

*Dear students*

*It gives us immense pleasure to present before you the Amendment in Direct Tax & international tax for CA,CS,CMA Final This book would not have been a reality but from the tremendous support from “My Love-Pallavi.*

*I Have been blessed to have an extraordinary support terms of colleagues, friends and family who have helped me in every sphere of my journey called this life. All these people deserve much more than a deep thank and love. I express all my gratitude to each and everyone of them for assisting me in all my endeavors.*

*Thanks to the **student community**: For inviting me into your academics and making me your teacher. I am grateful for the opportunity to be of service to you. Always it has been a pleasure spending the time with the students, teaching them and learning from them. The love and affection you have shown is immense and invaluable.*

*I express my respect, love and gratitude to my **PARENTS and my FAMILY** for not only giving me life but giving your entire life to me. I am indebted to both of you a lot, indeed more than my life and to my **lovely WIFE** to bear with me in all the time I spend on making notes. And last to all my **CRITICS** because your criticism continuously keep me grounded and give me power to do even better.*

*The discussion in the book is to-the-point but comprehensive. Every care has been taken to make the presentation is this book from blemish. Nevertheless, it is conceded that no one is infallible, unintended error or omission may have crept in. The user of this book are requested to bring these to the notice of the author and offer, without inhibition , their suggestion for further improvement.*

*Let us remind you two important things*

- 1. This book is not a substitute for study material issued by ICAI, it's only an aid.**
- 2. There is no short cut to success, it is resolute hard work that pays.**

*Committed to your Success,  
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**Vsmart Academy, Pune.**

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## CA/CS/CMA FINAL

# AMENDMENTS UNDER INCOME TAX FOR THE ASSESSMENT YEAR 2019-2020

### STATUTORY UPDATE

The Income-tax law, as amended by the Finance Act, 2018, including significant notifications/ circulars issued upto 31<sup>st</sup> October, 2018 are applicable for May, 2019 examination.

## CHAPTER WISE AMENDMENT

### CHAPTER 1 : BASIC CONCEPTS AND DEFINITIONS

#### Section 2(24): Definition of Income

(xiia) in case of conversion of stock in trade into the capital asset, the FMV of inventory will be included in the income

(xvii b) Any compensation or other payment given in Section 56(2)(xi) [any compensation or payment on the termination of employment or modification of terms of employment]

#### Cess now renamed as HEC and the Rate changed

Earlier cess was 3% it has been increased to 4% [1% health cess added]  
[If possible write HEC instead of only cess]

#### Tax rate for companies

If the turnover/gross receipt in the PY16-17 doesn't not exceed 250 crore then the tax rate is 25% instead of 30%. [This will affect MAT calculation [for ca finals only]]

### CHAPTER 2 : RESIDENTIAL STATUS [International tax]

#### BUSINESS CONNECTIONS:

It includes professional connections also. It includes a person acting on behalf of a Non-resident and who performs any one or more of the following

(1) He/She habitually exercises in India, an authority to conclude contracts on behalf

of the non-resident or habitually concludes contracts or habitually plays the principal role leading to conclusion of contracts by that non-resident and the contracts are—

- (i) in the name of the non-resident; or
- (ii) for the transfer of the ownership of, or for the granting of the right to use, property owned by that non-resident or that non-resident has the right to use; or
- (iii) for the provision of services by the non-resident; or

(2) He/she has no such authority but habitually maintains stock of goods in India which are regularly delivered on behalf of a non-resident.

(3) He/she habitually secures orders from India for non-resident or for non-residents under same management.

It is further hereby clarified that the significant economic presence of a non-resident in India shall constitute "business connection" in India.

"Significant economic presence" for this purpose, shall mean—  
constitute "business connection" in India.

"Significant economic presence" for this purpose, shall mean—

- a. transaction in respect of any goods, services or property carried out by a non-resident in India including provision of download of data or software in India, if the aggregate of payments arising from such transaction or transactions during the previous year exceeds such amount as may be prescribed; or systematic and
- b. continuous soliciting of business activities or engaging in interaction with such number of users as may be prescribed, in India through digital means

## **CHAPTER 3 : AGRICULTURE INCOME**

**NO AMENDMENT**

## **CHAPTER 4 : INCOME FROM SALARY**

### **Transport Allowance:**

Granted to an employee to meet his expenditure for the purpose of commuting between the place of his residence and the place of his duty.

A) If the employee is blind or orthopedically handicapped then the amount exempt is ' 3,200 PM

B) ~~In all other cases exempt amount is to the extent of '1,600 pm (omitted)~~

*Effect: Make Transport allowance fully taxable.*

### **Standard Deduction: [Section 16(ia)]**

Standard Deduction is allowed to meet various expenses that employee has to meet while in the employment like expenses on travelling to office and back to home, expenses of stationary, medical expenses etc.

(1) Standard deduction is allowed from Gross Salary and it is lower of

(a) 40,000 or

(b) the amount of Gross Salary

**Romancing Analysis:-** This will effect the calculation of

1. Salary

2. Total Income

3. Clubbing

4. Setoff

5. Advance tax

6. TDS.

### **Medical Facilities are not Taxable Perquisites: Proviso to Section 17(2)**

Generally employer allows medical facilities to his employees or his family members. Such facility shall be exempt from tax for employee subject to following conditions:

**(A) Facilities in India:** The following are treated as Tax-free perquisites:

~~Expenditure reimbursement by the employer for obtaining medical treatment of employee or his/her family member from any doctor or any hospital, nursing home etc. shall be exempt from tax upto maximum of '15,000 pa~~

*Effect: Medical facility reimbursed shall be Taxable now.*

## **CHAPTER 5 : INCOME FROM HOUSE PROPERTY**

### **NO AMENDMENT**

## CHAPTER 6 : INCOME FROM BUSINESS OR PROFESSION

### Section 28 : Compensation due or received by:

- *The fair market value of inventory as on the date on which it is converted into a capital asset*
- *any person in connection with the termination or the modification of the terms and conditions, of any contract relating to his business*

### Section 43(1) : Inventory converted into an asset

*The actual cost for the purposes of calculation of Depreciation shall be the fair market value of inventory as on the date on which it is converted into a capital asset.*

### Section 36 marked to market losses not allowed

*If specified by ICDS- Allowed*

*If not as per ICDS- Disallowed u/s 40A(13).*

### Section 43CA FVC in case land & building sold as SIT

*If SDV > 105% of consideration the SDV=PGBP.*

### Section 43AA Gain / loss on Foreign Exchange rate

*Any gain or loss on foreign exchange rate shall be allowed as deduction.*

*Gain or loss may relate to any of the transaction pertaining to monetary or non monetary.*

### SECTION 44AE : TRANSPORT OPERATION BUSINESS

For every heavy goods vehicle	For every other vehicle
<i>Higher of—</i>	<i>Higher of—</i>
<i>(a) 1000 per ton x per month or part x per vehicle or</i>	<i>(a) 7500 per month or part per vehicle during the period of which assets is hold.</i>
<i>(b) an amount claimed to have been actually earned from such vehicle</i>	<i>b) an amount claimed to have been actually earned from such goods carriage</i>
<i>Note: heavy goods vehicle means any goods</i>	

carriage, the gross vehicle weight of which exceeds 12,000 kilograms.

### **Sec-43CB**

#### **Income from construction & service contracts**

Recall ICDS- Income from construction & service Contract are recognized as per % completion method.

However in case of service contract if contract does not exceed 90 days then completion method is followed.

If it is indeterminate contract then allocate over SLM method

### **INCOME COMPUTATION AND DISCLOSURE SCHEME (ICDS)**

#### **METHOD OF ACCOUNTING IN CERTAIN CASES**

**Section:- 145A - Substituted by FA, 2018 Effective from A.Y.2017-18**  
(Retrospective)

**[Inserted by Finance Act, 2018 w.r.e.f. A.Y.2017-18]**

For the purpose of determining the income chargeable under the head "Profits and gains of business or profession", the following valuation rules will apply—

1. The valuation of inventory shall be made at lower of actual cost or net realisable value computed in the manner provided in ICDS.
2. The valuation of purchase and sale of goods or services and of inventory shall be adjusted to include the amount of any tax, duty, cess or fee (by whatever name called) actually paid or incurred by the assessee to bring the goods or services to the place of its location and condition as on the date of valuation.
3. The inventory (being securities not listed on a recognised stock exchange, or listed but not quoted on a recognised stock exchange) shall be valued at cost actual cost initially recognized in the manner provided in ICDS.
4. Inventory (being securities held by a scheduled bank or financial institution) shall be valued in accordance with ICDS after taking into account extant guidelines issued by RBI.

5. The inventory (being listed securities), shall be valued at lower of actual cost or net realisable value in the manner provided in ICDS and for this purpose the comparison of actual cost and net realizable value shall be done category-wise.

6. Any tax, duty, cess or fee (by whatever name called) under any law for the time being in force, shall include all such payment notwithstanding any right arising as a consequence to such payment for the purpose of the said section.

## Chapter 7- Capital Gains

### Cost Inflation Index

280

### Sale of CA [Conversion of SIT into capital Assets]

COA: FMV as on the date of conversion

Holding period: Shall be counted from the date of conversion.

### TAX RATES ON CAPITAL GAINS: Section 112A

Section 112A(1) : Section 112A overrides Section 112

Section 112A(1) : Section 112A is applicable for LTCG arising on or after 1st April, 2018 on transfer of listed equity shares and specified units if all of the following conditions are satisfied

(i) the total income includes any income chargeable under the head Capital gains

(ii) Such capital gains arise from the transfer of a LTCA which is

a) an equity share in a company or

b) a unit of an equity oriented fund or

**NOTE** : Equity oriented fund is a scheme of a mutual fund in which

(1) in a case where the fund invests in the units of another fund which is traded on a recognized stock exchange

(a) a minimum of ninety per cent of the total proceeds of such fund is invested in the units of such other fund; and



(iii) (a) in case of an equity share in a company, securities transaction tax (STT) has been paid on both acquisition as well as transfer of the share (requirement of payment of STT is applicable only when shares are acquired on or after 1/10/2004)

(b) in case of a unit of an equity oriented fund STT has been paid on transfer of such unit

The condition regarding payment of STT shall not apply to transfers undertaken on a recognized stock exchange located in IFSC if consideration is receivable in foreign currency. [Section 112A(3)]

Section 112A(4) : The Central Government has notified followings shares in

#### Section 112A(2) :

If all of the above mentioned conditions are satisfied, the tax payable by the assessee (who may be ROR/NOR Individual or ROR/NOR HUF) shall be the aggregate of the following:

Up to ₹1,00,000	Nil
Exceeding ₹1,00,000	10% , whether assessee is a company or non-company

#### Section 112A(5):

Deductions u/s 80C to 80U shall not be allowed from such incomes which are taxable under section 112A

#### Section 112A(6) :

Rebate u/s 87A shall not be allowed from tax calculated under section 112

#### Tax rate on other incomes from capital gains

(1) LTCG on all other Assets are taxed at the rate of 20% under Section 112.

(2) STCG on sale of equity shares or equity oriented mutual funds on which STT has been paid at the time of transfer of shares is taxed at the rate of 15% under Section 111A.

*(3) STCG on all other Assets and all other incomes are taxed at normal rates, applicable as per the type of person.*

### **Section 54EC**

*Sale: any Land or building or Both.*

*Redeemable period : 5 years*

*Bonds Covered: NHAI, REC, Power Finance Corporation, Indian railways finance Corporation, any other Bond.*

## **CHAPTER 8 : INCOME FROM OTHER SOURCES**

### **Sec.56[2][x] GIFT**

*In a case where an immovable property is received for inadequate consideration this provision will apply if the following conditions are satisfied:*

- a) an immovable property is received for a consideration*
- b) the stamp duty value of the property exceeds 105% of the declared consideration &*
- c) the difference between stamp duty value and declared consideration is more than ' 50,000*

*If all the aforesaid conditions are fulfilled, the difference between the stamp duty value and the declared consideration shall be regarded as income of the recipient.*

### **TAXABILITY OF COMPENSATION IN CONNECTION WITH EMPLOYMENT: SECTION 56(2) (xi) :**

*A receipt satisfying the following conditions shall be taxable as income from other sources in the hands of the recipient:*

- a) any compensation or other payment is due to any person or is received by him*
- b) such compensation or payment could be by whatever name called*
- c) such compensation / payment is made in connection with :*
  - (i) the termination of the employment of the recipient ; or*
  - (ii) Modification of the terms and conditions relating to such employment.*

*This covers those payments which are not taxable under the head salary. Thus, it could cover a payment by a person other than an employer or former employer. The compensation may be in the nature of revenue receipt or capital receipt.*

## Chapter 9- Exempt Income

### Computation of admissible deduction u/s 10AA of the Income-tax Act, 1961 [Circular No. 4/2018, Dated 14-8-2018]

*The issue of whether freight, telecommunication charges and insurance expenses are to be excluded from both "export turnover" and "total turnover" while working out deduction admissible under section 10AA on the ground that they are attributable to delivery of articles or things outside India has been highly contentious.*

*The issue had been examined by CBDT and it is clarified, in line with the decision of the Supreme Court, that freight, telecommunication charges and insurance expenses are to be excluded both from "export turnover" and "total turnover", while working out deduction admissible under section 10AA to the extent they are attributable to the delivery of articles or things outside India.*

*Similarly, expenses incurred in foreign exchange for rendering services outside India are to be excluded from both "export turnover" and "total turnover" while computing deduction admissible under section 10AA.*

**Note:** *Though this CBDT Circular is issued in relation to erstwhile section 10A, the same is also relevant in the context of section 10AA. Accordingly, the reference to section 10A in the Circular and the relevant sub-section and Explanation number thereto have been modified and given with reference to section 10AA and the corresponding sub-sections, Explanation number and clause of Explanation.*

## Chapter 10- TDS/TCS

**No tax is required to be deducted at source on interest payable on "Power Finance Corporation Limited 54EC Capital Gains Bond" and "Indian Railway Finance Corporation Limited 54EC Capital Gains Bond" - [Notification No. 27 & 28/2018, dated 18-06-2018]**

*Section 193 (Interest on securities) provides that the person responsible for paying to a resident any income by way of interest on securities shall, at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax @ 10%, being the rates in force on the amount of the interest payable.*

As per clause (iib) of the proviso to section 193, no tax is required to be deducted at source from any interest payable on such debentures, issued by any institution or authority, or any public sector company, or any co-operative society (including a co-operative land mortgage bank or a co-operative land development bank), as the Central Government may, by notification in the Official Gazette, specify in this behalf.

Accordingly, the Central Government has, vide this notification, specified -

- (i) "Power Finance Corporation Limited 54EC Capital Gains Bond" issued by Power Finance Corporation Limited {PFCL} and
- (ii) "Indian Railway Finance Corporation Limited 54EC Capital Gains Bond" issued by Indian Railway Finance Corporation Limited {IRFCL}

The benefit of this exemption would, however, be admissible in the case of transfer of such bonds by endorsement or delivery, only if the transferee informs PFCL/IRFCL by registered post within a period of sixty days of such transfer.

### **Sec.193 TDS on Securities**

TDS is generally not deductible on Bond or Debenture however it is deductible on 7.75% Bond.

### **Sec.194A TDS on Interest**

No Interest is deductible on interest paid to Sr Citizen upto Rs.50000

## **Chapter-11 Return of Income**

### **Sec.140 Who will verify the return**

In case assessee has applied for Insolvency bankruptcy code then it must be verified by Insolvency professional as appointed by Adjudicating authority.

### **Sec.139AA Who is not required to Hold Aadhar**

1. NR
2. Person not citizen of India
3. Person attained the age of 80 or above
4. Person not citizen.

### *Sec-139A PAN*

*Following person must hold PAN:*

- 1. Any person whose income exceed Basic Exemption limit*
- 2. If in case of Business & profession if Gross Receipt and Turnover exceed 5 Lakh.*
- 3. Every person resident other than Individual whose aggregate transaction in FY exceed 250000.*
- 4. Every Director, member, partner, CEO or Principal officer in case of Company/AOP/BOI/Firm/political party.*

### **Chapter-12 Clubbing**

**No Amendment**

### **Chapter-13 Setoff**

**No Amendment**

### **Chapter 14 Advance Tax**

**No Amendment**

### *Chapter 15 Deduction*

*Sec-80TTA Interest on saving Bank account*

*Section not applicable to Senior Citizen now.*

*Sec-80TTB Interest on saving Bank account*

*Senior citizen will be eligible for Interest on saving Bank account*

*Lower of*

- a) Actual interest*
- b) 50000.*

*Sec-80D Medical Insurance*

*The deduction limit has been exceeded.*

<i>Himself + Spouse+ Dependent children</i>	<i>Actual Amount or 25000 WIL</i>
<i>Parents</i>	<i>Actual Amount or 25000 WIL</i>
<i>Senior Citizen</i>	<i>Actual or 50000 WIL.</i>

### Sec-80DDB Expenditure on specified [not discussed in Lecture]

The deduction limit depends upon the age of person having specified diseases

Upto 60 years	Actual Amount or 40000 WIL
60 & above	Actual Amount or 100000 WIL
80 & Above	Actual or 100000 WIL.

Earlier the limit was 50000.

## Chapter 16 Assessment procedure

### Sec-140A Self Assessment

Applicability : Assessee filling ROI 139/142(1)/153A/148

1. Where any tax is payable on the basis of any return required to be furnished by himself
2. The Assessee is required to assess his own Income and Tax payable thereon after taking into account

Particulars	Rs.
TI	Xxx
Compute Tax on TI	Xxx
Less: rebate if any	(xxx)
Tax after Rebate	Xxx
Add: Surcharge	Xxx
Less: relief u/s 89(1)	(xxx)
Less: TDS/TCS/Advance Tax/ Relief u/s 90/90A,115JAA &115JD	(xxx)
Add: Interest u/s 234A/B/C/234F	Xxx
Self Assessment Tax	xxx

3. The assessee shall be liable to pay such tax together with interest & Fees [FA-2018].  
Where the amount paid by the assessee under this sub-section falls short of the

aggregate of the tax the amount so paid shall first be adjusted towards the Fees & thereafter interest payable as aforesaid and the balance, if any, shall be adjusted towards the tax payable. **[FA-2018]**

4. For the above purpose Interest u/s 234A shall be computed on the amount of Tax as declared in the ROI and Reduced by
- Advance Tax
  - TDS

#### Consequences of Failure to Pay Tax Interest or Fees **[FA-2018]**

- Assessee shall deemed to be Assessee in Default & interest is payable u/s 220/221.
- Recovery Proceeding shall be Initiated
- Penalty u/s 221 can also be levied -Maximum penalty that can be levied is Tax in arrears.

#### Sec.143[1] Summary Assessment

- ~~Addition of income appearing in Form 26AS or Form 16A or Form 16 which has not been included in computing the total income in the return [ NO Adjustment after 01/04/2018].~~
- The Above words has been deleted.

#### Sec-153 Time limit to complete Assessment

Section	Particulars	Time Limit	
153(1)	Passing Assessment order U/s. 143 or 144	Ass order	Time Limit
		Upto 01.4.2018	21 months from the and of AY in which income was first Assessed
		01.04.2018 to 31.03.2019	18 months from the and of AY in which income was first Assessed
		01.04.2019 onwards	12 months from the and of AY in which income was first Assessed
153 (2)	Making assessment /	Within <b>9</b> months from end of F.Y.	

	reassessment etc. U/s. 147	in which notice U/s.148 is <b>served.[Before 01.04.2019]</b> <b>[12 Months after 01.04.2019]</b>
153(2A)	Making assessment in pursuance of order u/s. 250,254,263 or 264 setting aside or cancelling assmt	Within <b>9</b> months from end of F.Y. in which order U/s.250/254 is <b>received</b> by CIT or order u/s.263, 264 is <b>passed</b> by the commissioner. <b>[12 Months after 01.04.2019]</b>

### Sec.143[3A] E Assessment- [FA.2018]

Framing of scheme	<p>The CG may make a scheme, by notification in the Official Gazette, for the purposes of making assessment of total income or loss of the assessee so as to impart  <span style="color: blue;">greater efficiency, transparency and accountability by—</span></p> <ol style="list-style-type: none"> <li>1. eliminating the interface between the Assessing Officer and the assessee in the course of proceedings to the extent technologically feasible;</li> <li>2. optimising utilisation of the resources through economies of scale and functional specialisation;</li> <li>3. introducing a team-based assessment with dynamic jurisdiction.</li> </ol> <p>(3B) The CG may, for the purpose of giving effect to the scheme made by notification in the Official Gazette, direct that any of the provisions of this Act relating to assessment of total income or loss shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification: <b>Provided that no direction shall be issued after the 31st day of March, 2020.</b></p> <p>(3C) Every notification issued shall, as soon as may be after the notification is issued, be laid before each House of Parliament.</p>
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#### *Chapter-17 Income Tax Authorities*

*No Amendment*

#### *Chapter 18- Revision*

*No Amendment*

#### *Chapter 19 Rectification*

*No Amendment*



*Chapter-20 search & Seizure  
No Amendment*

*Chapter-21 Appeal*

**Revision of monetary limits for filing of appeals by the Department**

*Circular No. 21/2015 dated 10.12.2015 specified monetary limits and other conditions for filing departmental appeals (in Income-tax matters) before Income Tax Appellate Tribunal, High Courts and SLPs/ appeals before Supreme Court. In supersession of the above Circular, it has been decided by the CBDT that departmental appeals may be filed on merits before Income Tax Appellate Tribunal and High Courts and SLPs/ appeals before Supreme Court keeping in view the monetary limits and conditions specified below. Henceforth, appeals/ SLPs shall not be filed in cases where the tax effect does not exceed the monetary limits given hereunder:*

<i>S. No.</i>	<i>Appeals/ SLPs in Income-tax matters</i>	<i>Monetary Limit (Rs)</i>
<i>1</i>	<i>Before Appellate Tribunal</i>	<i>20,00,000</i>
<i>2</i>	<i>Before High Court</i>	<i>50,00,000</i>
<i>3</i>	<i>Before Supreme Court</i>	<i>1,00,00,000</i>

*It is clarified that an appeal should not be filed merely because the tax effect in a case exceeds the monetary limits prescribed above. Filing of appeal in such cases is to be decided on merits of the case.*

*For further details regarding the meaning of 'tax effect' in different situations and methodology to be followed in such cases, the detailed circular may be referred.*

**Cases where adverse judgments should be contested on merits even if tax effect is less than the specified monetary limits**

*Adverse judgments relating to the issues enumerated hereunder should be contested on merits notwithstanding that the tax effect entailed is less than the monetary limits specified in para 3 thereof or there is no tax effect:*

- (a) Where the Constitutional validity of the provisions of an Act or Rule is under challenge, or*
- (b) Where Board's order, Notification, Instruction or Circular has been held*

to be illegal or ultra vires, or

- (c) Where Revenue Audit objection in the case has been accepted by the Department, or
- (d) Where addition relates to undisclosed foreign income/undisclosed foreign assets (including financial assets)/undisclosed foreign bank account.
- (e) Where addition is based on information received from external sources in the nature of law enforcement agencies such as CBI/ED/ DRI/ SFIO/ Directorate General of GST Intelligence (DGGI).

Cases where prosecution has been filed by the Department and is pending in the Court.

### **Chapter 22 - ASSESSMENT OF FIRMS**

*No Amendment*

### **Chapter 23 - ASSESSMENT OF AOP OR BOI**

*No Amendment*

### **Chapter 24- ASSESSMENT OF CO-OPERATIVE SOCIETIES**

*No Amendment*

### **Chapter 25 - ASSESSMENT OF HINDU UNDIVIDED FAMILY (HUF)**

*No Amendment*

### **Chapter 26 - TAXATION OF BUSINESS TRUST**

*No Amendment*

### **Chapter 27 - Advance Ruling [International tax]**

#### **APPLICATION FOR ADVANCE RULING**

**Section:- 245Q - Effective from 1st April 2018**

**(1) An applicant desirous of obtaining an advance ruling under this Chapter ~~for under Chapter V of the Customs Act, 1962~~ [Amendment made by Finance Act, 2018 - w.e.f. 1st April 2018] or under Chapter IIIA of the Central Excise Act, 1944 or under Chapter VA of the Finance Act, 1994 may make an application in**

such form and in such manner as may be prescribed, stating the question on which the advance ruling is sought.

(2) The application shall be made in quadruplicate and be accompanied by a fee of ten thousand rupees or such fee as may be prescribed in this behalf, whichever is higher.

(3) An applicant may withdraw an application within thirty days from the date of the application.

### **CONSTITUTION OF AUTHORITY OF ADVANCE RULING**

**Section:- 245-O - Effective from 1st April 2018**

Section 245-O has been amended with effect from October 1, 2014. The amended provisions are given below

*Provided that the Authority shall cease to act as an Authority for Advance Rulings for the purposes of Chapter V of the Customs Act, 1962 on and from the date of appointment of the Customs Authority for Advance Rulings under section 28EA of that Act.*

*Provided that the Authority shall not admit any appeal against any ruling or order passed earlier by it in the capacity of the Authority for Advance Rulings in relation to any matter under Chapter V of the Customs Act, 1962 after the date of such appointment of the Customs Authority for Advance Rulings.*

*• A Bench shall consist of the Chairman or the Vice-chairman and one revenue Member and one law Member.*

*Provided that where the Authority is dealing with an application seeking advance ruling in any matter relating to this Act, the revenue Member of the Bench shall be from the Indian Revenue Service, who is, or is qualified to be, a Member of the Board.*

### **Chapter 28 - PENALTIES**

**Failure to furnish an annual information return as required under section 285BA(1)**

**Section:- 271FA – Effective from 1st April, 2018**

<b>Nature of default</b>	<b>Penalty leviable</b>	<b>Period</b>
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Failure to furnish a statement of Financial Transactions (SFT) as required under section 285BA(1)	<b>Rs. 100 500 per day of default [Amended by Finance Act, 2018 w.e.f. 1st April, 2018]</b>	1st June immediately following the financial year in which the transaction is registered or recorded till the date of furnishing the SFT or the date of expiry of the time specified in the notice u/s 285BA(5), whichever is earlier.
Failure to furnish a statement of Financial Transactions (SFT) within the period specified in notice u/s 285BA(5)	<b>Rs. 500 1000 per day of default. [Amended by Finance Act, 2018 w.e.f. 1st April, 2018]</b>	The day immediately following the day on which the time specified in notice u/s 285BA(5) for furnishing the SFT expires till the date of furnishing of AIR.

### PROSECUTIONS

<b>OFFENCES AND PROSECUTIONS</b>		
<i>Section:- 276CC - Effective from 1st April 2018</i>		
<b>Section</b>	<b>Nature of default</b>	<b>Punishment (rigorous imprisonment)</b>
<b>276CC</b>	<p><i>Willful failure to furnish return of income under section 139(1) or in response to notice under section 142(1)(i) or section 148 or section 153A (non-cognizable offence under section 279A)–</i></p> <p><i>(a) where tax sought to be evaded exceeds Rs.25 lakh</i></p> <p><i>(b) in other cases</i></p>	<p><i>6 months to 7 years</i></p> <p><i>3 months to 2 years</i></p>

#### **Proviso to section 276CC**

*The person shall not be proceeded against under section 276CC in a case where the return of income is not filed within the due date under section 139(1), if*

*(a) The return is furnished by him before the expiry of the assessment year; or*

*(b) the tax payable by the assessee on the total income determined on regular assessment, as reduced by the advance tax, if any, paid and any tax deducted at source, does not exceed Rs.3,000.*

*This proviso will not be applicable in case of company [Amended by Finance Act, 2018 w.e.f. 1st April 2018]*

### **Chapter 29 - TAX PLANNING**

*No Amendment*

### **Chapter 30 - TONNAGE TAXATION SCHEME**

*No Amendment*

#### **TAXABILITY OF CERTAIN INCOME**

*Section:- 145B - Inserted by FA, 2018 Effective from A.Y.2017-18  
(Retrospective)*

*[Inserted by Finance Act, 2018 w.r.e.f. A.Y.2017-18]*

*Section 145B provides mode of taxation of the following incomes-*

- (1) Interest received by an assessee on any compensation or on enhanced compensation, as the case may be, shall be deemed to be the income of the previous year in which it is received.*
- (2) The claim for escalation of price in a contract or export incentives shall be deemed to be the income of the previous year in which reasonable certainty of its realisation is achieved.*
- (3) Assistance in the form of subsidy (or grant or cash incentive or duty drawback or waiver or concession or reimbursement) as referred to in section 2(24)(xviii) shall be deemed to be the income of the previous year in which it is received, if not charged to income-tax in any earlier previous year.*

## Chapter 31- Non-resident Taxation [International tax]

### **Notification of exceptions, modifications and adaptations under Section 115JH for applicability of the provisions of the Income-tax Act on a foreign company said to be resident in India on account of PoEM [Notification No. 29/2018, dated 22 -06-2018]**

*A foreign company is said to be resident in India in any previous year on account of Place of Effective Management (PoEM) and such foreign company has not been resident in India in any of the previous years preceding the said previous year, then, notwithstanding anything contained in this Act and subject to the conditions as may be notified by the Central Government in this behalf, the provisions of this Act relating to the computation of total income, treatment of unabsorbed depreciation, set off or carry forward and set off of losses, collection and recovery and special provisions relating to avoidance of tax shall apply with such exceptions, modifications and adaptations as may be specified in that notification for the said previous year.*

*Accordingly, the CG has, vide this Notification, specified the exceptions, modifications and adaptations subject to which, the provisions of the Act relating to computation of income, treatment of unabsorbed depreciation, set-off or carry forward and set off of losses, special provision relating to avoidance of tax and the collection and recovery of taxes shall apply in a case where a foreign company is said to be resident in India in any previous year on account of its POEM being in India and the such foreign company has not been resident in India before the said previous year.*

<i>Particulars</i>	<i>Provisions</i>
<i>Determination of opening WDV</i>	<i><u>If the foreign company is assessed to tax in the foreign jurisdiction</u> Where depreciation is taken into account for the purpose of computation of its taxable income, the WDV of the depreciable asset as per the tax record in the foreign</i>

	<p>Where WDV is not available as per tax records, the WDV shall be calculated assuming that the asset was installed, utilised and the depreciation was actually allowed as per the provisions of the laws of that foreign jurisdiction. The WDV so arrived at as on the 1<sup>st</sup> day of the previous year shall be adopted to be the opening WDV for the said previous year.</p> <p><u>If the foreign company is not assessed to tax in the foreign jurisdiction</u> WDV of the depreciable asset as appearing in the books of account as on the 1<sup>st</sup> day of the previous year</p>
<p>Brought forward loss and unabsorbed depreciation</p>	<p><u>If the foreign company is assessed to tax in the foreign jurisdiction</u> Brought forward loss and unabsorbed depreciation as per the tax record shall be determined year wise on the 1<sup>st</sup> day of the said previous year.</p> <p><u>If the foreign company is not assessed to tax in the foreign jurisdiction</u> Brought forward loss and unabsorbed depreciation as per the books of account prepared in accordance with the laws of that country shall be determined year wise on the 1<sup>st</sup> day of the said previous year.</p> <p><u>Other provisions</u></p> <p>Such brought forward loss and unabsorbed depreciation shall be deemed as loss and unabsorbed depreciation brought forward as on the 1<sup>st</sup> day of the said previous year and shall be allowed to be set off and carried forward in accordance with the provisions of the Act for the remaining period calculated from the year in which they occurred for the first time taking that year as the first year.</p> <p>However, the losses and unabsorbed depreciation of the foreign company shall be allowed to be set off only against such income of the foreign company which has become chargeable to tax in</p>

<p><i>Accounting year of foreign Company does not end on 31st March</i></p>	<p><i>The foreign company is required to prepare profit and loss account and balance sheet for the period starting from the date on which the accounting year immediately following said accounting year begins, upto 31st March of the year immediately preceding the period beginning with 1st April and ending on 31st March during which the foreign company has become resident.</i></p>
<p><i>Applicability of provisions of Chapter XVII-B (TDS provisions)</i></p>	<p><i>Where more than one provision of Chapter XVII-B of the Act applies to the foreign company as resident as well as foreign company, the provision applicable to the foreign company alone shall apply.</i></p> <p><i>Compliance to those provisions of Chapter XVII-B of the Act as are applicable to the foreign company prior to its becoming Indian resident shall be considered sufficient compliance to the provisions of said Chapter.</i></p> <p><i>The provisions of section 195(2) relating to application to</i></p>
<p><i>Availability of deduction under section 90 or 91 (Foreign tax credit)</i></p>	<p><i>The foreign company shall be entitled to relief or deduction of taxes paid in accordance with the provisions of section 90 or section 91 of the Act. Where income on which foreign tax has been paid or deducted, is offered to tax in more than one year, credit of foreign tax shall be allowed across those years in the same proportion in which the income is offered to tax or assessed to tax in India in respect of the income to which</i></p>
<p><i>Non applicability of the notification</i></p>	<p><i>The above exceptions, modifications and adaptations shall not apply in respect of such income of the foreign company which otherwise would have been chargeable to tax in India, even if</i></p>
<p><i>Applicability of the notification where foreign company becomes resident in the subsequent</i></p>	<p><i>In a case where the foreign company is said to be resident in India during a previous year, immediately succeeding a previous year during which it is said to be resident in India; the exceptions, modifications and adaptations shall apply to the said previous year subject to the condition that the WDV, the brought forward loss and the unabsorbed depreciation to be adopted on the 1st day of the previous year shall be those</i></p>



No effect on other	Any transaction of the foreign company with any other person or entity under the Act shall not be altered only on the
Applicability of other provisions relating to foreign company	The foreign company shall continue to be treated as a foreign company even if it is said to be resident in India and all the provisions of the Act shall apply accordingly. Consequently, the provisions specifically applicable to,— (i) a foreign company, shall continue to apply to it; (ii) non-resident persons, shall not apply to it; and
Applicability of tax rate on foreign company	In case of conflict between the provision applicable to the foreign company as resident and the provision applicable to it as foreign company, the later shall generally prevail. Therefore, the rate of tax in case of foreign company i.e., 40% shall remain the same, i.e., rate of income-tax applicable to the foreign company even though residential status of the
Applicability of notification	This notification shall be deemed to have come into force from the 1st day of April, 2017.
Meaning of foreign jurisdiction	The place of incorporation of the foreign company.
Applicability of rule 115 of the Income-tax	The rate of exchange for conversion into rupees of value expressed in foreign currency, wherever applicable, shall be in accordance with provision of rule 115 of the Income-tax Rules,

**Exemption to interest income on specified off-shore Rupee Denominated Bonds [Press Release, dated 17-09-2018]**

Interest payable by an Indian company or a business trust to a non-resident, including a foreign company, in respect of rupee denominated bond issued outside India before 1-7-2020 is liable for concessional rate of tax of 5%. Consequently, section 194LC provides for the deduction of tax at a lower rate of 5% on the said interest payment.

Consequent to review of the state of economy on 14-9-2018 by the Prime Minister, the Finance Minister has announced a multi-pronged strategy to contain

the Current Account Deficit (CAD) and augment the foreign exchange inflow. In this background, low cost foreign borrowings through off-shore rupee denominated bond have been further incentivised to increase the foreign exchange inflow.

Accordingly, it has been decided that interest payable by an Indian company or a business trust to a non-resident, including a foreign company, in respect of rupee denominated bond issued outside India during the period from 17-9-2018 to 31-3-2019 shall be exempt from tax, and consequently, no tax shall be deducted on the payment of interest in respect of the said bond under section 194LC.

## Chapter 32 - ASSESSMENT OF COMPANIES

### TAX ON INCOME OF CERTAIN DOMESTIC COMPANIES.

**Section:- 115BA-Amendment made by Finance Act,2018 w.e.f.A.Y.17-18**  
(Retrospective)

Under this section, a domestic company, subject to following conditions, may opt for tax rate of 25 per cent. [However, special rates of tax under ~~section 111A and 112~~ (Chapter XII) shall continue to apply to the company opted for section 115BA - Modified by Finance Act, 2018 w.r.e.f. 01-04-2017] -

(1) The company has been set-up and registered on or after March 1, 2016

(2) The company is not engaged in any business other than the business of manufacture or production of any article or thing and research in relation to, or distribution of such article or thing manufactured or produced by it.

(3) Total income of the company has been computed

- without claiming additional depreciation and deductions under section 10AA, section 32AC, section 32AD, section 33AB, section 33ABA, 35(1) (ii), Section 35(1) (iia), Section 35(1) (iii), Section 35 (2AA), Section 35 (2AB), section 35AC, section 35AD, section 35CCC, section 35CCD and sections 80C to 80U [Except section 80JJAA]

- without adjusting brought forward loss from any earlier year (if such loss pertains to any deduction under the aforesaid sections). Moreover, such loss will not be carried forward.

- after claiming depreciation under section 32 [By notification no. 103/2016, depreciation claim has been restricted to 40% in case of block of assets where the prescribed rate of depreciation is more than 40%]

(4) This option shall be exercised on or before the due date for furnishing the first of the returns of income, which the company is required to furnish under the Act.

(5) Once the Company has exercised the option for any previous year, it cannot be subsequently withdrawn for the same or any other previous year.

**Note: Chapter XII starts from section 111A and ends on section 115BBG**

### Chapter 33 - MAT/AMT

#### Computation of Book Profit

Particulars	Amt.	Amt.
Net profit as per Profit & Loss A/c		Xxx
<b>ADD: If Debited earlier to Profit and Loss Account</b>		
i) <b>Income-tax paid/payable and the provision thereof, Including DDT, interest, surcharge, EC and SH&amp;EC (Excluding Wealth Tax, Fringe Benefit Tax, BCTT)</b>	xxx	
	xxx	
ii) <b>Amounts carried to any reserves by whatever name called (Other than reserve specified under Section 33AC)</b>	xxx	
iii) <b>Provisions for unascertained liabilities/contingent liabilities</b>	xxx	
iv) <b>Provisions for losses of subsidiary companies</b>	xxx	
v) <b>Dividends paid/proposed</b>	xxx	
vi) <b>Expenditure related to incomes which are exempt u/s 10/11/12 [other than section 10(38)/10AA]</b>	xxx	
vii) <b>Expenditure relatable to, share in the Income of AOP/BOI</b>	xxx	
viii) <b>In case of a Foreign company- Expenditure relatable to (a) the capital gains on securities; or (b) the interest, royalty or fees for technical services If the income-tax payable on above income is less than 18.5%.</b>	xxx	
	xxx	

ix)	<i>Notional Loss on exchange of shares of SPV with units of Business Trust referred in sec. 47(xvii).</i>	xxx	
x)	<i>Balance in Revaluation reserve on retirement or disposal of Assets (if not credited to P&amp;L)</i>	xxx	
xi)	<i>Depreciation Dr to P&amp;L [Total Depn]</i>	xxx xxx	
xii)	<i>Deferred Tax including the provision there for.</i>	xxx	
xiii)	<i>Any amount set aside as Provision for Diminution in the value of any asset.[Provision of Bad Debts/AS-13/AS-28]</i>		
xiv)	<i>Expenditure relatable to income by way of royalty in respect of patent chargeable to tax under section 115BBF</i>		
<b>Sub-Total</b>			<b>xxx</b>
<b>LESS: If credited earlier to Profit and Loss Account</b>			
1.	<i>Amount withdrawn from any reserve or provision. (If Reserve made through P&amp;L)</i>	xxx xxx	
2.	<i>Income exempt u/s 10/11/12 [except sec.10(38)].</i>	xxx	
3.	<i>Share Income of the Assessee, in the income of an AOP/BOI [Because Income is taxable in the Hands of AOP/BOI]</i>	xxx	
4.	<i>In case of a Foreign company- Income accruing or arising from (a) the capital gains arising on transactions in securities; or (b) the interest, royalty or fees for technical services If the rate of Tax is less than 18.5%.</i>	xxx	
5.	<i>Notional Gain on exchange of shares of SPV with Business Trust referred in sec. 47(xvii).</i>	xxx	
6.	<i>Transfer from Revaluation Reserve [To the Extent of Depreciation on Revaluation of Assets]</i>	xxx	
7.	<i>The amount of income relatable to income by way of royalty in respect of patent chargeable to tax under section 115BBF</i>	xxx xxx	
8.	<i>Amount of brought forward loss or unabsorbed depreciation, whichever is less as per books of account. Press Release 06-01-2018 company against whom an application for corporate insolvency resolution has been admitted by Adjudicating authority of IBC the amount of Total Loss B/f [Including unabsorbed depreciation shall be allowed to be reduced from book profit for the purpose of MAT [RTP-NOV18]</i>	xxx xxx xxx	xxx
9.	<i>Profits derived from sick industrial undertakings.</i>		

10. <i>Deferred tax</i>		
11. <i>Depreciation</i> (excluding the depreciation on revaluation of assets)		
<b>BOOK PROFIT</b>		<b>Xxx</b>

*If Companies are required to Comply with IND-AS then following Additional Adjustments shall be required*

<b>Book Profit as Computed as per IISJB</b>	<b>Xxx</b>
<b>Add:</b>	<b>Xxx</b>
1. <i>Item credited to other comprehensive Income [OCI] and not to be reclassified to P&amp;L (except in Note1)</i>	
2. <i>Gain from change in the value of equity instrument through OCI &amp; revaluation surplus from assets on retirement, disposal, realization, or transfer</i>	<b>xxx</b>
3. <i>Amount Dr to P&amp;L on distribution of non cash Assets to shareholder in demerger as per IND-AS10</i>	<b>xxx</b>
4. <i>1/5<sup>th</sup> of transition amount</i>	<b>Xxx</b>
<b>Less:</b>	
1. <i>Item Dr to OCI and not to be reclassified to P&amp;L</i>	<b>[xxx]</b>
2. <i>Loss from change in the value of equity instrument through OCI &amp; revaluation surplus from assets on retirement, disposal, realization, or transfer</i>	<b>[xxx]</b>
3. <i>Amount cr to P&amp;L on distribution of non cash Assets to shareholder in demerger as per IND-AS10</i>	<b>[xxx]</b>
4. <i>1/5<sup>th</sup> of transition amount</i>	<b>[xxx]</b>

### **Note**

1. *Following shall not be increased or decreased from Book Profit*

(i) revaluation surplus for assets in accordance with the IND-AS 16 and IND-AS 38;

or

(ii) gains or losses from investments in equity instruments designated at fair value through other comprehensive income in accordance with the IND-AS 109:

*[Means Mat not applicable to Notional profit or Loss of above 2 item it will be applicable in the year in which such assets or investment is retired or transferred.]*

**2. Transition Amount means :** *the amount or aggregate amounts adjusted in the other equity [excluding the equity component of compound financial instrument , capital Reserve & SPA.] on the convergence date but not including the following:*

- a) Amount aggregate of amount adjusted in the other comprehensive income on the convergence date which shall be subsequently reclassified to the profit or Loss.*
- b) Revaluation surplus for assets in accordance with Ind As-16 & Ind-AS 38 adjusted on convergence date.*
- c) Gains or losses from investment in equity instrument designated at FMV through other comprehensive income accordance with IND-AS 109 adjusted on convergence date.*
- d) Adjustment relating to item of property P&M & Intangible Assets recorded at FMV as deemed cost as per IND-AS101 adjusted on convergence date.*
- e) Adjustment relating to investment in subsidiary, JV ,Associates recorded at Fair value as deemed cost in accordance with para D15 of IND-AS 101 on convergence date.*
- f) Adjustment relating to cumulative transaction difference of foreign operation in accordance with para D13 of IND-As 101 on convergence date.*

*However the book profit of PY in which the assets or investment referred in subclass [b to e] above is retired, disposal, realization, or transfer, shall be increased or decreased , as the case may be, by the amount or aggregate of amount refereed in sub clause related to such assets or investment. The Book profit of PY in which foreign operation refereed in sub clause F is disposed or transferred , shall be increased or decreased , as the case may be, by the amount or aggregate of amount referred in that clause.*

## Chapter 34 Taxation of Dividend

### TAX ON DISTRIBUTED PROFITS OF DOMESTIC COMPANIES POPULARLY KNOWN AS CORPORATE DIVIDEND TAX (CDT) MADE APPLICABLE TO DEEMED DIVIDEND U/S. 2(22)(e) ALSO

**Section:- 115-O Effective from 1st April 2018**

**(A) Levy**

Any amount declared, distributed or paid by a domestic company by way of dividend (whether interim or otherwise) out of current or accumulated profits shall be charged to additional income-tax (to be called dividend distribution tax/corporate dividend tax).

This levy is in addition to income tax chargeable on the total income of domestic company.

**(B) Rate of dividend distribution tax for all types of dividend except dividend u/s 2(22)(e)**

The rate of dividend distribution tax is 15% increased by surcharge (irrespective of amount of dividend) and H.E.C.

**(C) Amount on which CDT is payable [For all types of dividend except dividend u/s 2(22)(e)]**

Computation of “amount on which CDT is payable” shall be done as under:-

Particulars	Amount (Rs.)
Amount declared, distributed or paid by a domestic company (say holding company) by way of dividend	XXX
Less:	
(1) The amount of dividend, if any, received during the financial year from domestic subsidiary, where subsidiary has paid the tax u/s 115-O	(XXX)
(2) The amount of dividend, if any, received during the financial year from foreign subsidiary, where tax is payable by holding company on such dividend under section 115BBD	(XXX)
(3) The amount of dividend, if any, paid to New Pension System Trust referred to in section 10 (44).	(XXX)

<i>Net distributed profits</i>	<i>XXX</i>
<i>Add:</i>	<i>XXX</i>
<i>Increase for the purpose of Grossing up of dividend (Net Distributed Profits ×15100-15 )</i>	
<i>Amount on which Corporate Dividend tax is Payable</i>	<i>XXX</i>

***(D) Meaning of subsidiary company for the purpose of this section***

*A company shall be a subsidiary of another company, if such other company, holds more than half in nominal value of the equity share capital of the company.*

***(E) Rate of dividend distribution tax for deemed dividend under section 2(22)(e)***

*The rate of dividend distribution tax is 30% increased by surcharge (irrespective of amount of dividend) and H.E.C. in respect of deemed dividend under section 2(22)(e) i.e. loan or advance given by a closely held company. (Proviso to section 115-0(1) - inserted by Finance Act, 2018 w.e.f. 01-04-2018). Rule of grossing up shall not apply to the dividend under section 2(22)(e). (Proviso to section 115-0(1B) - inserted by Finance Act, 2018 w.e.f. 01-04-2018).*

## ***Chapter 35 - TAXATION OF TRUST/INSTITUTIONS AND POLITICAL PARTIES***

### **DISALLOWANCE PROVISIONS UNDER SECTION 40(a)(ia), 40A(3) & DEEMED INCOME UNDER SECTION 40A(3A) MADE APPLICABLE TO CHARITABLE ENTITIES**

**Section :-** 3 to section 11(1) – Effective from A.Y.2019-20

*Section 11(1) provides that if income of charitable or religious trust has been applied for the objects in India, then amount set apart or accumulated upto 15% of income shall not be included in total income of the trust. (The outcome of the exemption is that trust shall apply remaining 85% of its income for the objects of trust.)*

***(k) For the purposes of determining the amount of application under section 11(1)(a)/(b), the provisions of section 40(a)(ia) and sections 40(3)/(3A), shall,***



*mutatis mutandis, apply as they apply in computing the income chargeable under the head "Profits and gains of business or profession" - Explanation 3 to section 11(1)- [Inserted by Finance Act, 2018 w.e.f. A.Y.2019-20].*

*Chapter 36 - DOUBLE TAXATION RELIEF [International tax]*

*No Amendment*

*Chapter 37 - TAXATION OF EQUALISATION LEVY [International tax]*

*No Amendment*