

EXECUTIVE SUMMARY OF FINANCE BILL, 2017 - DIRECT TAXES

| <u>B. ADDITIONAL RESOURCE MOBILISATION</u> | | | | | |
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| CLAUSE(S) OF FINANCE BILL, 2017 | PARTICULARS OF AMENDMENTS | SECTION | AMENDMENT / NEWLY INSERTED | APPLICABLE W.E.F. | BRIEF OF AMENDMENT |
| 44 | Amendment in section 115BBDA | 115BBDA (1) & 115BBDA (3) | Amendment | 01/04/2018 | Scope of Dividend taxability is increased to horizontal equality. Initially dividend in excess of Rs. 10 lac was Taxable for Ind, HUF and Firm, Now it is taxable for all assessee other than Domestic Company, Trust/Institution u/s 12AA and certain funds u/s 10(23C). |
| 63 | TDS on Payment of rent by certain individuals or Hindu undivided family. | 194 - IB | New Insertion | 01/06/2017 | <ol style="list-style-type: none"> 1. Ind and HUF (Not liable for Tax Audit) will be liable to deduct TDS on Rent Payment in excess of Rs. 50,000/- per month or part of a month @ 5%. 2. TDS will be deducted only once in a year at the time of last payment in previous year or last payment if premise is vacated during the year. 3. Assessee need not to apply for TAN in this case. 4. In case landlord doesn't provide his PAN number, then TDS @20% is required to be deducted, however total TDS to be deducted cannot exceeds the rent payable for last month or last month of tenancy. <p>(Author Note:- For Payment of TDS a separate challan cum return form may be introduced like Form 26QB (TDS payment in case of purchase of property).</p> |

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C. MEASURES FOR PROMOTING AFFORDABLE HOUSING AND REAL ESTATE SECTOR

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| 3 | Change in period of Holding in case of Immovable property | 3 rd Proviso to clause 42A of Section 2 | Amendment | 01/04/2018 | <p>Period of holding has been reduced from 36 months to 24 months for calculation of LTCG in case of Immovable property being land or building or both.</p> <p><i>(Author's note – Proviso talks about only for Immovable property being land or building or both, however it doesn't mention property purchased under Builder buyer agreement (Rights in immovable property)).</i></p> |
| 3 | Period of Holding for conversion of Preference shares to Equity Shares | Sub Clause (hf) to clause 1 of Explanation 1 2(42A) | New Insertion | 01/04/2018 | <p>In order to provide tax neutrality to the conversion of preference share of a company into equity share of the same company, it is proposed to amend section 47 to provide that the conversion of preference share of a company into its equity share shall not be regarded as transfer.</p> <p>Therefore corresponding amendment is made into section 2(42A) to include the period for which Preference Shares were held into period of holding of equity shares.</p> |
| 3 | Period of holding in case of Consolidated Plan of Mutual Fund | Sub Clause (hg) to clause 1 of Explanation 1 2(42A) | New Insertion | 01/04/2018 | <p>In case any units or unit of mutual fund plans got consolidated as per SEBI approval, then Transfer of Units from consolidating plan to Consolidated plan is exempt in hands of unit holder.</p> <p>Now to streamline the provisions amendment is made into section 2(42A) to include period for which consolidating plans are held in period of holding of</p> |

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| | | | | | <p>consolidated plan of mutual fund.</p> <p>e.g. a person is holding two mutual funds A & B and both funds get consolidated into X fund, in this case period of holding of A & B will also be considered.</p> |
| 37 | <p>Streamlining provisions of exemption on affordable housing scheme</p> | <p>80-IBA</p> <ol style="list-style-type: none"> 1. Clause b of Subsection 1. 2. Clause (c) and (f) of sub-section II, 3. Sub-Section 3 4. Clause (a) of sub section (6) | Amendment | 01/04/2018 | <p>In section 80IBA 100% exemptions of profits was provided to developer for developing and building affordable housing projects as per specified conditions. The scope of exemptions has been expanded with amendments in current Finance Bill:-</p> <ol style="list-style-type: none"> a. Now builder can complete the project within a period of five years (Previous three years) from the date of approval of competent authority. b. Exemption was available to the builder who is engaged in development of units of 30 sq mtr and 60 sq mtr built up area, Now exemption is available for development of units of 30 Sq mtr and 60 Mtr on basis of CARPET AREA. Therefore the proposed size of house got increased. c. Limits of 30 sq mtr in case of units located within distance of 25 KM from the municipal limits of the Chennai, Delhi, Kolkata or Mumbai is removed, therefore in these units project of 60 sq mtr can be developed. d. "carpet area" means the net usable floor area of an apartment, excluding the area covered by the external walls, areas under services shafts, exclusive balcony or verandah area and |

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| | | | | | <p>exclusive open terrace area, but includes the area covered by the internal partition walls of the apartment.</p> <p>Explanation.— For the purpose of this clause, the expression "exclusive balcony or verandah area" means the area of the balcony or verandah, as the case may be, which is appurtenant to the net usable floor area of an apartment, meant for the exclusive use of the allottee; and "exclusive open terrace area" means the area of open terrace which is appurtenant to the net usable floor area of an apartment, meant for the exclusive use of the allottee;</p> |
| 6 | Exemption in Andhra on transfer of land owing to new state capital | 10 (37A) | New Section | 01/04/2015 | <p>For formation of new state Capital “Amaravati”, government of Andhra Pradesh has acquired land from residents through Land Pooling Schemes. As per Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Reettlement Act, 2014 the specified compensation is exempt from Income Tax. However income tax doesn’t provide such exemption till date. Therefore exemption is provided for the same in this Finance Bill.</p> <ol style="list-style-type: none"> 1. Exemption is available only to Individual or HUF. 2. Exemption will be available to assessee who owns land or building or both as on 02/06/2014. 3. If a reconstituted plot or land is received by assessee in lieu of acquired land or building, it must be transferred with in two years from end of financial year in which possession of such |

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| | | | | | <p>plot or land was handed over to him to avail exemption.</p> <p>Further section 194 LA is also amended to exempt such transaction from TDS applicability.</p> |
| 22 | Taxability of Joint Development Agreement | 45 (5A) | New Insertion | 01/04/2018 | <p>There were lot of disputes in past on the taxability of Capital Gain for owner in respect of Joint Development agreement (Collaboration Agreement). To settle all the disputes sub- section 5A to Section 45 is inserted.</p> <p>As per this sub-section Capital Gain arising to Individual or HUF under a specified agreement will be tax to income tax in previous year in which the <u>certificate of completion</u> for the whole or part of the project is issued by the competent authority. Previously as per definition of transfer taxability arises on transfer of possession to the developer. Therefore it is seen as welcome move to remove the genuine hardship.</p> <p>Consideration in this case will be stamp duty value of Land or building or both for his share increased by monetary consideration if any.</p> <p>(Author's Note – Word cash is used in subsection (5A) and clause (ii) of Explanation, it may classified to refer to monetary consideration.</p> <p>Section is only for Ind and HUF, However Other assessee also suffers from same hardship, if they want to enter into JDA for its business or some other purpose, benefits of 45(5A) are not available.)</p> |

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| 64 | TDS on payment against Joint Development Agreements | 194 – IC | New Section | 01/04/2018 | <p>TDS @ 10% is required to be deducted by developer on amount of money credited or paid by developer to resident in cash or cheque or ECS in lieu of Joint Development Agreement.</p> <p>(Author's Note:- There is disparity on TDS deduction and TDS claimed by the assessee. Generally JDA are made on some advance payment basis and developer need to deduct TDS on the same, however according to section 45(5A) it will be the income of the owner after one or two years, which leads to mismatch of TDS deduction and claimable. In such department can initiate action against 143(1)(a) and prepare intimation on the basis of entry in our 26AS.)</p> |
| 24 | Relief to NRI holding Rupee Denomination Bonds | Fifth proviso to section 48 | Amendment | 01/04/2018 | <p>RBI has permitted Indian companies to issue rupee denomination bonds in overseas market. Any gains arising on account of appreciation of Rupee against foreign currency was ignored while calculation of Capital gains to Subscribers. On various representation from stakeholders regarding providing relief to secondary market buyer, Finance bill has proposed to amend word subscriber with held. Accordingly relief is also passed on to secondary market buyer.</p> <p>Further any transfer by NRI to NRI of such bonds is not regarded as Transfer as per section 47.</p> |
| 24 | Change in Base year for indexed Cost of Acquisition | Clause iii to explanation of section 48 | Amendment | 01/04/2018 | <p>Owing to change in base year from 01/04/1981 to 01/04/2001, consequential amendments are made in finance bill in respect of base year for calculation of Indexed Cost of Acquisition.</p> |

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| 28 | Change in base year for Cost of Improvement & Cost of Acquisition | 55(1)(b)(2) 55(2)(b) | Amendment | 01/04/2018 | <p>As the base year for computation of capital gains has become more than three decades old, assesseees are facing genuine difficulties in computing the capital gains in respect of a capital asset, especially immovable property acquired before 01.04.1981 due to non-availability of relevant information for computation of fair market value of such asset as on 01.04.1981, therefore base year for the calculation of Cost of Acquisition and Cost of Improvement is changed to 01/04/2001.</p> <p>(Author's Note:- This move of government is much appreciated by section 197 (1) (c) of IDS Scheme, according to which case of previous all years can be opened in case of non filling/ wrong filling of IDS. By changing the base year Government has reduced the number of years for which case can be reopened alongwith litigation atleast in respect of immovable properties.)</p> |
| 27 | Capital Gain Exemption Bonds | 54EC | Amendment | 01/04/2018 | <p>At present LTCG exemption upto Rs. 50 lacs can be availed by investment in NHAI & RECI bonds within six months from date of transfer. <u>Now exemption will also be available for purchase of other central government specified bonds.</u></p> |
| 12 | Relief to builders for stock in trade For notional rental income | 23 (5) | Insertion | 01/04/2018 | <p>In case of real estate developers or builders, Notional income on any unsold housing units held in stock in trade was taxable without having any income from it. In a step to provide relief to real estate developers or builder, exemption is provided to builders for the same if:-</p> <ol style="list-style-type: none"> 1. Property or part of it is not let out during the |

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| | | | | | <p>whole or any part of the year, and</p> <p>2. For a period of one year from the end of year in which completion certificate is received.</p> |
| D. MEASURES FOR STIMULATING GROWTH | | | | | |
| 67 | Extension of concessional tax rate to ECB | 194 LC subsection 2 clause 1, Sub clause (a & c) | Amendment | 01/04/2018 | <p>The existing provisions of section 194LC of the Act provide that the interest payable to a non-resident by a specified company on borrowings made by it in foreign currency from sources outside India under a loan agreement or by way of issue of any long-term bond including long-term infrastructure bond shall be eligible for concessional TDS of five per cent. <u>Except LT Infra Bonds, for other window was going to expire on 01/07/2017 which is extended upto 01/07/2020.</u></p> |
| 67 | Extension of concessional tax rate to RDB | 194 LC subsection (2) clause (1a) | Insertion | 01/04/2016 | <p>Scope of section 194 LC is also extended to Rupee Denomination Bonds issued to NRI by Indian companies in INR. This provision is applicable retrospectively from assessment year 2016-17.</p> <p><i><u>Author note:- status of TDS already deducted and deposited if any in previous years, and whether current year TDS if deducted in excess can be adjusted in remaining two months.)</u></i></p> |

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| 68 | Extension of concessional tax rate FII and QFI on investment in Govt Securities and Rupee Denominated bonds | 194 LD | Amended | 01/04/2018 | <p>The income by way of interest to Foreign Institutional Investor or a Qualified Foreign Investor on a rupee denominated bond of an Indian company ; or a Government security was liable to TDS at the rate of 5%. Exemption window was available till 01/07/2017, which is extended to 01/07/2020 by this finance bill.</p> |
| 32 | Relief for Carry forward and set off of loss to startups | 79 | Substitution | 01/04/2018 | <p>The existing provisions of section 79 of the Act, <i>inter-alia</i> provides that where a change in shareholding has taken place in a previous year in the case of a company, not being a company in which the public are substantially interested, no loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year unless on the last day of the previous year the shares of the company carrying not less than fifty-one per cent of the voting power were beneficially held by person who beneficially held shares of the company carrying not less than fifty-one per cent of the voting power on the last day of the year or years in which the loss was incurred.</p> <p>In order to facilitate ease of doing business and to promote start up India, it is proposed to amend section 79 of the Act to provide that where a change in shareholding has taken place in a previous year in the case of a company, not being a company in which the public are substantially interested and being an eligible start-up as referred to in section 80 -IAC of this Act,</p> |

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| | | | | | <p>loss shall be carried forward and set off against the income of the previous year, if all the shareholders of such company which held shares carrying voting power on the last day of the year or years in which the loss was incurred, <u>being the loss incurred during the period of seven years</u> beginning from the year in which such company is incorporated, continue to hold those shares on the last day of such previous year.</p> <p>(Author Note:- In such it is advisable to always issue fresh equity instead of diluting promoter equity to get the benefits of the section.)</p> |
| 36 | Extending the period for claiming deduction by start-ups | 80-IAC | AMENDED | 01 st April 2018 (A.Y. 2018-19) | <p>It is proposed that deduction of amount equal to one hundred per cent of the profits and gains derived from eligible business of startups for three consecutive assessment years out <u>of seven years</u> beginning from the year in which such eligible start-up is incorporated. (Previously deduction of profits for three consecutive assessment years out of five years)</p> |
| 46&48 | Rationalisation of Provisions relating to tax credit for Minimum Alternate Tax | 115JAA(2A) | AMENDED | 01 st April 2018 (A.Y. 2018-19) | <p>The amount of MAT shall not be allowed to be carried forward to subsequent year to the extent such credit relates to the <u>difference between the amount of foreign tax credit (FTC) allowed against MAT and FTC allowable against the tax as per regular provisions of Act</u> (Previously the difference was allowed to be carried forward)</p> |

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| 46&48 | Rationalisation of Provisions relating to tax credit for Minimum Alternate Tax | 115JAA(3A) | AMENDED | 01 st April 2018 (A.Y. 2018-19) | <p>It is proposed that the MAT credit could be carried forward up to 15 assessment years immediately succeeding the assessment years in which such credit becomes allowable.</p> <p>(Previously MAT credit could be carried forward only up to 10 assessment years)</p> |
| 46&48 | Rationalisation of Provisions relating to tax credit for Alternate Minimum Tax | 115JD(2) | AMENDED | 01 st April 2018 (A.Y. 2018-19) | <p>The amount of AMT shall not be allowed to be carried forward to subsequent year to the extent such credit relates to the <u>difference between the amount of foreign tax credit (FTC) allowed against AMT and FTC allowable against the tax as per regular provisions of Act</u> (Previously the difference was allowed to be carried forward)</p> |
| 46&48 | Rationalisation of Provisions relating to tax credit for Alternate Minimum Tax | 115JD(4) | AMENDED | 01 st April 2018 (A.Y. 2018-19) | <p>AMT can be carried forward up to 15 assessment years immediately succeeding the assessment years in which such tax credit becomes allowable</p> <p>(Previously AMT credit can be carried forward only up to 10 assessment years)</p> |

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| 17&18 | Extension of scope of section 43D to Co-operative Banks | 43D(a) | AMENDED | 01 st April 2018 (A.Y. 2018-19) | <p>It is proposed that the Interest income in relation to certain categories of bad or doubtful debts received by co-operative banks other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank shall be <u>chargeable to tax in the previous year in which it is credited to its profit and loss account for that year or actually received, whichever is earlier.</u></p> <p>(Taxability of Interest on sticky loans in case of FI's & banks now in r/o NPA accounts on receipt basis only. Clause 157 of the budget speech by Hon'ble Finance Minister)</p> |
| 17&18 | Extension of scope of section 43B to Co-operative Banks | 43B(e) | AMENDED | 01 st April 2018 (A.Y. 2018-19) | <p>It is proposed that <u>interest on any loan or advances from a co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank</u> shall be allowed as deduction on the <u>payment basis</u> i.e. if it is actually paid on or before the due date of furnishing the return of income of the relevant previous year</p> <p>(Previously co-operative banks were not included)</p> |
| 14 | | 36(1)(vii)(a) | AMENDED | 01 st April 2018 (A.Y. 2018-19) | <p>It is proposed to enhance the deduction limit for provision for bad and doubtful debts to 8.5% of amount of total income to scheduled bank (not being a bank incorporated by or under the laws of a country outside India) or a non-scheduled bank or a co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank</p> |
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| <u>E. PROMOTING DIGITAL ECONOMY</u> | | | | | |
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| 35 | Restricting cash donations | 80G(5D) | AMENDED | 01 st April 2018 (A.Y. 2018-19) | It is proposed that donation of any sum exceeding <u>two thousand rupees</u> made in cash shall not be allowed as deduction. (<u>Previously</u> donation <u>exceeding Ten thousand rupees paid in cash</u> were disallowed) |
| 13&15 | Disallowance of depreciation under section 32 | 43(1) | NEWLY INSERTED | 01 st April 2018 (A.Y. 2018-19) | Expenditure incurred for acquisition of any asset in respect which a payment or aggregate of payments made to <u>a person in a day, otherwise than by</u> an account payee cheque drawn on a bank or account payee bank draft or use of electronic clearing system through a bank account, <u>exceeds ten thousand rupees</u> , such expenditure shall be <u>ignored</u> for the purposes of <u>determination of actual cost</u> of such asset. <u>Judgement of Hon'ble SC in Aloo supply company so far as amortization was considered stands nullified.</u> (Previously no such disallowance if capital expenditure was incurred in cash) |
| 13&16 | Disallowance of capital expenditure under section 35AD on cash payment | 35AD | 35AD | 01 st April 2018 (A.Y. 2018-19) | Any expenditure in respect of which <u>payment or aggregate of payments</u> made to a person <u>in a day, otherwise</u> than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account, <u>exceeds ten thousand rupees</u> , no deduction shall be allowed in respect of such expenditure. (Previously no such disallowance if eligible expenditure was incurred in cash) |

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| 15 | Measures to discourage cash transactions | 40A | AMENDED | 01 st April 2018 (A.Y. 2018-19) | <p>It is proposed that any expenditure in respect of which payment or aggregate of payments made to a person in a day exceeds Rs.10,000 shall not be allowed as deduction</p> <p>Thus the threshold of cash payments to a person in a day has been reduced from Rs 20000 to Rs 10000.</p> |
| 15 | Measures to discourage cash transactions | 40A(3A) | AMENDED | 01 st April 2018 (A.Y. 2018-19) | <p><u>Expenditure exceeding Rs. 10,000 incurred in a particular year but the payment is made in any subsequent year</u> otherwise than by an account payee cheque drawn on a bank or account payee bank draft shall <u>be deemed to be income</u> under Profit & gains from Business or profession.</p> <p>Thus the threshold of cash payments made in subsequent year has been reduced from Rs 20000 to Rs 10000.</p> |
| 15 | Measures to discourage cash transactions | 40A 40A(3A) | & AMENDED | 01 st April 2018 (A.Y. 2018-19) | <p>Payment vide use of Electronic Clearing System through a bank account included in mode other than cash.</p> <p>ECS payments are now also included in payment modes other than cash.</p> |
| 21 | Measures for promoting digital payments in case of small unorganized businesses | 44AD | AMENDED | <u>01st April 2017</u> <u>(A.Y. 2017-18)</u> | <p>It is proposed to amend section 44AD of the Act to reduce the existing rate of deemed total income of 8 per cent <u>to 6 per cent in respect</u> of the amount of such total turnover or <u>gross receipts Received by an account payee cheque or account payee bank draft or use of electronic clearing</u> system through a <u>bank account</u></p> |

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| | | | | | <p><u>during the previous year or before the due date specified in sub-section (1)</u> of section 139 in respect of that previous year</p> <p>Thus, there will be dual tax rates of 8% in respect of turnover received in cash and tax rate of 6% in respect of turnover received by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account.</p> |
| 71,83&84 | Restriction on cash transactions | 269ST | NEWLY INSERTED | <u>01st April 2017 (A.Y. 2017-18)</u> | <p>It is proposed to provide that no person shall receive an amount of <u>three lakh rupees or more</u>,—</p> <p>(a) in aggregate from a person <u>in a day</u>;</p> <p>(b) in respect of a <u>single transaction</u>; or</p> <p>(c) in respect of transactions <u>relating to one event or occasion from a person</u>, <u>otherwise than</u> by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account.</p> <p>It is further proposed that the said <u>restriction shall not apply to :-</u></p> <p>ia) Government,</p> <p>ib) any banking company, post office savings bank or co-operative bank</p> <p>ii) <u>Transactions of nature referred in Section 269SS</u></p> <p>iii) Persons or class of persons central govt may notify.</p> <p><u>The newly inserted provision is a move towards cash less economy and to reduce circulation of black money</u></p> |

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| 71,83&84 | Restriction on cash transactions | 271DA | NEWLY INSERTED | <u>01st April 2017</u> <u>(A.Y. 2017-18)</u> | <p>It is proposed to impose a <u>penalty of sum equal to the amount received in contravention of Sec. 269ST</u>. The penalty shall be levied by Joint commissioner. However the penalty shall not be levied if the assessee proves that there was good and sufficient reasons for such contravention.</p> <p>However proviso was not required if 271DA referred u/s 273B.</p> |
| 71,83&84 | Restriction on cash transactions | 206C(1) | AMENDED | <u>01st April 2017</u> <u>(A.Y. 2017-18)</u> | <p>Since the receipt of money exceeding Rs. 3 Lakhs is in contravention of Sec 269ST a <u>consequent omission of TCS @1% on cash sale of jewellery exceeding Rs 5Lacs have been made.</u></p> |
| <u>F. TRANSPARENCY IN ELECTORAL FUNDING</u> | | | | | |
| 11 | Transparency In Electoral Funding | 13A | AMENDED | 01 st April 2018 (A.Y. 2018-19) | <p>It is proposed that the political parties have to fulfill the following additional conditions to avail the benefit of Section 13A</p> <ol style="list-style-type: none"> a) Parties will not received donation of amount of Rs.2000 or more otherwise through by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through electoral bonds b) Party furnishes a return of income within the |

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| | | | | | <p style="text-align: right;">due date u/s 139(1)</p> <p>Further, in order to address the concern of anonymity of the donors, it is proposed to amend the said section to provide that the political parties shall not be required to furnish the name and address of the donors who contribute by way of electoral bonds.</p> <p>Previously the political parties to avail benefits of Section 13, were not debarred from accepting donations in cash and could even avail the exemption even if the return was not filed.</p> |
| <u>G. EASE OF DOING BUSINESS</u> | | | | | |
| 4 | Clarity relating to Indirect transfer provisions | 9 | AMENDED | <p style="text-align: center;"><u>01st April 2012</u> <u>(A.Y. 2012-13)</u> <u>(retrospective basis)</u></p> | <p>Explanation 5 <u>shall not apply</u> to any asset or capital asset <u>being investment held by non-resident</u>, directly or indirectly, <u>in a Foreign Institutional Investor</u>, as referred to in clause (a) of the Explanation to section 115AD, and registered as Category-I or Category II Foreign Portfolio Investor under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014 made under the Securities and Exchange Board of India Act, 1992</p> <p>The proposed amendment is clarificatory in nature.</p> |

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| 5 | <p>Modification in conditions of special taxation regime for off shore funds under section 9A</p> | 9A(3)(j) | AMENDED | <p><u>01st April 2016 (A.Y. 2016-17) (From retrospective basis)</u></p> | <p>It is proposed to provide that in the previous year in which <u>the eligible investment fund is being wound up</u>, the condition that the monthly average of the corpus of the fund shall not be less than one hundred crore rupees, shall not apply.</p> <p>The amendment has been made to avoid unnecessary hardship to stakeholders as monthly average of corpus of 100 crores can't be maintained in the wound up period.</p> |
| 6 | <p>Exemption of income of Foreign Company from sale of leftover stock of crude oil from strategic reserves at the expiry of agreement or arrangement</p> | <p>section 10 clause (48B) inserted</p> | <p>Inserted section 10 clause (48B)</p> | <p>1st April, 2018</p> | <p>As per Section 10 (48A) provides that any income accruing or arising to a foreign company on account of storage of crude oil in a facility in India and sale of crude oil there from to any person resident in India shall be exempt, if the said storage and sale is pursuant to an agreement or an arrangement entered into by the Central Government; and having regard to the national interest, said foreign company and the said agreement or arrangement are notified by the Central Government in that behalf. The benefit of exemption presently is not available to sale out of the leftover stock of crude after the expiry of said agreement or the arrangement.</p> <p>Inserted New Section 10(48B) any income accruing or arising to a foreign company on account of sale of leftover stock of crude oil, if any, from the facility in India after the expiry of the agreement or the arrangement referred to in clause (48A) subject to such conditions as may be notified by the Central Government in this behalf</p> |

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| 69 | Enabling of Filing of Form 15G/15H for commission payments specified under section 194D | section 197A(1)(1A) & 197A(1)(1C) | Amendment | 1 st June, 2017 | Individuals and HUFs in respect of insurance commission received/receivable u/s 194D can now file self-declaration in Form.No.15G/15H for non deduction of TDS if his total estimated income would be nil. |
| 19 | threshold limit for maintenance of books of accounts | Section 44AA(2) clause (i) & (ii) | Amendment | 1 st April, 2018 | As per clause (i) income from Business or Profession, threshold limit increased from 1.2 Lacs to Rs. 2.5 Lacs As per clause (ii) Total Sales or Turnover or Gross Receipts from Business or Profession threshold limit increased from Rs. 10 Lacs to Rs. 25 Lacs rupees. |
| 20 | Exclusion of certain specified person from requirement of audit of accounts under section 44AB | Section 44AB (First Proviso) Inserted | Amendment | 1 st April, 2017 | The Clarification issued by CBDT vide Press Release dated 20-06-2016 “ Threshold Limit of tax audit under section 44AB and section 44AD ” is proposed to be enacted in the law as Proviso to Section 44AB that an eligible person is not required to get its books of accounts audited u/s 44AB, who opts for presumptive scheme u/s 44AD and the total sales, total turnover or gross receipts, as the case may be, in business does not exceed Rs. 2 crore in such previous year. |
| 66 | Non-deduction of tax in case of exempt compensatio | Section 194LA (Second Proviso) Inserted | Amended | 1 st April, 2017 | Inserted After the First Proviso: Provided further that no deduction shall be made under this section where such payment is made in respect of any award or agreement which has been exempted from levy of income-tax under section 96 of the Right to Fair |

EXECUTIVE SUMMARY OF FINANCE BILL, 2017 - DIRECT TAXES

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| | n under RFCTLAAR Act, 2013 | | | | Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013.(RFCTLAAR Act, 2013). |
| 71 | Exemption from TCS under sub-section (1F) of section 206C in case of certain specified buyers | section 206C Explanation (aa) sub clause(iii) inserted | Amendment | 1 st April, 2017 | It is proposed that TCS u/s 206C is not required to be collected on receipt of consideration for sale of a motor vehicle exceeding Rs.10 lakhs by CG, SG, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; local authority as defined in explanation to Section 10(20); a public sector company which is engaged in the business of carrying passengers. |
| 65 | TDS in case Fees for professional or technical services under section 194J | section 194J Fourth Proviso Inserted | Amendment | 1 st day of June, 2017 | Inserted : Provided also that the provisions of this section shall have effect, as if for the words “ ten per cent. ”, the words “ two per cent. ” had been substituted in the case of a payee, engaged only in the business of operation of call centre. <u>However, the definition of a person engaged only in the business of operation of call center is not defined.</u> |
| 15 & 41 | Scope of section 92BA of the Income-tax Act relating to Specified Domestic Transactions | Section 92BA Clause(i) omitted | Amendment | 1 st April, 2017 | It is proposed that “specified domestic transaction” u/s 92BA shall not include any expenditure in respect of which payment has been made or is to be made to a person referred to in section 40A(2)(b). Consequential amendment has also been proposed in Section 40A(2)(b). |

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| | | | | | Budget speech , Point No. 166 reference. Please see. |
| 3, 23 & 25 | Tax neutral conversion of preference shares to equity shares | <p>Section 47 clause (xb) inserted</p> <p>Section 49 (2AE) inserted</p> <p>Section 2(42A) in Explanation 1 Clause (i) sub clause (hf) inserted</p> | Amendment | 1st April, 2018 | <p>The conversion of preference share of a company into its equity share shall not be regarded as transfer.</p> <p>Inserted : Section 47 clause (xb) : any transfer by way of conversion of preference shares of a company into equity shares of that company shall not be regarded as transfer.</p> <p>Inserted : Section 49(2AE) : Where the capital asset, being equity share of a company, became the property of the assessee in consideration of a transfer referred to in clause (xb) of section 47, the cost of acquisition of the asset shall be deemed to be that part of the cost of the preference share in relation to which such asset is acquired by the assessee.</p> <p>Inserted : Section 2(42A) in Explanation 1 Clause (i) sub clause (hf) : in the case of a capital asset, being equity shares in a company, which becomes the property of the assessee in consideration of a transfer referred to in clause (xb) of section 47, there shall be included the period for which the preference shares were held by the assessee;</p> |

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| 25 | Cost of acquisition in Tax neutral demerger of a foreign company | section 49(1)(iii)(a) | Amendment | 1 st April, 2018 | After amendment, as per section 49 , that cost of acquisition of the shares of Indian company referred to in section 47(vic) in the hands of the resulting foreign company shall be the same as it was in the hands of demerged foreign company. |
| 45 | Income from transfer of Carbon credits | section 115BBG inserted | Newly Inserted | 1 st April, 2018 | <p>As per Sec 115 BBG. (1) Where the total income of an assessee includes any income by way of transfer of carbon credits, the income-tax payable shall be the aggregate of—</p> <p>(a) the amount of income-tax calculated on the income by way of transfer of carbon credits, at the rate of ten per cent.; and</p> <p>(b) the amount of income-tax with which the assessee would have been chargeable had his total income been reduced by the amount of income referred to in clause (a).</p> <p>(2) Notwithstanding anything contained in this Act, no deduction in respect of any expenditure or allowance shall be allowed to the assessee under any provision of this Act in computing his income referred to in clause (a) of sub-section (1).</p> <p><i>Explanation.</i>—For the purposes of this section “carbon credit” in respect of one unit shall mean reduction of one tonne of carbon dioxide emissions or emissions of its equivalent gases which is validated by the United Nations Framework on Climate Change and which can</p> |

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| | | | | | be traded in market at its prevailing market price. |
| 57 & 76 | Processing of return within the prescribed time and enable withholding of refund in certain cases | Section 143 (1D) amended Section 241A Inserted | Amendment Newly Inserted | 1 st April, 2017 | <p>Prior to amendment as per section 143(1D) the processing of a return shall not be necessary, where a notice has been issued to the assessee U/s 143(2). Provided that such return shall be processed before the issuance of an order under sub-section (3)</p> <p>Now after amendment, as per section 143(1D), Notwithstanding anything contained in sub-section (1), the processing of a return shall not be necessary, where a notice has been issued to the assessee under sub-section (2):</p> <p>Provided that the provisions of this sub-section shall not apply to any return furnished for the assessment year commencing on or after the 1st day of April, 2017</p> <p>Further a new section inserted, As per Sec 241 A, For every assessment year commencing on or after the 1st day of April, 2017, where refund of any amount becomes due to the assessee under the provisions of section 143(1) and the Assessing Officer is of the opinion, having regard to the fact that a notice has been issued under sub-section (2) of section 143 in respect of such return, that the grant of the refund is likely to adversely affect the revenue, he may, for <u>reasons to be recorded in writing and with the previous approval</u></p> |

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| | | | | | <u>of the Principal Commissioner or Commissioner, as the case may be, withhold the refund up to the date on which the assessment is made.</u> |
| 73 | Advance Tax under presumptive taxation | Sec 211 | Amended | 01.04.17 | An assessee who declares profits and gains in accordance with the provisions of sub-section (1) of section 44AD & sub-section (1) of section 44ADA shall also be liable to pay Advance Tax in one installment on or before 15th of March. |
| 74 | Interest | Sec 234C(1) Clause (d) Inserted | Amended | 01.04.17 | <p>For assessee referred in section 44AD(1) and 44ADA(1), interest under the said section shall be levied, if the advance tax paid on or before the 15th March is less than the tax due on the returned income.</p> <p>Interest u/s 234C shall not be levied on account of shortfall in payment of advance Tax for under estimation of Dividend income received from domestic companies under sub-section (1) of section 115BBDA.</p> |
| 77 | Interest on refund due to deductor | Sec 244A(1B) | Inserted | 01.04.17 | <p>Where refund of any amount becomes due to the deductor in respect of any amount paid to the credit of the Central Government under Chapter XVII-B, such deductor shall be entitled to receive, in addition to the said amount, simple interest thereon at the rate of one-half per cent for every month or part of a month from the date on which claim for refund is made or in case order passed in appeal, from the date on which tax is paid, to the date on which refund is granted.</p> <p>Interest shall not be allowed for the period of delay in</p> |

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| | | | | | proceedings is attributable to the deductor. |
| 24 | Extension of capital gain exemption to Rupee Denominated Bonds | Sec 47 & 48 clause (viiia) in Section 47 | Amended | 01.04.18 | <p>Any transfer, made outside India, of a capital asset being rupee denominated bond of an Indian company issued outside India, by a non-resident to another non-resident shall not be regarded as transfer.</p> <p>Gains arising on account of appreciation of rupee against a foreign currency at the time of redemption of rupee denominated bond of an Indian company to secondary holders as well, said appreciation of rupee shall be ignored for the purposes of computation of full value of consideration.</p> |
| 62 | Credit for foreign tax paid in cases of dispute | Sec 155 sub-section (14A) Inserted | Amended | 01.04.18 | Credit of tax which was under dispute shall be allowed for the year in which such income is offered to tax or assessed to tax in India for foreign taxes if subsequently such dispute is settled; and the assessee, within six months from the end of the month in which the dispute is settled, furnishes to the Assessing Officer evidence of settlement of dispute and evidence of payment of tax. |
| 79, 80 & 81 | Amendments to the structure of Authority for Advance Rulings | Sec 245N & 245Q | Amended | 01.04.17 | To promote ease of doing business, it has been decided by the Government to merge the Authority for Advance Ruling (AAR) for Income-Tax, Central Excise, Customs Duty and Service Tax. |

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| 82 | Expand the scope of order appealable before the Appellate Tribunal | Sec 253 | Amended | 01.04.17 | It is proposed to expand the scope of the section to provide that the orders passed by the prescribed authority under sub-clauses (iv) and (v) of sub-section (23C) of section 10 shall also be appealable before the ITAT. |
| 49 | Empowering CBDT to issue directions in respect of penalty for failure to deduct or collect tax at source | Sec 119 sub-section (2) in clause (a) | Amended | 01.04.17 | It is proposed to insert reference of sections 271C and 271CA, so as to empower the CBDT to issue Directions or Instructions in respect of the said sections also. |
| 58 | Rationalisation of time limits for completion of assessment, reassessment and re-computation | Sec 153 | Amendment | 01.04.17 | <p>it is proposed to amend sub-section (1) of the said section, to provide that for the AY 2018-19, the time limit for making an assessment order under sections 143 or 144 shall be reduced from existing twenty-one months to eighteen months from the end of the assessment year, and for the AY 2019-20 and onwards, the said time limit shall be twelve months from the end of the assessment year in which the income was first assessable.</p> <p>It is further proposed to amend sub-section (2) to provide that the time limit for making an order of assessment, reassessment or re-computation under section 147, in respect of notices served under section 148 on or after the 1st April, 2019 shall be twelve</p> |

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| | | | | 01.04.16 | <p>months from the end of the financial year in which notice under section 148 is served.</p> <p>It is also proposed to amend sub-section (3) to provide that the time limit for making an order of fresh assessment in pursuance of an order passed or received in the financial year 2019-20 and onwards under sections 254 or 263 or 264 shall be twelve months from the end of the financial year in which order under section 254 is received or order under section 263 or 264 is passed by the authority referred therein.</p> <p>It is also proposed to amend sub-section (5) to provide that where an order under section 250 or 254 or 260 or 262 or 263 or 264 requires verification of any issue by way of submission of any document by the assessee or any other person or where an opportunity of being heard is to be provided to the assessee, the time limit relating to fresh assessment provided in sub-section (3) shall apply to the order giving effect to such order.</p> <p>It is also proposed to amend sub-section (9) to provide that where a notice under sub-section (1) of section 142 or sub-section (2) of section 143 or under section 148 has been issued prior to the 1st day of June, 2016 and the assessment or reassessment has not been completed by such date due to exclusion of time referred to in Explanation 1, such assessment or reassessment shall be completed in accordance with the provisions of section 153 as it stood immediately</p> |
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| | | | | | before its substitution by the Finance Act, 2016. |
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| 55 | Reducing the time for filing revised return | Sec 139 | Amended | 01.04.18 | It is proposed to amend the provisions of sub-section (5) of section 139 to provide that the time for furnishing of revised return shall be available upto the end of the relevant assessment year or before the completion of assessment, whichever is earlier. |
| 60 | Rationalisation of the provisions in respect of time limits for completion of search assessment | Sec 153B | Amended | 01.04.17 | <p>It is proposed to amend sub-section (1) to provide that for search and seizure cases conducted in the financial year 2018-19, the time limit for making an assessment order under section 153A shall be reduced from existing twenty-one months to eighteen months from the end of the financial year in which the last of the authorisations for search under section 132 or for requisition under section 132A was executed. It is further proposed that for search and seizure cases conducted in the financial year 2019-20 and onwards, the said time limit shall be further reduced to twelve months from the end of the financial year in which the last of the authorizations for search under section 132 or for requisition under section 132A was executed.</p> <p>It is also proposed to insert a proviso to the Explanation to provide that where a proceeding before the Settlement Commission abates under section 245HA, the period of limitation available under this section for assessment or reassessment shall after the exclusion of the period under sub-section (4) of section 245HA shall not be less than one year; and where such period of limitation is less than one year, it shall be deemed to have been extended to one year.</p> |

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| <u>H. ANTI-ABUSE MEASURES</u> | | | | | |
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| 6 | Exemption of long term capital gains tax (Anti-Abuse Measure for Penny stock cases) | Sec 10(38) Proviso Inserted | Amended | 01.04.18 | <p>it is proposed to amend section 10(38) to provide that exemption under this section for income arising on transfer of equity share acquired or on after 1st day of October, 2004 shall be available only if the acquisition of share is chargeable to Securities Transactions Tax under Chapter VII of the Finance (No 2) Act, 2004.</p> <p>However, to protect the exemption for genuine cases where the STT could not have been paid like acquisition of share in IPO, FPO, bonus or right issue by a listed company acquisition by non-resident in accordance with FDI policy of the Government etc., it is also proposed to notify transfers for which the condition of chargeability to STT on acquisition shall not be applicable.</p> <p>Finance Bill silent on Off Market and ESOP transactions.</p> |

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| 26 | Special provision for determining full value of consideration for transfer of share other than quoted share. | Sec 50CA | Newly Inserted | 01.04.18 | <p>Where consideration for transfer of share of a company (other than quoted share) is less than the Fair Market Value (FMV) of such share determined in accordance with the prescribed manner.</p> <p>FMV shall be deemed to be the full value of consideration for the purposes of computing income under the head "Capital gains".</p> |
| 29 | Widening scope of Income from other sources | Sec 56(2) Inserted new clause(x) | Amended | 01.04.17 | <p>It is proposed that receipt of the sum of money or the property by any person without consideration or for inadequate consideration in excess of Rs. 50,000 shall be chargeable to tax in the hands of the recipient under the head "Income from other sources".</p> <p>It is also proposed to widen the scope of existing exceptions by including the receipt by certain trusts or institutions and receipt by way of certain transfers not regarded as transfer under section 47.</p> <p>The exclusion of certain persons as per section 2(31) not stated in earlier 56(2)(vii) & 56(2)(viii) no longer available.</p> |
| 25 | Widening scope of other capital assets in certain mode of Acquisition | Sec 49 Inserted sub-section (2AD) & (2AE) | Amended | 01.04.17 | <p>Where the capital asset, being equity share of a company, became the property of the assessee in consideration of a transfer referred to in clause (xb) of section 47, the cost of acquisition of the asset shall be deemed to be that part of the cost of the preference share in relation to which such asset is acquired by the assessee.</p> |

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| | | | | | Where the capital asset, being a unit or units in a consolidated plan of a mutual fund scheme, became the property of the assessee in consideration of a transfer referred to in clause (xix) of section 47, the cost of acquisition of the asset shall be deemed to be the cost of acquisition to him of the unit or units in the consolidating plan of the scheme of the mutual fund. |
| 150 | Limitation period (IDS, 2016) | Sec 197 Clause (c) | Omitted | 01.04.16 | In view of the various representations received from stakeholders citing genuine hardships if the said provision is made applicable, it is proposed to omit clause (c) of section 197 of the Finance Act, 2016. |
| 59& 61 | Consequential Amendment after omit clause (c) of Section 197 | Sec 153A & 153C | Amended | 01.04.17 | To protect the interest of the revenue in cases where tangible evidence(s) are found during a search or seizure operation (including 132A cases) and the same is represented in the form of undisclosed investment in any asset, it is proposed that section 153A relating to search assessments be amended to provide that notice under the said section can be issued for an assessment year or years beyond the sixth assessment year already provided up to the tenth assessment year if: (i) the AO has in his possession books of accounts or other documents or evidence which reveal that the income which has escaped assessment amounts to or is likely to amount to fifty lakh rupees or more in one year or in aggregate in the relevant four assessment years (falling beyond the sixth year); (ii) such income escaping assessment is represented in the form of asset; (iii) the income escaping assessment or part thereof relates to such year or years. |

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| | | | | | Amended provisions of section 153A shall apply where search under section 132 is initiated or requisition under section 132A is made on or after the 1 st day of April, 2017 |
| 30 | Disallowance for non-deduction of tax from payment to resident in respect of Income from Other Sources | 58(1A)(ia) | Newly Inserted | 01/04/2018 (A.Y. 2018-19) | To apply provisions of Section 40(a)(ia) in computing income chargeable under the head “ income from other sources” as they apply in computing income chargeable under the head “profit and gains of business or Profession.” <i>Previously, disallowance for non-deduction of tax from payment to non-resident, now extended to resident also in Section 58 (i.e. reference made to Section 40(a)(ia) now).</i> |
| 43 | Limitation of interest deduction in certain cases | 94B | Newly Inserted | 01/04/2018 (A.Y. 2018-19) | Related to interest expenses more than one crore claimed by an entity to its associates enterprises (non-resident) : 1. <u>Interest expenses claimed</u> by any entity to its associates enterprises <u>restricted to 30% of its EBITDA or interest paid or payable to associates enterprises whichever is less</u> 2. Applicable to Indian Company or Permanent establishment of a foreign Company in India(Borrower) 3. Debt issued to Non Resident or to a permanent establishment of a non-resident and who is associated enterprises. (includes guarantee also) |

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| | | | | | <p>4. Allow to carry forward of disallowed interest expenses for eight assessment years immediately succeeding the assessment year for which the disallowance was first made.</p> <p>5. Maximum allowance in subsequent years is to extent of maximum allowable interest expenditure in that particular year.</p> <p>6. Exclude Banks and insurance business.</p> |
| 42 | Secondary Adjustments in Certain Cases | 92CE | Newly Inserted | 01.04.2018 (A.Y. 2018-19) | <p>"Secondary adjustment" means an adjustment in the books of accounts of the assessee and its associated enterprise <u>to reflect that the actual allocation of profits between the assessee and its associated enterprise are consistent with the transfer price determined as a result of primary adjustment,</u> thereby removing the imbalance between cash account and actual profit of the assessee. It can be form of constructive dividends, constructive equity contributions, or constructive loans.</p> <p>1. Applicable where primary adjustment to transfer price, has been made suomotu by the assessee or made by AO accepted by the assessee or is determined by an advance pricing agreement entered into by the assessee under section 92CC; or is made as per the safe harbour rules framed under section 92CB; or is arising as a result of resolution of an assessment by way of the mutual agreement procedure under an agreement entered into under section 90 or 90A.</p> |

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| | | | | | <p>2. In case of primary adjustment to the transfer price, there is an increase in the total income or reduction in the loss, the excess money which is available with its associated enterprise, if not repatriated to India within the time as may be prescribed, shall be deemed to be an advance made by the assessee to such associated enterprise and the interest on such advance, shall be computed as the income of the assessee, in the manner as may be prescribed.</p> <p>3. Also proposed to provide that such secondary adjustment shall not be carried out if, the amount of primary adjustment made in the case of an assessee in any previous year does not exceed one crore rupees and the primary adjustment is made in respect of an assessment year commencing on or before 1st April, 2016.</p> |
| 6 & 8 | Restriction on exemption in case of corpus donation by exempt entities to other exempt entities | Expl.2 to Section 11 & Twelfth proviso in clause 23(c) of Section 10 | Newly Inserted | 01/04/2018 (A.Y. 2018-19) | <p><u>Current Situation:</u> Corpus Donation given by exempt entities to another exempt entity out of current year receipt/income of such donor is considered application of income in the hands of donor trust but is not considered as income of the recipient trust.</p> <p><u>Now, it shall not be treated as application of income</u> in hand of donor trust or other exempted entities.</p> <p>Exempt entities: Entities registered under Section 12AA or under Section 10(23C)(iv)/(v)/(vi)/(via).</p> |

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| 55 | Mandatory furnishing of return by certain exempt entities | 139(4C)(ca)/(eba)/(ebb)/(fa) | Amendment | 01/04/2018 (A.Y. 2018-19) | Any person as referred to in clause (23AAA), Investor Protection Fund referred to in clause (23EC) or clause (23ED), Core Settlement Guarantee Fund referred to in clause (23EE) and any Board or Authority referred to in clause (29A) of section 10 shall also be mandatorily required to furnish a return of income. |
| 56,57,75 & 85 | Fee for delayed filing of return | 234F | Newly Inserted | 01/04/2018 (A.Y. 2018-19) | <p>If return is not filed within due dates u/s 139(1)</p> <p>(i) a fee of 5000/- shall be payable, if the return is furnished after the due date but on or before the 31st day of December of the assessment year;</p> <p>(ii) a fee of 10,000/- shall be payable in any other case. However, in a case where the total income does not exceed five lakh rupees, it is proposed that the fee amount shall not exceed Rs.1,000/-.</p> <p>Consequential changes made in Section 140A & Section 143(1) to take effect of Section 234F and Section 271F will not apply in respect of penalty for failure to furnish return of income from assessment year 2018-19.</p> |
| 86 & 87 | Penalty on professionals for furnishing incorrect information in statutory report or certificate | 271J newly insertion/ 273B | Insertion/ Amendment | 01/04/2017 (A.Y. 2017-18) | Section 271J: If an accountant or a merchant banker or a registered valuer, furnishes incorrect information in a report or certificate under any provisions of the Act or the rules made thereunder, the Assessing Officer or the Commissioner (Appeals) may direct him to pay a sum of 10,000/- for each such report or certificate by way of penalty. |

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| | | | | | <p>Section 273B : if the person proves that there was reasonable cause for the failure referred to in the said section, then penalty shall not be imposable in respect of the proposed section 271J.</p> <p>Note : No power to CIT to levy penalty u/s 271J</p> |
| I. I. <u>RATIONALISATION MEASURES</u> | | | | | |
| 47 | Rationalisation of provisions of section 115JB in line with Indian Accounting Standard (Ind-AS) | 115JB | Amendment | 01/04/2017 (A.Y. 2017-18) | <p>Company in compliance with Ind AS, book profit shall also take following effect :</p> <p>1. (a) increased by all amounts credited to other comprehensive income in the statement of profit and loss under the head “Items that will not be re-classified to profit or loss”;</p> <p>(b) decreased by all amounts debited to other comprehensive income in the statement of profit and loss under the head “Items that will not be re-classified to profit or loss”;</p> <p>(c) increased by amounts or aggregate of the amounts debited to the statement of profit and loss on distribution of non-cash assets to shareholders in a demerger in accordance with Appendix A of the Indian Accounting Standards 10;</p> <p>(d) decreased by all amounts or aggregate of the amounts credited to the statement of profit and loss on distribution of non-cash assets to shareholders in a demerger in accordance with Appendix A of the Indian Accounting Standards 10;</p> <p>Provided that nothing contained in clause (a) or clause (b) shall apply to the amount credited or debited to other</p> |

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| | | | | <p>comprehensive income under the head “Items that will not be re-classified to profit or loss” in respect of—</p> <p>(i) revaluation surplus for assets in accordance with the Indian Accounting Standards 16 and Indian Accounting Standards 38; or</p> <p>(ii) gains or losses from investments in equity instruments designated at fair value through other comprehensive income in accordance with the Indian Accounting Standards 109:</p> <p>Provided further that the book profit of the previous year in which the asset or investment referred to in the first proviso is retired, disposed, realised or otherwise transferred shall be increased or decreased, as the case may be, by the amount or the aggregate of the amounts referred to in the first proviso for the previous year or any of the preceding previous years and relatable to such asset or investment.</p> <p>(2B) In the case of a resulting company, where the property and the liabilities of the undertaking or undertakings being received by it are recorded at values different from values appearing in the books of account of the demerged company immediately before the demerger, any change in such value shall be ignored for the purpose of computation of book profit of the resulting company under this section.</p> <p>(2C) For a company referred to in sub-section (2A), the book profit of the year of convergence and each of the following four previous years, shall be further increased or decreased, as the case may be, by one-fifth of the transition amount:</p> <p>Provided that the book profit of the previous year in</p> |
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| | | | | | <p>which the asset or investment referred to in sub-clauses (B) to (E) of clause (iii) of the <i>Explanation</i> is retired, disposed, realised or otherwise transferred, shall be increased or decreased, as the case may be, by the amount or the aggregate of the amounts referred to in the said sub-clause relating to such asset or investment:</p> <p>Provided further that the book profit of the previous year in which the foreign operation referred to in sub-clause (F) of clause (iii) of the <i>Explanation</i> is disposed or otherwise transferred, shall be increased or decreased, as the case may be, by the amount or the aggregate of the amounts referred to in the said sub-clause relating to such foreign operations.</p> <p>Note : Effect of above changes in book profit have to be also considered in Form 29B</p> |
| 150 | Clarification regarding the applicability of section 112 | 112(1)(c)(iii) | Clarification/Amendment | 01/04/2013 (A.Y. 2014-15) | It is clarified that the share of company in which public are not substantially interested sold by non-resident shall also be chargeable to tax at the rate of ten per cent for long term capital gain. Earlier, there was an uncertainty as to whether the provision of section 112(1)(c)(iii) is applicable to the transfer of share of a private company. |
| 38 | Rationalization of rebate allowable under Section 87A | 87A(a) &(b) | Amendment | 01/04/2018 (A.Y. 2018-19) | <ol style="list-style-type: none"> 1. Maximum Rebate Rs. 2,500 (earlier Rs. 5,000). 2. Total Income does not exceed Rs. 3,50,000 (earlier Rs. 5,00,000). Thus no rebate u/s 87A if total income exceeds Rs 3,50,000 that is less than Rs. 5,00,000. |

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| 7 | Rationalization of provisions of Section 10AA | 10AA | Clarification | 01/04/2018 (A.Y. 2018-19) | It is proposed to clarify that the amount of deduction referred to in section 10AA shall be allowed from the total income of the assessee computed in accordance with the provisions of the Act before giving effect to the provisions of the section 10AA <u>and the deduction under Section 10AA in no case shall exceed the said total income.</u> |
| 3 & 25 | Consolidation of plans within a scheme of mutual fund | 2(42A) (B) (hg)& Section 49 (c)(2F) | Amendment | 01/04/2017 (A.Y. 2017-18) | <p>1. Cost of acquisition of the units in the consolidated plan of mutual fund scheme referred to in section 47(xix) shall be the cost of units in consolidating plan of mutual fund scheme</p> <p>2. Period of holding of the units of consolidated plan of mutual fund scheme shall include the period for which the units in consolidating plan of mutual fund scheme were held by the assessee.</p> |
| 70 | Change in definition of “Person responsible for paying” | 204 and 195(6) | New clause inserted. | 01/04/2017 | <p>Definition of “Person responsible for paying” Clarified.</p> <p>“(iib) in the case of furnishing of information relating to payment to a non-resident, not being a company, or to a foreign company, of any sum, whether or not chargeable under the provisions of this Act, the payer himself, or, if the payer is a company, the company itself including the principal officer thereof;”.</p> |
| 39 and 40 | The word “Term” explained. | 90 & 90A | Explanation 4. Added to section 90 and 90A | 01/04/2018 | For the removal of doubts, it is hereby declared that where any term used in an agreement entered into under sub-section (1) is defined under the said agreement, the said term shall have the same meaning as assigned to it in the agreement; and where the term is not defined in the said agreement, but defined in the Act, it shall have the same meaning as assigned to it in the Act and any |

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| | | | | | <p>explanation given to it by the Central Government</p> <p>Author Note The definition of “Term” as defined in respective Tax Treaty is having an overriding effect over the Act and if not defined in the respective Tax Treaty meaning will be taken from the Act or any Central Govt. explanation.</p> |
| 16 | Change in the definition of Actual Cost of asset | 43(1) and 35AD | New Explanation inserted | 01/04/2018 | <p>Revenue Cash Expenditure in parity with Capital cash Expenditure Now onwards –</p> <p>1. It is proposed to amend the provisions of section 43 of the Act to provide that where an assessee incurs any expenditure for acquisition of any asset in respect which a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or account payee bank draft or use of electronic clearing system through a bank account, exceeds ten thousand rupees, such expenditure shall be ignored for the purposes of determination of actual cost of such asset.</p> <p>2. It is proposed to amend section 35AD of the Act to provide that any expenditure in respect of which payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account, exceeds ten thousand rupees, no deduction shall be allowed in respect of such expenditure.</p> <p>3.</p> |

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| 9 and 10 | New conditions prescribed for Trusts | 12A& 12AA | Amendments | 01/04/2018 | <p>(i) after clause (aa), the following clause shall be inserted, namely:— “(ab) the person in receipt of the income has made an application for registration of the trust or institution, in a case where a trust or an institution has been granted registration under section 12AA or has obtained registration at any time under section 12A [as it stood before its amendment by the Finance (No. 2) Act, 1996], and, subsequently, it has adopted or undertaken modifications of the objects which do not conform to the conditions of registration, in the prescribed form and manner, within a period of thirty days from the date of said adoption or modification, to the Principal Commissioner or Commissioner and such trust or institution is registered under section 12AA;”;</p> <p>(ii) after clause (b), the following clause shall be inserted, namely:— “(ba) the person in receipt of the income has furnished the return of income for the previous year in accordance with the provisions of sub-section (4A) of section 139, within the time allowed under that section.”.</p> <p>In section 12AA of the Income-tax Act, with effect from the 1st day of April, 2018,— (a) in sub-section (1), after the word, brackets and letters “clause (aa)”, the words, brackets and letters “or clause (ab)” shall be inserted; (b) in sub-section (2), after the word, brackets and letters “clause (aa)”, the words, brackets and letters “or clause (ab)” shall be inserted.</p> <p><u>Author Note</u></p> <ol style="list-style-type: none"> 1. Fresh registration required within 30 days in case of fresh adoption or modification of objects |
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| | | | | | <p>of the Trust.</p> <ol style="list-style-type: none"> 2. Return of income mandatorily to be filed within prescribed time limit u/s 139(4) Failure of above shall lead to cancelation of registration. 3. As per Section 139(4A), the trust is to furnish return as if it file return u/s 139(1). However, the memorandum refers to time allowed u/s 139 which may include 139(4) also. |
| 25 | Cost of acquisition of capital assets for entities where tax on accreted income paid | 49(8) | Newly inserted | 01/06/2016 | Cost of acquisition of assets sold by a trust or institution which has paid tax on its accreted income u/s 115TD shall be deemed to be fair market value of the asset. |
| 72 | TCS made at par with TDS in case of non furnishing of PAN i.e. Twice the rate or 5% whichever is more | 206 CC | Newly inserted sec 206CC | 01/04/2017 | <p>In case of non furnishing of PAN for TCS (in case of Resident only)</p> <ol style="list-style-type: none"> 1. Higher rate of TCS (twice of the prescribed rates or 5% whichever is more) 2. No Credit of TCS as no certificate will be generated. 3. Section 206CC is not applicable to Non resident having no Permanent Establishment in India. |

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| 34 | Restriction on claiming deduction u/s 80 CCG | 80 CCG | New sub section to section 80CCG inserted Sub suction (5) | 01/04/2018 | No deduction is allowed under section 80 CCG. However, an assessee who has claimed deduction under this section for assessment year 2017-18 and earlier assessment years shall be allowed deduction under this section till the assessment year 2019-20 if he is otherwise eligible to claim the deduction as per the provisions of this section |
| 31 | Restrictions on set off of loss from house property | 71 | New sub section (3A) inserted | 01/04/2018 | Monetary restriction of Rs.2lacs imposed for set off of loss from house property against inter head income from other heads of income. |
| 50 & 51 | Reasons to believe to conduct search etc not to be disclosed | 132 (1) & 132(1A) | Insertion of Explanation added to section 132(1) & 132 (1A) | 01/10/1975 | Non disclosure of “reasons to believe and reasons to suspect” to any person or authority or ITAT. Judicial Pronouncements nullified |
| 50 | Powers of provisional attachment and to make reference to valuation officer in search cases | 132 | Insertion of new sub section 9(B), 9(C)& 9(D) | 01/04/2017 | Enabling provisions for provisional attachment of any property or valuation thereof by authorized officer during search or with in 60 days from the date of last authorization executed by income tax authority with prior approval of Principal Director General or Director General or Principal Director or Director. Reference may be made u/s 142A to a registered valuer also by the officer within 60 days of last panchnama who shall submit his report within 60 days of reference. |
| 52 | Rationalisation of the provisions in respect of power to call for | 133 | Amendment to first and second provisio | 01/04/2017 | Powers now given to Joint Director, the Deputy Director and the Assistant Director to call for the information even when no proceedings are pending before them to any place. |

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| | information | | | | |
| 53 | Extension of the powers to survey | 133A | Amendment | 01/04/2017 | Powers to survey where any activity for charitable purpose is carried on are proposed to be given to an Income Tax Authority and further powers also to record statement of trustee, employees, the attending or helping carrying out of charitable activity. |
| 54 | Centralised issuance of notice and processing of information | 133C | Insertion of Sub section 3 | 01/04/2017 | CBDT to frame a scheme for Centralised issuance of notice and processing of information and making available outcome of processing to the Assessing Officer. |
| 59,61 & 150 | Rationalisation of provisions of IDS and consequential changes to section 153A & 153C | 197 (c) of Finance Act,2016 | Amendment | 01/06/2016 | Section 197(c) of the finance Act, 2016 deleted retrospectively wef 01/06/2016. However in case of search & seizure operations including 132A cases similar provisions can be invoked for relevant assessment years prior to six assessment year where search conducted or requisition made subject to the escaped income of Rs 50 lacs or more represented in the form of assets in one or four years in aggregate. |
| 6 | Exemption to income of CM/ LG relief Fund | 10(23C) | Amendment | 01-04-1998 | Exemption to income of CM/LG relief fund |
| 6 | Correct definition of “Person resident outside | 10(4)(ii) | Amendment | 01/04/2013 | Correct reference to FEMA instead of FERA to the definition of “ Person resident outside India” is provided. |

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| | India” | | | | |
| <u>J. BENEFIT FOR NPS SUBSCRIBERS</u> | | | | | |
| 6 | Tax Exemption to partial withdrawal from NPS | 10(12A) | Amendment | 01/04/2018 | Exemption to employee subscriber on partial withdrawal not exceeding 25% in addition to exemption of 40% at the time of opting out or closure of account. |
| 33 | Contribution limit enhanced from 10 % to 20% | 80CCD | Amendment | 01/04/2018 | Contribution to NPS can be made upto 20% of non salaried subscriber to bring parity with the employee subscriber. |