed.



Business of Plying, Hiring or Leasing Goods Carriages [Clause 16]

Amendment in Section 44AE [w.e.f. 01.04.2015]

“sub-section (2) shall be substituted:–

*For the purpose of sub-section (1), the profits and gains from each goods carriage shall be an amount equal to **seven thousand five hundred rupees** for every month or part of a month during which the goods carriage is owned by the assessee in the previous year or an amount claimed to have been actually earned **from the vehicle**, whichever is higher.”*

And in the Explanation, for clause (a), shall be substituted:-

(a) the expression “goods carriage” shall have the meaning assigned to it in section 2 of the Motor Vehicles Act, 1988.”

Brief of the Amendment:

This amendment proposes to remove the distinction made in heavy goods carriage and other than heavy goods carriage and to provide a single amount of Rs. 7500/- to be considered as profit or gain from each goods carriage for every month or part of the month. Corresponding amendment made in Explanation in view of amendment in Sub-section (2).



Income Computation and Disclosure Standards [Clause 50]

Amendment in Section 145 [w.e.f. 01.04.2015]

- U/s 145(2) reference to 'Accounting Standards' is proposed to be changed with Income Computation and Disclosure Standards.
- U/s 145(3) it is proposed to be provided to reject the books of accounts for not regularly following the income computation and disclosure standards.

Brief of the Amendment:

In case, Income tax computation and disclosure standards are not regularly followed, tax office may pass the order by making best judgment assessment under section 144 of the Income Tax Act, 1961. These are very much in line with tax accounting standards send in public domain during 2013.



Extension of income-tax exemption to Special Undertaking of Unit Trust of India (SUUTI) [Clause 108]

- The Special Undertaking of the Unit Trust of India (SUUTI) was created vide the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002. SUUTI is the successor of UTI. The mandate of SUUTI is to liquidate Government liabilities on account of the erstwhile UTI.
- Vide section 13(1) of the said Repeal Act, SUUTI is exempt from income-tax or any other tax or any income, profits or gains derived, or any amount received in relation to the specified undertaking for a period of five years, computed from the appointed day, i.e. 1st day of February, 2003. This exemption was to come to an end on 31st January, 2008 and the exemption was extended up to the 31st March, 2009 and thereafter, up to the 31st March, 2014.
- **Since some of the tasks of SUUTI are still pending closure, it is proposed to amend section 13(1) so as to extend the exemption for a further period of five years that is upto 31st March, 2019.**
- **This amendment will take effect retrospectively from 1st April, 2014.**

[Memorandum to Finance Bill, 2014]



Transfer of Government Security by one non-resident to another non-resident [Clause 18]

Amendment in Section 47 [w.e.f. 01.04.2015]

▪ **Proposed to insert a new clause (viib) to section 47**

“any transfer of a capital asset, being a Government Security carrying a periodic payment of interest, made outside India through an intermediary dealing in settlement of securities, by a non-resident to another non-resident.

Explanation.—*For the purposes of this clause, “Government Security” shall have the meaning assigned to it in clause (b) of section 2 of the Securities Contracts (Regulation) Act, 1956;.”*

Brief of the Amendment:

This sub-section proposes to exempt transfer of Government securities outside India by a non-resident to another non-resident where such security carries periodic payment of interest and such transfer is made through an intermediary dealing in settlement of securities.



Speculative transaction in respect of commodity derivatives [Clause 15]

Amendment in Section 43 (5)(e)[w.e.f. 01.04.2015]

*“(e) an eligible transaction in respect of trading in commodity derivatives carried out in a ~~recognised association~~ **recognised association, which is chargeable to commodities transaction tax under Chapter VII of the Finance Act, 2013.***

Brief of the Amendment:

This amendment proposes that such transaction carried out in a recognised association and chargeable to commodities transaction tax under Chapter VII of the Finance Act, 2013 shall not be considered to be a speculative transaction.



Capital gains arising from transfer of an asset by way of compulsory acquisition [Clause 17]

Amendment to section 45(5)(b) [w.e.f. 01.04.2015]

“Provided that any amount of compensation received in pursuance of an interim order of a court, Tribunal or other authority shall be deemed to be income chargeable under the head “Capital gains” of the previous year in which the final order of such court, Tribunal or other authority is made.”

Brief of the Amendment:

This proviso proposes to clarify that the enhanced compensation received by way of an Interim order of the Court shall be taxable in the year in which final order is made and not in the year in which such interim order made.



Cost Inflation Index [Clauses 19]

Amendment in Clause (v) of Explanation to Section 48 [w.e.f. 01.04.2016]

*"Cost Inflation Index", in relation to a previous year, means such Index as the Central Government may, having regard to seventy-five per cent of average rise in the ~~Consumer Price Index for urban non-manual employees~~ **Consumer Price Index (Urban)** for the immediately preceding previous year to such previous year, by notification in the Official Gazette, specify, in this behalf."*

Brief of the Amendment:

The effect of discontinuation of release of CPI for Urban Non Manual Employees is proposed to be considered in the meaning of Cost of Inflation Index by way of this amendment.



Capital gains exemption in case of investment in a residential house property [Clause 22 & 24]

Amendment to Section 54 and 54F [w.e.f. 01.04.2015]

*“the words “constructed, a residential house”, the words **“constructed, one residential house in India”** shall be substituted*

Brief of Amendment:

This amendment proposes to clarify that the exemption u/s 54 is only available in respect of purchase or construction of one residential house in India

- Cases over-ruled in respect of investment in more than one house
CIT vs. Devdas Naik, ITA No. 2483 of 2011 (Bombay) Date of decision- 10- 06- 2014, CIT v. Smt. K.G. Rukminiamma [2011] 331 ITR 211, CIT vs. Khoobchand M. Makhija [2014] 43 taxmann.com 143 (Karnataka).
- Case over-ruled in respect of investment outside India
Prema P. Shah Vs. ITO 101 TTJ 849 (Mum) (2006) over-ruled.



Capital gains exemption on investment in specified Bonds[Clauses 23]

Proposed to insert a new proviso to section 54EC of the Act [w.e.f. 01.04.2015]

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

Brief of the Amendment:

This proviso clarifies that the total investment u/s 54EC in the year of transfer and subsequent financial year shall not exceed Rs. 50 lakhs in aggregate.

Thus, Smt. Sriram Indubal vs. ITO [2013] 32 taxmann.com 118 (Chennai - Trib.), ITO vs. Ms. Rania Faleiro [2013] 33 taxmann.com 611 (Panaji - Trib.) & Coromandel Industries (P.) Ltd. vs. Asstt. CIT [2013] 36 taxmann.com 6 (Chennai - Trib.) overruled



Losses in Speculative Business

[Clauses 26]

Amendment to the explanation to Section 73 [w.e.f. 01/04/2015]

“ the words “the principal business of which is the business of banking”, the words “the principal business of which is the business of trading in shares or banking” shall be substituted.”

Thus, *the provision of the Explanation shall also not be* applicable to a company the principal business of which is the business of trading in shares.

Brief of Amendment:

In case of a company, the principal business of which is trading in shares, any loss which was considered to be speculative till now, would be considered to be normal loss and shall be allowed to be carried forward for 8 years instead of 4 years. Subject to the condition that the principle business of the assessee is business of trading in shares.



Income tax Authorities

[Clauses 3,4 & 44]

W.e.f. 1st June, 2013, It is proposed to substitute the existing Income Tax Authorities:

S. No.	Existing Income Tax Authorities (1)	Proposed to be substituted (Income Tax Authorities) (2)
1	Commissioner	Principal Commissioner or Commissioner
2	Director	Principal Director or Director
3	Chief Commissioner	Principal Chief Commissioner or Chief Commissioner
4	Director General	Principal Director General or Director General

Note: Consequential changes are also proposed in relevant sections of the Income Tax Act.



Amendment to section 116 [w.e.f. 1st June, 2013]

It is proposed to add two new posts under income tax authorities such as:

- Principal Directors General of Income-tax or Principal Chief Commissioners of Income-tax
- Principal Directors of Income-tax or Principal Commissioners of Income-tax

Consequential amendments proposed to make u/s 2 by insert clauses (34A), (34B), (34C) and (34D) to define the terms “Principal Chief Commissioner of Income-tax”, “Principal Commissioner of Income-tax”, “Principal Director General of Income-tax” and “Principal Director of Income-tax” to mean a person appointed to be an income-tax authority u/s 117.

It is also proposed to amend clauses (15A), (16) and (21) of section 2 and in other sections of the Act.



Power of Survey

[Clause 45]

Amendment to Section 133A [w.e.f. 1st October, 2014]

Provisions & powers relating to Survey u/s 133A proposed to enlarged by inserting a new sub-section 133A(2A):

1. Presently, the Income Tax Surveys for verification of TDS compliance are being conducted, which though in the past have been permitted as per judicial pronouncements [*Reckitt and Colman of India Ltd. v. Asst. CIT [2001] 251 ITR 306 (Cal)*] do not have any statutory backing. Now a new sub-section is being inserted u/s 133A so as to specifically permit survey for verification of TDS and/or TCS.

For this purpose, authorities may enter into any place only after sunrise but before sunset. However, they shall not be entitled to impound any books of accounts, etc or to record the statement of any assessee or authorized person.

2. Also, under present provisions the approval sought by authorities for retaining books of accounts beyond a period of ten day to be sought from CCIT/DGIT is also being proposed to extended to 15 days and approval can now be sought from Pr. CCIT/PR.DGIT, CCIT, DGIT, CIT or DIT.



Mutual Funds, Securitisation Trusts and Venture Capital Companies or Venture Capital Funds to file return of income

[Clause 41,42 & 47]

Amendment to Section 139 [w.e.f. 01/04/2015]:

As per the existing provisions of the Act the following income of the following entities is exempted :

Entity	Section
Mutual Fund Clause	Clause (23D) of section 10
a securitisation trust from the activity of securitisation	clause (23DA) of section 10
a venture capital company (VCC) or venture capital fund (VCF) from investment in a venture capital undertaking	clause (23FB) of section 10

- **Thus, the Mutual Fund or securitisation trust or VCC or VCF are not obligated to furnish their return of income u/s 139.**
- They are required to furnish a statement giving details of the nature of the income paid or credited during the previous year and such other relevant details as may be prescribed.



It is proposed to amend provisions of Section 139(4C) [w.e.f. 01/04/2015]:

If the total income in respect of which following entity (i.e. fund, trust or company) is assessable, without giving effect to the provisions of section 10, exceeds the maximum amount which is not chargeable to income-tax,

- Mutual Fund referred to in clause (23D) of section 10
- Securitization trust referred to in clause (23DA) of section 10
- Venture Capital Company or Venture Capital Fund referred to in clause (23FB) of section 10

shall furnish a return of income of the previous year in the prescribed forms and verified in the prescribed manner, so far as may be, apply as if it were a return required to be furnished u/s 139(1).

Note: Proposed to omit provisions of section 115R(3A) & 115TA(3) to dispense the Mutual fund and securitisation trusts from filing of statements before an income-tax authority.

Inquiry by prescribed income-tax authority

[Clause 46]

Proposed to insert a new section 133C to provide power to call for information by prescribed income-tax authority [w.e.f. 01.10.2014]

“The prescribed income-tax authority, may for the purposes of verification of information in its possession relating to any person, issue a notice to such person requiring him, on or before a date to be specified therein, to furnish information or documents verified in the manner specified therein, which may be useful for, or relevant to, any inquiry or proceeding under this Act.

Explanation.—In this section, the term “proceeding” shall have the meaning assigned to it in clause (b) of the Explanation to section 133A.”

Clause (b) of Explanation to section 133A

"proceeding" means any proceeding under this Act in respect of any year which may be pending on the date on which the powers under this section are exercised or which may have been completed on or before such date and includes also all proceedings under this Act which may be commenced after such date in respect of any year.

Brief of the amendment

Power to call the information by prescribed income tax authority is increased to any person who is in possession of information relating to proceeding.



Estimate of value of assets by Valuation Officer

[Clause 49, 51 & 52]

Proposed to substitute existing provisions of Section 142A with new section 142A [w.e.f. 01/10/2014]:

- 1) *The Assessing Officer may, for the purposes of assessment or reassessment, make a reference to a Valuation Officer to estimate the value, including fair market value, of **any asset, property or investment** and submit a copy of report to him.*
- 2) *The Assessing Officer may make a reference to the Valuation Officer under sub-section (1) **whether or not he is satisfied about the correctness or completeness of the accounts of the assessee.***
- 3) *The Valuation Officer, on a reference made under sub-section (1), shall, for the purpose of estimating the value of the asset, property or investment, have all the powers that he has under section 38A of the Wealth-tax Act, 1957.*
- 4) *The Valuation Officer shall, estimate the value of the asset, property or investment after taking into account such evidence as the assessee may produce and any other evidence in his possession gathered, after giving an opportunity of being heard to the assessee.*
- 5) *The Valuation Officer may estimate the value of the asset, property or investment to the best of his judgment, if the assessee does not co-operate or comply with his directions.*

- 6) *The Valuation Officer shall send a copy of the report of the estimate made under sub-section (4) or sub-section (5), as the case may be, to the Assessing Officer and the assessee, within a period of six months from the end of the month in which a reference is made under sub-section (1).*
- 7) *The Assessing Officer may, on receipt of the report from the Valuation Officer, and after giving the assessee an opportunity of being heard, take into account such report in making the assessment or reassessment.*

Explanation.—*In this section, “Valuation Officer” has the same meaning as in clause (r) of section 2 of the Wealth-tax Act, 1957.’.*

Brief of the amendment

Power given to AO to get a valuation report of any asset, property or investment. Earlier powers of AO were restricted to bullion, jewelry or any other valuable article or thing.

Further, Amendment proposed to section 153B & 153C:

To provide that the period commencing from the date on which the Assessing Officer makes a reference to the Valuation Officer u/s 142A(1) and ending with the date on which the report of the Valuation Officer is received by the Assessing Officer shall be excluded from the time period specified for completion of assessment/ reassessment.



Interest payable by the assessee u/s 220

[Clause 62]

Amendment to Section 220 [w.e.f . 01.10.2014]

▪ Section 220 (1A) is proposed to be inserted:

“Where any notice of demand has been served upon an assessee and any appeal or other proceeding, as the case may be, is filed or initiated in respect of the amount specified in the said notice of demand, then, such demand shall be deemed to be valid till the disposal of the appeal by the last appellate authority or disposal of the proceedings, as the case may be, and any such notice of demand shall have the effect as specified in section 3 of the Taxation Laws (Continuation and Validation of Recovery Proceedings) Act, 1964.”

▪ Second proviso proposed to be inserted after First Proviso:

“Provided further that where as a result of an order under sections specified in the first proviso, the amount on which interest was payable under this section had been reduced and subsequently as a result of an order under said sections or section 263, the amount on which interest was payable under this section is increased, the assessee shall be liable to pay interest under sub-section (2) from the day immediately following the end of the period mentioned in the first notice of demand, referred to in sub-section (1) and ending with the day on which the amount is paid.”

Brief of Amendment:

- Interest u/s 220 is proposed to be increased or decreased as consequent to any appeal, rectification or revision from the date of expiry of period stated in the notice of demand u/s 156 of the Income Tax Act, 1961.



Mode of repayment of loans and deposits

[Clause 63 & 64]

Amendment to Section 269SS & 269T [w.e.f. 01.04.2015]

It is proposed to include that amount paid/ accepted by “use of electronic clearing system through a bank account” shall not be prohibited under these sections.

Brief of Amendment:

- ECS, RTGS and NEFT etc. are now proposed to be allowed as permissible mode to accept or repay the deposit or loan specified u/s 269SS and 269T respectively.



Failure to produce accounts and documents [Clause 69]

➤ Amendment to Section 276D (w.e.f. 01.10.2014)

*“If a person willfully fails to produce, or cause to be produced, on or before the date specified in any notice served on him under sub-section (1) of section 142, such accounts and documents as are referred to in the notice or willfully fails to comply with a direction issued to him under sub-section (2A) of that section, he shall be punishable with rigorous imprisonment for a term which may extend to one year ~~or with fine equal to a sum calculated at a rate which shall not be less than four rupees or more than ten rupees for every day during which the default continues, or with both~~ **and with fine.**”*

Brief of Amendment:

Levy of penalty made mandatory.

It is proposed to remove the monetary limit of fine and also proposed mandatory levy of fine.



Provisional attachment u/s 281B [Clause 70]

Amendment to the proviso to Section 281B(2) (w.e.f. 01/10/2014)

*“Provided that the Chief Commissioner, Commissioner, Director General or Director may, for reasons to be recorded in writing, extend the aforesaid period by such further period or periods as he thinks fit, so, however, that the total period of extension shall not in any case exceed ~~two years~~ **two years or sixty days after the date of order of assessment or reassessment, whichever is later.**”*

Brief of Amendment:

Period of attachment is proposed to be extended by the prescribed authorities.

It is proposed to substitute the words two year in the first proviso of section 281B(2) with two years or sixty days after the date of order of assessment or reassessment whichever is later.



Obligation to furnish statement of information

[Clause 65, 66 & 71]

- **Amendment of Section 271FA [w.e.f. 01.04.2015][Clause 65]**
 - Name of annual information return is proposed to be substituted with statement of financial transaction or reportable account in view of amendment to section 285BA.
- **Proposed to substitute a new section for section 285BA (w.e.f. 01.04.2015) [clause 71]**

Brief of Amendment:

- Section 285BA is proposed to be substituted and clause 'K' is proposed to be added in definition of person being "a prescribed reporting financial institution".
- Under Section 285BA(5) it is proposed that in case of non-filing of statement of financial transaction or reportable account then such statement shall be filed within 30 days from the date of service of notice.
- Section 285BA (6) is proposed to be inserted specifying that any mistake found in the statement of financial transaction or reportable account should be informed and furnished within 10 days of discovery of such mistake to the prescribed authority.

➤ **Section 285BA (7) is proposed to be inserted to empower central government to make rules specifying:**

- the persons to be registered with the person referred in section 285BA(1)
- nature of information and manner in which such information is shall be maintained by the person referred in section 28BA(1).
- due diligence to be carried out by the persons referred in section 285BA(1) for the purpose of any reportable account.



Proposed to insert new section 271FAA - Penalty for furnishing inaccurate statement of Financial transaction or Reportable account. [w.e.f. 01.04.2015]

[Clause 66]

Brief of Amendment:

- To specifying that in case prescribed reporting financial institution provide inaccurate statement and
 - such inaccuracy is due to failure to comply with the due diligence requirement prescribed under section 285BA(7); or
 - the person know of the inaccuracy at the time of furnishing or statement of financial transaction or reportable account but does not inform the prescribed authority; or
 - the person discovers the inaccuracy after the statement of financial transaction or reportable account is furnished and fails to inform and furnish correct information within the time prescribed under section 285BA(6)
- **The prescribed authority may direct such person shall pay, by way of penalty a sum of Rs. 50,000/-.**



Assessment of income of a other person other than the person who has been searched [Clause 53]

Amendment to Section 153C (w.e.f. 01.10.2014)

Brief of Amendment:

- If during the search, any money, bullion, jewellery or any valuable article or thing or books of accounts or documents document seized has to be transferred to the concerned Assessing officer of such other person.
- The satisfaction regarding seized material having a bearing on the determination of the total income of such other person for relevant year referred in section 153(1) of the concerned Assessing officer of such other person has to be recorded in writing before issuance of notice to the such other person for such assessment year or years.



Credit of Alternate Minimum TAX [AMT] [Clause 39]

Amendment to section 115EE (w.e.f. 01.04.2015)

Brief of Amendment:

- Now the tax credit of AMT can now be available irrespective of the condition that such income has to exceed Rs 20 Lacs, subject to the condition that provisions of Section 115JD.
- *Further*, the provisions of this Chapter shall apply to a person who has claimed any deduction under—
 - (a) any section (other than section 80P) included in Chapter VI-A under the heading "C.—Deductions in respect of certain incomes"; or
 - (b) section 10AA



Thank You...!!!

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