

INTRODUCTION TO INCOME TAX ACT 1961

TAX RATES FOR AY 20-21

Tax rate	Resident Individual age < 60 (Male & Female), HUF, AOP, BOI & AJP	Resident Individual (Age >= 60 during PY) Senior citizen(Male& Female)	Resident Individual (Age >=80 during PY) Super senior citizen(Male & Female)
NIL	2,50,000	3,00,000	5,00,000
5%	2,50,001 to 5,00,000	3,00,001 to 5,00,000	NA
20%	5,00,001 to 10,00,000	5,00,001 to 10,00,000	5,00,001 to 10,00,000
30%	Above 10,00,000	Above 10,00,000	Above 10,00,000
Add: Surcharge	Income		Rate
	50,00,000 to 1,00,00,000		10%
	1,00,00,000 to 2,00,00,000		15%
	200,00,000 to 5,00,00,000		25% [FA 2019]
	Above 5,00,00,000		37% [FA 2019]
Health & Education Cess	4% on Tax plus Surcharge		

Amendment: -

In order to stabilise the flow of funds into the capital market, it is provided that in hence surcharged introduced by the finance (no.2) Act.2019 (i.e. 25% and 37%) shall not apply capital gains arising on sale of equity share in company or a unit of an equity oriented fund or a unit of business trust liable for securities transaction tax, in the hands of an individual HUF, AOP, BOI, and AJP.

Further, the enhanced surcharge shall also not apply to capital gains arising on sale of any security including derivatives in the hands of foreign portfolio investors (FPIs).

REBATE U/ 87A

1	Conditions
1	A resident individual whose net income does not exceed Rs. 5, 00, 000 can avail rebate u/s. 87A. [FA 2019]

2	The amount of rebate is 100% of income tax or Rs. 12,500 whichever is less. [FA 2019]
2	<u>Key notes</u>
a	Net income = GTI - Deduction u/s 80C to 80U
b	It is to be deducted before H & EC.

FOR DOMESTIC COMPANIES

Particulars	AY 20-21	Surcharge		cess
		Income between 1 cr to 10 cr	Above 10 cr	
If turnover of or gross receipt during PY 16-17 dose not exceeds 250 cr	25%	7%	12%	4%
If turnover of or gross receipt during PY 17-18 dose not exceeds 400 cr [Amendment FA 2019]	25%	7%	12%	4%
Otherwise	30%	7%	12%	4%

MARGINAL RELIEF WHEN INCOME EXCEEDS 2 CR**Illustration 1**

Compute the amount of marginal relief available if the income of Mr. Sada Bahar is Rs 20200000 and tax Payable

Solution

Particulars	Difference	Rate	20000000	20200000
Up to 2,50,000	250000	Nil		
2,50,000 to 5,00,000	250000	5%	12500	12500
5,00,000 to 10,00,000	500000	20%	100000	100000
Above 10,00,000	1.90,00,000	30%	57,00,000	
	1.92,00,000	30%		57,60,000
Total Tax			58,12,500	58,72,500
Add: SC @ 15% / 25% on Tax			8,71,875	14,68,125
= TAX + SC			66,84,375	73,40,625

Marginal Relief	$[(\text{Income tax} + \text{surcharge on actual income}) - (\text{Income tax on 2 crore as the case may be})] - [\text{actual income} - 2 \text{ crore}]$
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	$[73,40,625 - 66,84,375] - [2,02,00,000 - 2,00,00,000]$
	6,56,250 - 2,00,000
	4,56,250

Calculation of Tax liability after Marginal Relief

Particulars	Amount
= Tax plus surcharge	73,40,625
Less: Marginal relief computed above	4,56,250
= Tax plus surcharge	68,84,375
Add: Cess @ 4%	2,75,375
= Tax liability	71,59,750

MARGINAL RELIEF WHEN INCOME EXCEEDS 5 CR**Illustration 2**

Compute the amount of marginal relief available if the income of Mr. Darwaja is Rs 50200000 and tax Payable

Solution

Particulars	Difference	Rate	50000000	50200000
Up to 2,50,000	250000	Nil		
2,50,000 to 5,00,000	250000	5%	12500	12500
5,00,000 to 10,00,000	500000	20%	100000	100000
Above 10,00,000	4,90,00,000	30%	1,47,00,000	
	4,92,00,000	30%		1,47,60,000
Total Tax			1,48,12,500	1,48,72,500
Add: SC @ 25% / 37% on Tax			37,03,125	55,02,825
= TAX + SC			1,85,15,625	2,03,75,325

Marginal Relief	$[(\text{Income tax} + \text{surcharge on actual income}) - (\text{Income tax on 5 crore as the case may be})] - [\text{actual income} - 5 \text{ crore}]$
	$[2,03,75,325 - 1,85,15,625] - [5,02,00,000 - 5,00,00,000]$
	18,59,700 - 2,00,000
	16,59,700

Calculation of Tax liability after Marginal Relief

Particulars	Amount
= Tax plus surcharge	2,03,75,325

Less: Marginal relief computed above	16,59,700
= Tax plus surcharge	1,87,15,625
Add: Cess @ 4%	7,48,625
= Tax liability	1,94,64,250

MARGINAL RELIEF SHALL BE AVAILABLE IN THE CASE WHEN TOTAL INCOME FALLS IN THE FOLLOWING RANGE

	Income range to attract marginal relief
For individual HUF, or AOP/ BOI	50 lacs - 51.9589 lacs
	100 lacs - 102.1469 lacs
	200 lacs - 209.30 lacs
	500 lacs lacs - 530.1782 lacs
For senior citizen individual	50 lacs - 51.9552 lacs
	100 lacs - 102.145 lacs
	200 lacs - 209.296 lacs
	500 lacs lacs - 530.173 lacs
For very senior citizen individual	50 lacs - 51.9402 lacs
	100 lacs - 102.1374 lacs
	200 lacs - 209.28 lacs
	500 lacs lacs - 530.1528 lacs

RESIDENTIAL STATUS

DEEMED ACCRUAL OF GIFT OF MONEY TO A NON-RESIDENT/ FOREIGN COMPANY

[SEC. 9(1) (VIII)]

A person (who is non-resident in India) is taxable in India in respect of income that accrues or arises in India or is received in India or is deemed to accrue or arise in India or is deemed to receive in India. A gift of money is chargeable to tax in the hands of recipient except for certain exceptions provided in section 56(2) (x).

Amendment

In a few cases, gift received by a non-resident/ foreign company from a resident person is not taxable in India [even if it is not covered by exceptions specified in section 56(2)(x)]. There is no deeming provision under section 9 for this purpose

To plug in this loophole, clause (viii) has been inserted in section 9(1) with effect from the assessment year 2020-21. This clause is applicable if the following conditions are satisfied

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|---|--|
| 1 | Payer is resident in India (or money is received from a person resident in India). Payer may be resident and ordinarily resident in India or resident but not ordinarily resident in India. Payer may be an individual, HUF, AOP, BOI, artificial juridical person, firm, LLP, company or any other person |
| 2 | Recipient is non-resident/foreign company (or money is received by a non-resident/foreign company) |
| 3 | A sum of money is received by non-resident/ foreign company on or after July 5, 2019 |
| 4 | Income arises outside India. The transaction is not covered by any of the exceptions specified by section |

If these conditions are satisfied, money received by a non-resident/ foreign company, shall be deemed to accrue or arise in India

Provisions illustrated -

X is resident in India. He transfers the following assets to his friend Y (a non-resident Indian or foreign citizen currently located in USA) or to Y Ltd. (a foreign company)

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|---|---|
| 1 | Gift of Rs. 9 lakh by NEFT transfer from X's bank account (SBI, Mumbai) to Y's bank account in California |
| 2 | Gift of Rs. 10 lakh to Y (this money is gifted to Y in India by an account-payee cheque when Y visited India on a short trip) |

INCOMES EXEMPT FROM TAX

AGRICULTURAL INCOME

No Amendments

OTHER INCOMES EXEMPT FROM TAX

S N	Section	Explanation
1	10(12A)	Payment from NPS Trust to an assessee on closure of his account or on his opting out of the pension scheme exempt
		1 As per section 80CCD, any payment for National Pension System Trust on an employee on account of closure or his opting out of the pension scheme is chargeable to tax.
		2 Any payment from National Pension System Trust to an assessee on account of closure or his opting out of the pension scheme referred to in section 80CCD, to the extent it does not exceed 60% [amendment FA 2019] of the total amount payable to him at the time of closure or his opting out of the scheme, shall be exempt from tax.
2	10(15)	<p>With a view to facilitate external borrowing by the units located in international financial services centre, sub clause (ix) has been inserted in section 10(15) with effect from the assessment year 2020-21. It is applicable if the following condition is satisfied.</p> <ol style="list-style-type: none"> 1) Receipt of interest is a non-resident 2) Interest is payable by a unit located in an international financial service centre. 3) Interest pertains to money borrowed by it on or after September 1, 2019. If the aforesaid conditions are satisfied, interest's income will be exempt under section 10 (15) (ix).
3	10(34A)	<p>Any income arising to a shareholder (on account of buy-back shares) is exempt from tax under section 10(34A). However, tax is payable by the company (which buys-back its own shares) under section 115QA. These two provisions are applicable only in the case of buy-back of unlisted shares.</p> <p>Amendments</p> <p>The aforesaid provisions will be applicable (on or after July 5, 2019) even in the case of buy-back of listed shares. Consequently, in the case of buy-back, of shares (listed or unlisted) on or after July 5, 2019-</p> <ol style="list-style-type: none"> a) income of shareholder will be exempt under section 10(34A); and b) the company (with buy-back its own shares) will be liable for tax on distributed income under section 115QA.

SPECIAL ECONOMIC ZONE

No Amendments

ASSESSMENT OF TRUST**Cancellation of Registration of trust Sec 12AA**

1	The trust has to make an application for registration of the trust or institution in the prescribed form and manner to the Commissioner and obtain registration u/s 12AA. The exemption u/s 11 and 12 shall be available from the previous year in which such application is made.
2	Registration to be granted in 6 months from the end of the month in which application for registration is received.
3	The finance bill proposed to insert the following additional conditions in section 12 AA [FA 2019] <ul style="list-style-type: none"> At the time of granting of registration to a trust or in situation, the Pr. CIT or CIT shall satisfy himself about the compliance to requirements to any other law which is material for the purpose of achieving its objects; Pr. CIT or CIT may cancel the registration, if it is noticed that the trust or institution has violated requirements of any other law which was material for the purpose of achieving its objects.

POLITICAL PARTY**CONDITIONS TO CLAIM EXEMPTION BY A POLITICAL PARTY**

A	The political party keeps and maintains such books of accounts and other documents, as it would enable the Assessing Officer to properly deduce its income there from.
B	The political party keeps and maintains a record of each voluntary contribution in excess of Rs. 20,000 and of the names and address of persons who have made such contributions/
C	The accounts of the political party are audited by a chartered Accountant
D	No donation > Rs. 2,000/- is received by such political party otherwise than by an account payee cheque drawn on a bank an account payee bank draft or use of electronic clearing system through a bank account or through electoral bond.
E	In order to promote to digital transactions, the receipt through other notified electronics modes, (i.e. e-wallets, etc.) have been proposed to be included in the list of acceptable mode of payment.[Amendment FA 2019]

INCOME FROM SALARY [SEC 15 TO 17]

DEDUCTION U/S 16

1	Standard deduction [Sec. 16(i)/ (ia)]	Standard deduction is available as follows - <ul style="list-style-type: none">From the Assessment Year 2020 - 21 - Standard deduction is Rs. 50,000 or the amount of salary, whichever is lower (Amendment FA 2019)
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INCOME FROM HOUSE PROPERTY

SELF OCCUPIED PROPERTY [SEC. 23 (2)(a)]

1	There is an amendment in Sec 23 where taxpayer is allowed to opt 2 houses as a self-occupied house. (earlier it was allowed only one house) [Amendment FA Act 2019]
Analysis	GAV of two self-occupied (not let out during the whole or any part of the previous year) property is taken as nil.
	Interest deduction u/s 24 of Rs 2, 00,000 shall be for both HP and not each .
2	If assessee is using more than two house property for his residence then GAV of two house property as per his choice (maximum municipal value) is taken as nil & other is deemed to be let out it means calculation for third HP will be like let out property.
Note	Even in case of unoccupied property benefit is extended to 2 HP

PROPERTY HELD AS STOCK IN TRADE: SEC. 23(5)

Where the building or land appurtenant thereto is held as stock in trade and the property or any part of the property is not let during the whole or any part of the previous year, the annual value of such property or part of the property, for the period up to two year from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority, shall be taken to be NIL.

INCOME FROM BUSINESS OR PROFESSION

DEDUCTION FOR EXPENDITURE ON SPECIFIED BUSINESS: SECTION 35 AD

Deduction = 100% of capital expenditure

Ineligible Expenditure	<p>Any Capital expenditure in respect of which the 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, > Rs. 10,000, or</p> <p>In order to promote digital transactions, the payment through other notified electronic modes (i.e. e-wallets, etc) has been proposed to be included in the list of acceptable modes of payments. [Amendment FA 2019]</p>
	<p>Any expenditure incurred on the acquisition of any</p> <ul style="list-style-type: none"> • Land, or • Goodwill, or • Financial Instrument

DISALLOWED EXPENDITURE [SEC. 40]

Section	Details		
40(a) (i)	Interest royalty, fees for technical services payable to non-resident or outside India or in India to a non-resident or to a foreign company on which tax is deductible but not deducted or after deduction not deposited before the time limit shall be disallowed.		
	TDS	If such expenditure deductible in the current year	If such expenditure deductible in any subsequent previous year
	Case 1: Tax is deductible but not deducted	100 per cent of such expenditure is disallowed in the current year	If tax is deducted in any subsequent year, the expenditure (which is disallowed in the current year) will be deducted in the year in which TDS will be deposited by the assessee with the Government before the due date of filing return

			u/s 139(1).
	Case 2: Tax is deductible (and is so deducted) during the current financial year but it is not deposited on or before the due date of submission of return of income under section 139(1)	100 per cent of such expenditure is disallowed in the current year	If tax is deposited with the Government after the due date of submission of return of income, the expenditure (which is disallowed in the current year) will be deductible in that year in which tax will be deposited before the due date of filing return u/s 139(1).
	The above provisions have been amended with effect from the Assessment Year - 2020 - 21. Under the amended provisions a relief is given in case 1 (and not in case 2). This relief is available if the following conditions are satisfied -		
	1	Tax is deductible on the aforesaid payment but it is not deducted (wholly or partly) by the payer (i.e. case 1).	
	2	The payment is not deemed to be an assessee-in-default under the first proviso to section 201(1). Under the first proviso to section 201(1), the payer is not deemed to be an assessee - in - default if -	
	a	The recipient has furnished his return of income under section 139.	
	b	The recipient has taken into account the above income in such return of income.	
	c	The recipient has paid the tax due on the income declared in such return of income, and	
	d	The payer uploads a certificate to this effect from a chartered accountant in Form No. 26A.	
	If the above conditions are satisfied, then for the purpose of section 40(a)(i) it shall be deemed that the payer has deducted and paid the tax on such amount on the date of the furnishing of return of income by the recipient		
40(a)(ia)	If TDS default is committed in respect of the any payment/ credit given to a resident, 30 per cent of such expenditure is disallowance in the hands of payment under section 40(a)(ia). These provisions are given below -		
	TDS default	If such expenditure deductible in the current previous year	If such expenditure deductible in any subsequent previous year
	Case 1: Tax is	30 per cent of such	If tax is deducted in any

	deductible but not deducted	expenditure is disallowed in the current year	subsequent year, the expenditure (which is disallowed in the current year) will be deducted in the year in which TDS will be deposited by the assessee with the Government before the due date of filing return u/s 139(1).
	Case 2: Tax is deductible (and is so deducted) during the current financial year but is not deposited on or before the due date of submission of return of income under section 139(1)	30 per cent of such expenditure is disallowed in the current year	If tax is deposited with the government after the due date of submission of return of income, the expenditure (which is disallowed in the current year) will be deductible in that year in which tax will be deposited before the due date of filing return u/s 139(1).
	The above provisions have been amended with effect from the Assessment Year - 2020 - 21. Under the amended provisions a relief is given in case 1 (and not in case 2). This relief is available if the following conditions are satisfied -		
	1	Tax is deductible on the aforesaid payment but it is not deducted (wholly or partly) by the payer (i.e. case 1).	
	2	The payment is not deemed to be an assessee-in-default under the first proviso to section 201(1). Under the first proviso to section 201(1), the payer is not deemed to be an assessee - in - default if -	
	a	The recipient has furnished his return of income under section 139.	
	b	The recipient has taken into account the above income in such return of income.	
	c	The recipient has paid the tax due on the income declared in such return of income, and	
	d	The payer uploads a certificate to this effect from a chartered accountant in Form No. 26A.	
	If the above conditions are satisfied, then for the purpose of section 40(a)(i) it shall be deemed that the payer has deducted and paid the tax on such amount on the date of the furnishing of return of income by the recipient		

ACTUAL COST OF ASSETS [SEC. 43(1)]**It Means,**

The actual cost – cost met directly or indirectly by any other person / authority

- | | |
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| a | Cost of fixed asset is to include all expenses directly related to acquisition of the asset, expenses necessary to bring the asset to site, install it and make it fit for use and expenses incurred to facilitate the use of the asset. |
| b | Provided further that where the assessee incurs any expenditure for acquisition of any asset or part thereof in respect of which a payment or aggregate of payment made otherwise than bank or an account payee bank draft or use of electronic clearing system through a bank account , > Rs. 10,000/-, such expenditure shall be ignored for the purposes of determination of such cost |

In order to promote digital transactions, the payments or receipts through other notified electronic modes. Have been proposed to be included in the list of acceptable mode of payment. **[Amendment FA 2019]**

40A(3)

Amounts not deductible in respect of expenditure exceeding Rs. 10,000 / 35,000

- | | |
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| a | If any payment is made in excess of Rs. 10,000 (In case of plying. Hiring or leasing Goods carriage above Rs. 35000) otherwise than by a crossed cheque or bank draft (crossed) then 100% of such expenses will be disallowed. |
| b | A payment (or aggregate of payment made to person in a day) in respect of the above expenditure exceeds Rs. 10,000. |

In order to promote digital transactions, the payments or receipts through other notified electronic modes. Have been proposed to be included in the list of acceptable mode of payment. **[Amendment FA 2019]**

Important Points

- If aggregate of payment made to a person in a day in cash exceeds Rs. 10,000 or Rs. 35,000, then whole amount will be disallowed u/s 40A(3)
- The expenditure should be revenue expenditure allowable as deduction under any section under this head. Capital expenditure which is not allowable as deduction u/s 30 to 37 is not covered u/s 40A(3).

CERTAIN EXPENDITURES ALLOWED ONLY IF PAYMENT IS MADE BY DUE DATE OF FILLING OF RETURN [SEC.43B]

Type of expenditure	Following expenditures are allowed only if payment is made by due date of filling of return	
	A	Tax, Duty, cess, etc, by whatever name called, payable to Government.
	B	Employer contribution to any provident fund, superannuation fund, gratuity fund or any other fund for the welfare of employees
	C	Bonus or commission to employees.
	D	Interest on loan to public financial institutions (i.e. ICICI, IFCI, IDBI, LIC and UTI) or a State financial corporation; or State industrial investment corporation.
	E	Any sum payable as interest or any loan or borrowing from a deposit - taking non - banking finance company (NBFC) and systematically important non deposit - taking NBFC (Applicable from the assessment year 2020 - 21) [FA 2019]
	F	Interest on loan to a scheduled bank
	G	Leave encashment payable to employee.
	H	Any sum payable by Assessee to the Indian Railways for use of Railway Assets.
Due date of filling or return	Where audit is compulsory	30th September of the A.Y.
	In any other case	31 st July of the A.Y.
	Where assessee has entered into an international transaction	30th Nov of the AY
What if late payment or return	Deduction can be claimed in the year of payment.	
Advance payment	Advance payment shall not be allowed	
What if assessee maintain accounts on cash basis	Sec. 43B shall have no relevance. If an assessee follows cash basis of accounting, deduction shall be allowed only in the year in which payment is made.	

SPECIAL PROVISION FOR FULL VALUE OF CONSIDERATION FOR TRANSFER OF ASSETS OTHER THAN CAPITAL ASSETS IN CERTAIN CASES [SEC. 43CA]

1	Where the consideration received or accruing as a result of the transfer by an assessee of an asset (other than a capital asset), being land or building or both , is less than 105% value adopted or assessed or assessable by any authority of a State Government for the purpose of payment of stamp duty in respect of such transfer, the value so
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	adopted or assessed or assessable shall, for the purposes of computing profits and gains from transfer of such asset, be deemed to be the full value of the consideration received or accruing as a result of such transfer.
2	Where the date of agreement fixing the value of consideration for transfer of the asset and the date of registration of such transfer of asset are not the same, the value referred to in above para may be taken as the value assessable by any authority of a State Government for the purpose of payment of stamp duty in respect of such transfer on the date of the agreement. However, this benefit is available only in a case where the amount of consideration or a part thereof has been received by any mode other than cash on or before the date of agreement for transfer of the asset. In order to promote digital transactions, the payments or receipts through other notified electronic modes. Have been proposed to be included in the list of acceptable mode of payment. [Amendment FA 2019]
3	For further details in relation to determination of the value adopted or assessed or assessable, please refer sec. 50C as discussed in Chapter 'Capital Gain'.

PRESUMPTIVE TAXATION SCHEME FOR ASSESSEES ENGAGED IN ELIGIBLE PROFESSION

Section 44AD

8% of Gross Receipts received or receivable during the PY, or higher sum claimed to have been earned by the assessee **6% of total turnover or gross receipts** which is received by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account during the previous year or before the due date u/s 139(1).

Considering the digital India initiative and emerging mode of payments other than bank account the finance bill proposed to extend 6% presumptive taxation scheme benefit to the amount received through other electronic modes. Such acceptable electronic modes shall be notified by the income tax department. **[Amendment FA 2019]**

CAPITAL GAIN

CII for PY 19-20 : 289

CAPITAL GAIN ARISING FROM THE TRANSFER OF RESIDENTIAL HOUSE PROPERTY [SEC. 54]

Situation	Provisions				
Who can claim exemption	An individual or a HUF				
Which asset is qualified for exemption?	Residential house property (SO & LO)				
Which capital asset is eligible for exemption?	Long Term				
Which asset should be purchased to claim exemption?	<p>Only one / two [FA 2019] RHP (Purchased or constructed, old or new) in India</p> <p><u>Condition for Purchase of two RHP</u></p> <table> <tr> <td>1</td><td>LTCG does not exceeds 2 cr which means if LTCG exceeds 2cr then assessee can buy only 1 RHP and not 2.</td></tr> <tr> <td>2</td><td>Above option of purchase of 2 RHP is available once in a lifetime which means in subsequent years assesses can buy only 1 RHP irrespective of amount of Capital gain</td></tr> </table>	1	LTCG does not exceeds 2 cr which means if LTCG exceeds 2cr then assessee can buy only 1 RHP and not 2.	2	Above option of purchase of 2 RHP is available once in a lifetime which means in subsequent years assesses can buy only 1 RHP irrespective of amount of Capital gain
1	LTCG does not exceeds 2 cr which means if LTCG exceeds 2cr then assessee can buy only 1 RHP and not 2.				
2	Above option of purchase of 2 RHP is available once in a lifetime which means in subsequent years assesses can buy only 1 RHP irrespective of amount of Capital gain				

DEDUCTION FROM CAPITAL GAIN ON TRANSFER OF RESIDENTIAL PROPERTY FOR INVESTMENT IN ELIGIBLE COMPANY [SEC. 54GB]

1	Who can claim?	Individual & HUF	
2	Which specified asset is Transfer	1	Assessee must have transferred a long-term eligible for exemption capital asset being residential property (i.e. a house or a plot of land)
		2	Such transfer should take place during 01-04-2013 and 31 03-2021. (FA 19)
3	Which asset should be purchased to claim exemption?	Equity shares of Eligible company.	

4	What is the time limit to acquire new asset	a	Assessee must subscribe in the equity shares of an eligible company within the due date of furnishing income tax return for the relevant assessment year.
		b	The company should purchase new asset within 1 year from the date of subscription in equity shares by the assessee.
		c	Capital Gain Deposit Scheme The amount of the net consideration, which has been received by the company for issue of shares to the assessee to the extent it is not utilized by the company for the purchase of the new asset before the due date of furnishing of the return of income by the assessee u/s. 139, shall be deposited by the company, before the said due date in the Capital Gain Deposit Scheme.
5	How much is exempt	Minimum of the following: <ul style="list-style-type: none"> Investment in the new asset by the Eligible company $\frac{\text{Net sale consideration}}{\text{Net sale consideration}} \times \text{Capital Gain}$	
6	Is it possible to revoke the exemption	1	If the newly acquired asset is transferred by the eligible company within 5 years from the date of its acquisition , benefit availed earlier shall be revoked.
		2	If the equity shares of the eligible company is transferred by the assess within 5 years & 3 years in case of computer or computer software by an eligible start up [FA 2019] from the date of its acquisition , benefit availed earlier shall be revoked.
		3	If the amount held in Capital Gains, Deposit Account Scheme (1988), is unutilized, benefit availed earlier shall be revoked.
7	Treatment of revoked income	•	Revocation due to case 1 & 2 above: Such revoked income (exemption or proportionate thereof) shall be taxable in the hands of the assessee (i.e., the person who has transferred residential property) as long-term capital gain in the year of revocation of condition.
			Note:
			It is to be noted that capital gains, arising on transfer of shares or of the new asset, in the hands of the assessee or the company, as the case may be is also taxable separately.

		<ul style="list-style-type: none"> Revocation due to case 3 above. Chargeable amount in hands of the assessee (i.e. the person who has transferred residential property) is:- (Unutilised amount for which benefit under section 54GB is availed X Original capital gain) (Net sale consideration) Taxation as long term capital gain of the previous year in which 1 year from the date of the subscription in equity shares by the assessee expires.
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KEY NOTES	1. Meaning of Eligible Company:	
	a	<u>It is an Indian company:</u> The company should be incorporated during the period from the 1 st day of April of the previous year relevant to the assessment year in which the capital gain arises to the due date of furnishing of return of income u/s. 139(1) by the assessee. E.g. : If Mr. X has transferred his residential property as on 10/8/2019, then company should be incorporated between 01/04/2019 and due date of furnishing return u/s. 139(1) by Mr. X (i.e. 31/07/2020 assuming his accounts are not liable for tax audit).
	b	The company is engaged in the business of manufacture of an article or a thing.
	c	It is a company in which the assessee has more than 25% share capital [FA 2019] or more than 25% voting rights [FA 2019] after the subscription in shares by the assessee; and
	d	It is a company which equalities to be a small or medium enterprise (i.e. SME) under the Micro. Small and Medium Enterprises Act, 2006 (i.e. investment in plant and machinery is more than Rs. 25 lakhs but does not exceed Rs. 10 crore). or is an eligible start up
	<u>New asset means new plant and machinery but does not include:</u>	
	a	Any machinery or plant which before its installation by the assessee, was used either within or outside India by any other person (Second hand machine),
	b	Any machinery or plant installed in any office premises or any residential accommodation, including accommodation in the nature of a guest-house.
	c	Any office appliances including computers or computer software; Note: <u>W.e.f. 1/4./2016</u> , New Asset includes Computers or Computer Software in the case of an Eligible Start-Up, being a technology driven Start-Up so certified by the Inter-Ministerial Board of Certification notified by the Central Government.

	d	Any vehicle; or
	e	Any machinery or plant for which 100% deduction is allowed (whether by way of depreciation or otherwise) in computing the income chargeable under the head "profits and gains of business or profession" of any previous year.
2) What is eligible start up or eligible business Eligible business means a business which involves innovation, development, deployment, or commercialized of new products processes or service driven by technology or intellectual property. <u>Eligible start-ups means a company engaged in eligible business and satisfies he following conditions:</u>		
	a	It is incorporated during 1/4/2016 - 31/3/2019
	b	Total turnover of its business does not exceed Rs. 25 crore in any of the PY during 1/4/2016 to 31/3/2021
	c	It holds a certificate of eligible business from the enter - Ministerial Board of certification notified by the CG]

INCOME FROM OTHER SOURCES

AMENDMENT TO SECTIONS 50CA AND 56(2)(X)

Shares received by a person for inadequate consideration (or without consideration) are chargeable to tax in the hands of recipient under section 56(2)(x) to the extent of inadequacy of consideration (or absence of consideration), if a few conditions are satisfied (this section is also applicable for receipt of money or property without consideration or for inadequate consideration). Conversely, section 50CA provides that if unquoted shares are transferred for inadequate consideration, capital gain is calculated in the hands of transferor by taking fair market value of shares as "full value of consideration".

Fair market value - For these provisions, the fair market value is determined based on the prescribed method. Determination of fair market value based on the prescribed rules may result into genuine hardships in certain cases where the consideration for transfer of shares is approved by certain authorities and the person transferring the share has no control over such determination

Exemption - Currently, the provisions of section 56(2)(x) are not applicable to certain specified transactions. However, no such exemption is available under section 50CA. For instance, if X transfers shares (fair market value : Rs. 10 lakh) to Y for Rs. 4 lakh, Rs. 6 lakh is taxable as income of Y (i.e., recipient) under section 56(2)(x). Capital gain of X (i.e., transferor) will be calculated by taking Rs. 10 lakh as full value of consideration under section 50C. If X and Y are relatives, section 56(2)(x) is not applicable [there are a few more such cases where section 56(2)(x) is not applicable]. However, no such exemption is available under

section 50CA

Amendment - In order to provide relief to such types of transactions (as given above) form the applicability of sections 56(2)(x) and 50CA, these sections have been amended with effect from the assessment year 2020-21. The amended provisions empower the Board to prescribe transactions undertaken by certain class of persons to whom the provisions of sections 56(2)(x) and 50CA shall not be applicable.

SHARE PREMIUM IN EXCESS OF FMV OF SHARE [SEC. 56(2)(viib)]

Where a company not being a company in which the public are substantially interested, receives, in any previous year from any person being a resident any consideration for issue of shares that exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the FMV of the shares shall be treated as income of the company.

Exemption available to Eligible start up. [FA act 2019]

CLUBBING OF INCOME

No Amendments

SET OFF AND CARRY FORWARD OF LOSSES

CARRY FORWARD AND SET OFF OF LOSSES IN THE CASE OF CERTAIN COMPANIES [SEC. 79]

Clause (a) of Section 79

In case of a company in which the public are not substantially interested, no loss incurred in any year prior of 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 share of the company carrying not less than 51% of the voting power were beneficially held by persons who beneficially held share of the company carrying not less than 51% of the voting power on the last day of the year or years in which the loss was incurred.

Clause (b) of Section 79

The assessee is a company if the following conditions are satisfied -

1. It is an eligible start-up as referred to section 80-IAC.
2. Loss incurred by the assessee company during the period of 7 years (beginning from the year in which the company is incorporated)

3. if the above conditions are satisfied, brought forward loss can be set off against current year's income only if all the shareholders of the company (who held shares carrying voting power) on the last day of the previous year in which the loss was incurred, continue to hold shares as on the last day of the current year.

Amendment to section 79

Section 79 regulates carry forward and set off of losses in case of a closely held company (i.e. not being a company in which the public are substantially interested). Clause (a) of section 79 applies to all such companies (except an eligible start-up as referred to in section 80-IAC), while clause (b) applies only to such eligible start-up. These provisions are as follows —

Clause (a) of section 79: Loss of a closely held company - Where a change in shareholding has taken place during the previous year in the case of a closely held company, earlier year losses shall be carried forward and set off against the income of the current previous year, only if the persons beneficially holding 51 per cent of the voting power on the following two dates are same —

- a) On the last day of the previous year in which the loss was incurred
- b) On the last day of the previous year in which the company wants to set off the brought forward loss

Clause (b) of section 79 : Loss of a start-up - In case of a closely held start-up (as referred to in section 80-IAC), brought forward loss can be set off against current year's income only if all the shareholders of the company (who held shares carrying voting power on the last day of the previous year in which the loss was incurred), continue to hold shares on the last day of the current year (i.e., the year in which the company wants to set off the brought forward loss). This restriction is applicable only for such loss which is incurred during the period of 7 years beginning from the year in which such company is incorporated

Amendment for eligible start-up - Currently, a closely held company (which owns an eligible start up) cannot carry forward and set off loss under section 79(a)

To further facilitate ease of doing business in the case of an eligible start-up, the scheme of section 79 has been modified (with effect from the assessment year 2020-21) so as to provide that brought forward loss of a closely held eligible start-up shall be carried forward and set off against the income of current previous year on satisfaction of either of the two conditions stipulated currently under clause (a) or clause (b) as given above

For other closely held companies, there would be no change, and loss incurred in any year prior to the previous year shall be carried forward and set off only on satisfaction of condition currently permitted at clause

PERMISSIBLE DEDUCTION FROM TOTAL INCOME

SECTION 80C

Applicability	Individuals / HUF, irrespective of Residential Status	
Conditions	a	Investment or Contribution should be made in approved invested schemes.
	b	The payments need not necessarily be made out of income chargeable to tax.
	c	Deduction shall be allowed only on payment basis not on accrual basis.
Maximum Deduction	Amount deposited or Rs 1,50,000 whichever is less	

Nature of Investment / Payment	Payments made by	
	Individual	HUF
Contribution to additional account under NPS Contribution by a Central Government employee to additional account under NPS [specified account] referred to in section 80CCD for a fixed period of not less than 3 years and which is in accordance with the scheme notified by the Central Government for this purpose qualifies for deduction under section 80C. It may be noted that only the contribution to the additional account under NPS will qualify for deduction under section 80C. There are two types of NPS account i.e., Tier I and Tier II, to which an individual can contribute. Section 80CCD provides deduction in respect of contribution to individual pension account [Tier I account] under the NPS	Yes	No

SECTION 80CCD CONTRIBUTION TO NATIONAL PENSION SCHEME

Applicable to	An Individual (irrespective of his residential status)	
Quantum of Deduction:		
A	<u>In case of salaried individual</u>	
	Lower of the following	
	•	The whole of the amount so paid or deposited
	•	Maximum of 10% of his salary in the previous year
Add: Employers contribution maximum to the extent of 10% of salary& 14% in case of		

contribution made by central government. [FA 2019]

Salary = Basic + DA (if applicable)

Employer contribution to NPS is treated as salary income.

B	<u>In case of other individual</u>
	<ul style="list-style-type: none"> The whole of the amount so paid or deposited maximum of 20% of his GTI

NOTE:

Further in respect of employee contribution / Assesses contribution in addition to 10% of salary / 20% of GTI an Additional deduction of Rs 50,000 shall be allowed.

DEDUCTION IN RESPECT OF INTEREST PAYABLE ON LOAN TAKEN FOR ACQUISITION OF RESIDENTIAL HOUSE PROPERTY [SECTION 80EEA]

i	Eligible assessee	An individual who has taken a loan for acquisition of residential house property from any financial institution. Interest payable on such loan would qualify for deduction under this section.									
ii	Conditions	The conditions to be satisfied for availing this deduction are as follows <table><tr><th colspan="2">Conditions</th></tr><tr><td>1</td><td>The loan is sanction by a financial institution (i.e. a bank or banking institution or a housing finance company) during April 1, 2019 and march 31, 2020.</td></tr><tr><td>2</td><td>The stamp duty value of the residential house property does not exceed Rs. 45 Lakh. The expression "Stamp Duty Value" means value adopted (or assessed or assesable) by any authority of the Central Government or a State Government for the purpose of payment of stamp duty in respect of an immovable property.</td></tr><tr><td>3</td><td>The assessee does not own any residential house property on the date of sanction of loan.</td></tr></table>		Conditions		1	The loan is sanction by a financial institution (i.e. a bank or banking institution or a housing finance company) during April 1, 2019 and march 31, 2020.	2	The stamp duty value of the residential house property does not exceed Rs. 45 Lakh. The expression "Stamp Duty Value" means value adopted (or assessed or assesable) by any authority of the Central Government or a State Government for the purpose of payment of stamp duty in respect of an immovable property.	3	The assessee does not own any residential house property on the date of sanction of loan.
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3	The assessee does not own any residential house property on the date of sanction of loan.										
iii	Period of benefit	The benefit of deduction under this section would be available from A. Y. 2020-21 and subsequent assessment years till the repayment of loan continues.									
iv	Quantum of deduction	The maximum deduction allowable is Rs. 1,50,000. The deduction of upto Rs. 1,50,000 under section 80EEA is over and above the deduction available under section 24(b) in respect of interest payable on loan borrowed for acquisition of a residential house property. In respect of self-occupied house property, interest deduction under section 24(b) is restricted to Rs. 2,00,000. In case of let out or									

		deemed to be let out property, even though there is no limit under section 24(b), section 71(3A) restricts the amount of loss from house property to be set-off against any other head of income to Rs. 2,00,000. Accordingly, if interest payable in respect of acquisition of eligible house property is more than Rs. 2,00,000, the excess can be claimed as deduction under section 80EEA, subject to fulfilment of conditions.									
v	No deduction under any other provisions	The interest allowed as deduction under section 80EEA will not be allowed as deduction under any other provision of the Act for the same or any other assessment year.									
vi	Meaning of certain terms:	<table border="1"> <thead> <tr> <th></th><th>Term</th><th>Meaning</th></tr> </thead> <tbody> <tr> <td>a</td><td>Financial Institution</td><td> <ul style="list-style-type: none"> A banking company to which the Banking Regulation Act, 1949 applies; or Any bank or banking institution referred to in section 51 of the Banking Regulation Act, 1949; or A housing finance company. </td></tr> <tr> <td>b</td><td>Housing Finance Company</td><td>A public company formed or registered in India with the main object of carrying on the business of providing long term finance for construction or purchase of houses in India for residential purposes.</td></tr> </tbody> </table>		Term	Meaning	a	Financial Institution	<ul style="list-style-type: none"> A banking company to which the Banking Regulation Act, 1949 applies; or Any bank or banking institution referred to in section 51 of the Banking Regulation Act, 1949; or A housing finance company. 	b	Housing Finance Company	A public company formed or registered in India with the main object of carrying on the business of providing long term finance for construction or purchase of houses in India for residential purposes.
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DEDUCTION IN RESPECT OF INTEREST PAYABLE ON LOAN TAKEN FOR PURCHASE OF ELECTRIC VEHICLE [SECTION 80EEB]

i	Eligible Assessee	An individual who has taken a loan for purchase of an electric vehicle from any financial institution. Interest payable on such loan would qualify for deduction under this section.
ii	Conditions	The conditions to be satisfied for availing this deduction are as follows
iii	Period of benefit	The benefit of deduction under this section would be available from A. Y. 2020-21 and subsequent assessment years till the repayment of loan continues.
iv	Quantum of deduction	Interest payable, subject to a maximum of Rs. 1,50,000.
v	No deduction under any other provision	The interest allowed as deduction under section 80EEB will not be allowed as deduction under any other provision of the Act for the same or any other assessment year.

vi	Meaning of certain terms :	<table border="1"> <thead> <tr> <th data-bbox="472 244 557 297"></th><th data-bbox="557 244 831 297">Term</th><th data-bbox="831 244 1501 297">Meaning</th></tr> </thead> <tbody> <tr> <td data-bbox="472 297 557 987" rowspan="5">a</td><td data-bbox="557 297 831 987" rowspan="4">Financial Institution</td><td data-bbox="831 297 1501 448"> <ul style="list-style-type: none"> • A banking company to which the Banking Regulation Act, 1949 applies; or </td></tr> <tr> <td data-bbox="831 448 1501 598"> <ul style="list-style-type: none"> • Any bank or banking institution referred to in section 51 of the Banking Regulation Act, 1949; or </td></tr> <tr> <td data-bbox="831 598 1501 651"> <ul style="list-style-type: none"> • Any deposit taking NBFC. </td></tr> <tr> <td data-bbox="831 651 1501 987"> <ul style="list-style-type: none"> • A systemically important non-deposit taking NBFC i.e., a NBFC which is not accepting or holding public deposits and having total assets of not less than Rs. 500 crore as per the last audited balance sheet and is registered with the RBI. </td></tr> <tr> <td data-bbox="472 987 557 1379">b</td><td data-bbox="557 987 1501 1379"> Electric Vehicle A vehicle which is powered exclusively by an electric motor whose traction energy is supplied exclusively by traction battery installed in the vehicle. The vehicle should have electric regenerative braking system, which during braking provides for the conversion of vehicle kinetic energy into electrical energy. </td></tr> </tbody> </table>		Term	Meaning	a	Financial Institution	<ul style="list-style-type: none"> • A banking company to which the Banking Regulation Act, 1949 applies; or 	<ul style="list-style-type: none"> • Any bank or banking institution referred to in section 51 of the Banking Regulation Act, 1949; or 	<ul style="list-style-type: none"> • Any deposit taking NBFC. 	<ul style="list-style-type: none"> • A systemically important non-deposit taking NBFC i.e., a NBFC which is not accepting or holding public deposits and having total assets of not less than Rs. 500 crore as per the last audited balance sheet and is registered with the RBI. 	b	Electric Vehicle A vehicle which is powered exclusively by an electric motor whose traction energy is supplied exclusively by traction battery installed in the vehicle. The vehicle should have electric regenerative braking system, which during braking provides for the conversion of vehicle kinetic energy into electrical energy.
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	b	Electric Vehicle A vehicle which is powered exclusively by an electric motor whose traction energy is supplied exclusively by traction battery installed in the vehicle. The vehicle should have electric regenerative braking system, which during braking provides for the conversion of vehicle kinetic energy into electrical energy.											

Illustration 1

The following are the particulars relating to Mr. A, Mr. B, Mr. C and Mr. D, salaried individuals, for A.Y. 2020-21 -

Particulars	Mr. A	Mr. B	Mr. C	Mr. D
Amount of loan taken	Rs.43 lakhs	Rs. 45 lakhs	Rs. 20 lakhs	Rs. 15 lakhs
Loan taken from	HFC	Deposit taking NBFC	Deposit taking NBFC	Public sector bank
Date of sanction of loan	1.4.2019	1.4.2019	1.4.2019	30.3.2019
Date of disbursement of loan	1.5.2019	1.5.2019	1.5.2019	1.5.2019
Purpose of loan	Acquisition of residential house property for self-occupation	Acquisition of residential house property for self-	Purchase of electric vehicle for personal use	Purchase of electric vehicle for personal use.

		occupation		
Stamp duty value of house property	Rs. 45 lakhs	Rs. 48 lakhs	-	-
Cost of electric vehicle	-	-	Rs. 22 lakhs	Rs. 18 lakhs
Rate of interest	9% p.a.	9% p.a.	10% p.a.	10% p.a.

Compute the amount of deduction, if any, allowable under the provisions of the Income-tax Act, 1961 for A.Y. 2020-21 in the hands of Mr. A, Mr. B, Mr. C and Mr. D. Assume that there has been no principal repayment during the P.Y. 2019-20.

Solution

Particulars		Rs.
Mr. A		
Interest deduction for A. Y. 2020-21		
i	Deduction allowable while computing income under the head "Income from house property" Deduction U/s. 24(b) Rs. 3,54,750 [Rs.43,00,000 × 9% 11/12] Restricted to	2,00,000
ii	Deduction under Chapter VI-A from Gross Total Income Deduction u/s. 80EEA Rs. 1,54,750 [Rs. 3,54,750 - Rs. 2,00,000] Restricted to	1,50,000
Mr. B		
Interest deduction for A.Y. 2020-21		
i	Deduction allowable while computing income under the head "Income from house property" Deduction U/s. 24(b) Rs. 3,71,250 [Rs.45,00,000 × 9% 11/12] Restricted to	2,00,000
ii	Deduction under Chapter VI-A Deduction u/s. 80EEA is not permissible since : (i) Loan is taken from NBFC (ii) Stamp duty value exceeds Rs. 45 lakh Deduction under section 80EEA would not be permissible due to either violation listed above.	Nil
Mr. C		
Deduction under Chapter VI-A		
Deduction u/s. 80EEB for interest payable on loan taken for purchase of electric vehicle [Rs. 20 lakhs × 10% × 11/12 = Rs. 1,83,333, restricted to Rs. 1,50,000, being the maximum permissible deduction]		1,50,000

Mr. D	Nil
Deduction under Chapter VI-A	
Deduction u/s. 80EEB is not permissible since loan was not sanctioned in the P.Y. 2019-20.	

SECTION 80IBA: DEDUCTIONS FOR PROFITS & GAINS FROM HOUSING PROJECTS

1	Applicability	All Assessee		
2	Nature of Business	Business of developing and building Housing Projects.		
	<u>Note</u> : Assessee who executes the Housing Project as a Works - Contract awarded by any person (including Central/ State Govt) is not eligible for Deduction.			
3	Quantum of Deduction	100% of the Profits & Gains derived from such Business.		
Conditions				
Project Approval		The project shall be approved by the Authority after 1/6/2016 but on or before 31/3/2020..		
Project Completion		The project shall be completed within a period a period of 5 years from the date of approval by the competent Authority.		
		•	<u>Frist Approval</u> : if the approval in respect of a Housing Project is obtained more than once the project shall be deemed to have been approved on the date on which the Building Plan of such Housing Project was first approved by the Competent Authority.	
		•	<u>Deemed Completion</u> : The project is deemed to have been completed when a Certificate of Completion of Project as a whole is obtained in writing from the Competent Authority.	
Shops and Commercial Establishment		The built-up area of the shops and other commercial establishment included in the housing project does not exceed 3%. Of the aggregate built-up area.		
Conditions as to Land Area, Residential Unit Area, Floor Area, etc. if project is		Housing project location	Chennai, delhi, Kolkata or Mumbai or within distance measure aerially of 25 Kms from the Municipal Limits of these cities	In any other place
		Minimum Land Area for the Housing Project	1,000 sq m	2,000 sq m

approved on or before 1/9/19	Note: The project u/s 80IBA shall be the only housing project on the above mentioned land.		
	Maximum built up Area for Residential Units in the Housing Project	60 sq m [FA ACT 2019]	90 sq m [FA ACT 2019]
	minimum Floor Area Ratio utilization as per Rules by Central Govt./ State Govt./ Local Authority	90% of the permissible Ratios	80% of the Permissible Ratio
If project is approved on or after 1/9/19 [FA 2019]	Project is situated within metropolitan cities of Bengaluru Chennai Delhi NCR (limited to Delhi, Noida, Greater Noida, Ghaziabad, Gurugram, Faridabad) Hyderabad, Kolkata and Mumbai.		
4	Allotment Restriction	If a Resident unit is allotted to an individual, no other Residential Unit in the Housing Project shall be allotted to the Individual or the Spouse or the Minor Children of such Individual.	
5	Maintenance of Books	The Assessee maintains separate books of account in respect of the Housing Project.	
6	Non completion in 5 years	if the Housing Project is not completed within 5 years from the date of approval, and in respect of which a deduction has been claimed and allowed u/s 80-IBA, the total amount of deduction so claimed and allowed in one or more previous years, shall be deemed to be the income of the Assessee chargeable as "Profits and Gains of Business or Profession" of the previous year in which the period for completion so expires.	
7	No Double Deduction	Where any amount of Profits and Gains derived from the business of developing and building Housing Projects is claimed and allowed u/s 80-IBA for any AY, deduction to the extent of such profit and gain shall not be allowed under any other previous of this Act	
8	Meaning of Terms	a	"built-Up Area" means the inner measurements of the Residential Unit at the floor level, including projections and balconies, as increased by the thickness of the walls, but does not include the common areas shares with other residential Units, including any open terrace so shares.

		b	"Competent Authority" means the authority empowered to approved the Building plan by or under any law for the time being in force,
		c	"Floor Area Ratio" means the quotient obtained by dividing the total covered area of plinth area on all the floors by the area of the plot of land.
		d	"Floor Area Ratio" means a project consisting pre-dominantly of Resident units which such other facilities and amenities as the Competent Authority may approve subject to the provisions of this section.
		e	"Residential Unit" means an independent housing unit with separate facilities for living, cooking and sanitary requirements, distinctly separated from other Residential Units within the building, which is directly accessible from an outer door or through and interior door in a shared hallway and not by walking through the living space of another household.

TAX DEDUCTED AT SOURCE AND TAX COLLECTED AT SOURCE

SEC 194A: INTEREST OTHER THAN "INTEREST ON SECURITIES"

1	Person responsible for tax deduction	a	All person other individual and HUF, and
		b	Individual and HUF who are require to get their accounts audited u/s 44AB (a) or (b), in the preceding FY.
2	Category of payee	Any resident in India	
3	Rate of deduction of tax	Non-corporate Assessee or domestic companies @10%	
4	No TDS	i	<u>Where the aggregate of interest credited or paid or likely to be credited or paid during the FY does not exceed Rs 5000</u>
		a	This limit is Rs 40,000 in case of interest paid on time deposit with banking company, co-operative bank or post office on notified deposited schemes, and
		In respect of a, above the limit is Rs 50,000 in case of payee being a resident senior citizen.	

SEC 194DA: PAYMENT FROM LIFE INSURANCE POLICY

Person responsible to deducted tax	Insurance Companies
Category of payee	Resident Assessee
Rate of deduction of tax	1% of payment including bonus & 5 % on or after 1 st September 2019 [FA 2019]
Exemption	Amount which is exempt u/s 10(10D), or Aggregate amounts of payments in a FY < 1,00,000

SEC 194 - I: RENT

1	Person responsible to deduct tax	a	All persons other than individual and HUF, and
		b	Individual and HUF who are required to get their accounts audited u/s 44AB in the preceding FY.
2	Category of payee	Any person being resident in India	
3	Nature of payment	Rent means any payment, by whatever name called, under any lease, sublease, tenancy or any other agreement or arrangement for the use of (either separately or together)	

		any, -	
		a	Land; or
		b	Building (including factory building); or
		c	Land appurtenant to a building (including factory building); or
		d	Machinery; or
		e	Plant; or
		f	Equipment; or
		g	Furniture; or
		h	Fittings,
		Whatever or not any or all of the above are owned by the payee;	
4	Rate of deduction of tax	a	Machinery, plant or equipment-@2%
		b	Land or building (including factory building) or furniture or fittings - @10%
5	No TDS	a	Aggregate amount of rent paid or credited = < Rs. 2,40,000/- during the FY, or the payee is the government or local authority.
		b	Rent is credited or paid to a real estate investment trust, in respect of any real estate asset, referred to u/s 10(23FCA), owned directly by such trust
6	Time for deduction of tax	At the time of payment or credit whichever is earlier, including credit to suspense account.	

PAYMENT MADE BY AN INDIVIDUAL OR A HUF FOR CONTRACT WORK OR BY WAY OF FEES FOR PROFESSIONAL SERVICES OR COMMISSION OR BROKERAGE [SECTION 194M]

1	Applicability and rate of TDS	Inserted with effect from 1.9.2019, provides for deduction of tax at source @5% by an individual or a HUF responsible for paying any sum during the financial year to any resident -	
		i	For carrying out any work [including supply of labour for carrying out any work] in pursuance of a contract, or
		ii	By way of commission [not being insurance commission referred to in section 194D] or brokerage; or
		iii	By way of fees for professional services.
		It may be noted that only individuals and HUFs [other than those	

		who are required to deduct income-tax as per the provisions of section 194C or 194H or 194J] are required to deduct tax in respect of the above sums payable during the financial year to a resident.	
2	Time of deduction	The tax should be deducted at the time of credit of such sum or at the time of payment of such sum, whichever is earlier.	
3	Threshold limit	No tax is required to be deducted where such sum or, as the case may be, aggregate amount of such sums credited or paid to a resident during the financial year does not exceed Rs. 50,00,000.	
4	Non-applicability of TDS under section 194M	An individual or a Hindu undivided family is not liable to deduct tax at source under section 194M if -	
		i	They are required to deduct tax at source under section 194C for carrying out any work [including supply of labour for carrying out any work] in pursuance of a contract i.e., on individual or a HUF who is subject to tax audit under section 44AB[a]/[b] in the immediately preceding financial year and such amount is not exclusively credited or paid for personal purposes of such individual or HUF.
		ii	They are required to deduct tax at source under section 194H on commission [not being insurance commission referred to in section 194D] or brokerage i.e., an individual or a HUF whose total sales, gross receipts or turnover from the business or profession carried on by him exceed the monetary limits of Rs. 1 crore and Rs. 50 lakhs, respectively, specified under section 44AB during the immediately preceding financial year.
		iii	They are required to deduct tax at source under section 194) on fees for professional services i.e. an individual or a HUF whose total sales, gross receipts or turnover from the business or profession carried on by him exceed the monetary limits of Rs. 1 crore and Rs. 50 lakhs, respectively, specified under section 44AB during the immediately preceding financial year and such amount is not exclusively credited or paid for personal purposes of such individual or HUF.
5	No requirement to obtain TAN	The provisions of section 203A containing the requirement of obtaining Tax deduction account number [TAN] shall not apply to the person required to deduct tax in accordance with the provisions of section 194M.	

Illustration 1

Examine whether TDS provisions would be attracted in the following cases, and if so, under which section. Also specify the rate of TDS applicable in each case. Assume that all payments are made to residents.

Particulars of the payer		Nature of payment	Aggregate of payments made in the F.Y. 2019-20
1	Mr. Ganesh, an individual carrying on retail business with turnover of Rs. 2.5 crores in the P.Y. 2018-19.	Contract Payment for repair of residential house	Rs. 5 lakhs
		Payment of commission to Mr. Vallish for business purposes	Rs. 80,000
2	Mr. Rajesh, a wholesale trader who declares profits under section 44AD for P.Y. 2018-19 and P.Y. 2019-20.	Contract payment for reconstruction of residential house [made during the period January March, 2020]	Rs. 20 lakhs in January, 2020, Rs. 15 lakhs in Feb. 2020 and Rs. 20 lakhs in March 2020.
3	Mr. Satish, a salaried individual	Payment of brokerage for buying a residential house in March, 2020.	Rs. 51 lakhs.
4	Mr. Dheeraj, a pensioner	Contract payment made during October November 2019 for reconstruction of residential house.	Rs. 48 lakhs

Solution

Particulars of the payer		Nature of payment	Aggregate of payments in the F.Y. 2019-20	Whether TDS provisions are attracted?
1	Mr. Ganesh, an individual carrying on retail business with turnover of Rs. 2.5 crores in the P.Y. 2018-19	Contract Payment for repair of residential house	Rs. 5 lakhs	No, TDS under section 194C is not attracted since the payment is for personal purpose and TDS under section 194M is not attracted as aggregate of contract payment to the payee in the P.Y. 2019-20 does not exceed Rs. 50 lakhs.
		Payment of commission to Mr.	Rs. 80,000	Yes, u/s. 194H, since the payment exceeds Rs.

		Vallish for business purposes.		15,000, and Mr. Ganesh's turnover exceeds Rs. 1 crore in the P.Y. 2018-19.
2	Mr. Rajesh, a wholesale trader who declares profits under section 44AD for P.Y. 2018-19 and P.Y. 2019-20.	Contract Payment for reconstruction of residential house.	Rs. 55 lakhs	Yes, under section 194M, since the aggregate of payments [i.e. Rs. 55 lakhs] exceed Rs. 50 lakhs, and the payments are made after 1.9.2019. Since he declares profits on presumptive basis under section 44AD, he is not subject to tax audit in the P.Y. 2018-19. Hence, TDS provisions under section 194C are not attracted in respect of payments made in the P.Y. 2019-20.
3	Mr. Satish, a salaried individual	Payment of brokerage for buying a residential house.	Rs. 51 lakhs	Yes, under section 194M, since the payment of Rs. 51 lakhs made in March 2020 exceeds the threshold of Rs. 50 lakhs. Since Mr. Satish is a salaried individual, the provisions of section 194H are not applicable in this case.
4	Mr. Dheeraj, a pensioner	Contract payment for reconstruction of residential house.	Rs. 48 lakhs	TDS provisions under section 194C are not attracted since Mr. Dheeraj is a pensioner and hence, not subject to tax audit. TDS provisions under section 194M are also not applicable in this case, since the payment of Rs.48 lakhs, even though

				made after 1.9.2019, does not exceed the threshold of Rs. 50 lakhs.
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TDS ON CASH WITHDRAWAL [SECTION 194N]

1	Applicability and rate of TDS	Section 194N, inserted with effect from 1.9.2019, provides that every person, being:	
		•	A banking company to which the Banking Regulation Act, 1949 applies [including any bank or banking institution referred under section 51 of that Act]
		•	A co-operative society engaged in carrying on the business of banking or
		•	A post office.
		Who is responsible for paying, in cash, any sum or aggregate of sums exceeding Rs. 1 crore during the previous year to any person from one or more accounts maintained by such recipient- person with it, shall deduct tax at source @ 2% of sum exceeding Rs. 1 crore.	
2	Time of deduction	This deduction is to be made at the time of payment of such sum.	
3	Non-applicability of TDS under section 194N	Liability to deduct tax at source under section 194N shall not be applicable to any payment made to -	
		-	The Government
		-	Any banking company or co-operative society engaged in carrying on the business of banking or a post-office.
		-	Any business correspondent of a banking company or co-operative society engaged in carrying on the business of banking, in accordance with the RBI guidelines.
		-	Any white label ATM operator of a banking company or co-operative society engaged in carrying on the business of banking, in accordance with the authorisation issued by the RBI under the Payment and Settlement Systems Act,2007.
		-	Such other person or class of persons notified by the Central Government in consultation with the RBI.

ADVANCE TAX

No amendments

ASSESSMENT PROCEDURE AND INTEREST

MANDATORY FURNISHING OF RETURN OF INCOMES BY CERTAIN PERSONS [SEC.139]

The following amendments have been made to the provisions of section 139 -

1	High value transactions	
	1	Currently a person (other than a company or a firm) is required to furnish the return of income only if his total income exceeds the maximum amount not chargeable to tax, subject to certain exceptions.
	2	Therefore, a person entering into certain high value transactions is not necessarily required to furnish his return of income
	3	In order to insure that persons who enter into certain high value transactions do furnish their returns to income, section 139, has been amended with effect from April 1, 2020 (i.e from the assessment year 2020-21 onward)
	4	Under the amended version, a person (other than a company or firm) shall be mandatorily require to file is return of income, if during the previous year, he -
	a	has deposited an amount (or aggregate of the amount) exceeding Rs. 1 Crore in one or more current account maintained with a banking company or a co-operative bank; or
	b	Has encored expenditure of an amount (or aggregate of the amount) exceeding of 2 lakhs for himself or any other person for travel to the foreign country; or
2	c	has incurred expenditure of an amount (or aggregate of the amount) exceeding Rs. 1 Lakh towards consumption of electricity or,
	d	Fulfilis such other prescribed conditions as may be prescribed
	Persons claiming exceptions under section 54, 54B etc	
a	1	Currently a person claiming rollover benefit of exemptions from capital gain tax on investment in specified assets like house, bonds, etc, is not required to furnish a return of income, if after claim of such rollover benefits, his total income is not more than the exemption limit
	2	In order to make furnishing of return compulsory for such persons, sixth proviso to section 139(1) has been amended with effect from April 1, 2020 (i.e. from the

assessment year 2020-21 onward). Impact of sixth proviso (before and after amendment) is given below

Who is covered by sixth proviso	Individual/HUF/AOP/BOI/artificial juridical person
When return is required to be submitted on compulsory basis	If total income (or net income or taxable income) exceeds the exemption limit without claiming the following exemption or deductions-
	1 Deduction under section 10A, 10B, 10BA, 80C To 80U
	2 Exemption under section 10(38) [applicable only for the assessment year 2017-18 and 2018-19]
	3 Exemption under section 54, 54B, 54D, 54EC, 54F, 54G, 54GA and 54GB [applicable from assessment year 2020-21 onward]

INTER-CHANGEABILITY OF PAN AND ADHAAR AND MANDATORY QUOTING IN PRESCRIBED TRANSACTIONS [SEC. 139A]

Section 139(A), inter alia, provides that every person specified therein, who has not been allotted a PAN, shall apply to the assessing officer for allotment of PAN.

1	<p>In many cases, person entering into high value transactions (such as purchase of foreign currency or huge withdrawal from the banks) do not possess a PAN.</p> <p>In order to keep an audit trail of such transactions, for widening and deepening of the tax base, new clause (vii) has been inserted (with effect from September 1, 2019) in section 139A(1) so as to provide that every person, who intends to enter into certain prescribed transactions and has not been allotted a pan, shall also apply for allotment of pan.</p>				
2	<p>To ensure ease of compliance, modifications have been made to provide for inter changeability of pan with the adhaar number.</p> <p>For this purpose, provisions of section 139A have been amended (with effect from September 1, 2019) as follows-</p> <table> <tr> <td>a</td><td>Every person who is required to furnish or intimate or quote his pan under the act, and he has not been allotted a pan but possesses adhaar number, may furnish or intimate or quote his adhaar number, in lieu of pan and such person shall be allotted a pan in the prescribed manner</td></tr> <tr> <td>b</td><td>Every person who has been allotted a pan and who has been linked his adhaar number under section 139AA. May furnish or intimate or quote his adhaar number in lieu of a pan</td></tr> </table>	a	Every person who is required to furnish or intimate or quote his pan under the act, and he has not been allotted a pan but possesses adhaar number, may furnish or intimate or quote his adhaar number, in lieu of pan and such person shall be allotted a pan in the prescribed manner	b	Every person who has been allotted a pan and who has been linked his adhaar number under section 139AA. May furnish or intimate or quote his adhaar number in lieu of a pan
a	Every person who is required to furnish or intimate or quote his pan under the act, and he has not been allotted a pan but possesses adhaar number, may furnish or intimate or quote his adhaar number, in lieu of pan and such person shall be allotted a pan in the prescribed manner				
b	Every person who has been allotted a pan and who has been linked his adhaar number under section 139AA. May furnish or intimate or quote his adhaar number in lieu of a pan				
3	Section 139A, inter alia, provides that every person, receiving a document relating to transaction for which pan is required to be quoted, shall ensure that the pan has been duly				

quoted therein. This provision has been amended (with effect from the September 1, 2019) to provide that every person receiving such documents shall also ensure that the pan or the adhaar number as the case may be, has been duly quoted moreover sub section 6A has been inserted in section 139A (with effect from September 1, 2019) to ensure quoting of pan or adhaar number entering into prescribed transaction and authentication thereof in the prescribed manner. moreover, sub section 6B has been inserted to provide that the person receiving any document relating to such transactions shall ensure that pan/adhaar number is duly quoted and authenticated.

AMENDMENT TO SECTION 139 AA

Section 139AA(2) provides that the pan allotted to a persons shall be deemed to be invalid, in case the person fails to intimate the adhaar number, on or before the notified date

In order to protect validity of transactions previously carried out through a such pan, the scheme of section 139 AA has been modified (with effect from September 1, 2019) to provide that if a person fails to intimate the adhaar number, the pan allotted to such person shall be made inoperative in the prescribed manner.

FILING OF RETURN

As per provisions of Sec. 139(1), following persons need to file a return of income in the prescribed form and within the prescribed time.

Section	Assessee	Size of Income
139(1)(a)	A company or a firm	Irrespective of size of Income (even where there is a loss)
139(1)(b)	Any other person	Every individual, HUF, etc. must file return of income of its Gross Total Income before claiming deduction u/s 10(38), 80C to 80U & Sec 54 [FA 2019]
139(4A)	Trust	Must file return if income before exemption u/s. sec. 11 or 12 exceeds maximum amount not chargeable to tax.
139(4B)	Political party	Must file return if GTI before exemption u/s 13A exceeds maximum amount not chargeable to tax.
139(4C)	Scientific research association; News agency; etc.	Must file return if income before giving effect u/s. 10 exceeds maximum amount not chargeable to tax.
139(4D)	Any University/College / other institution referred to on Sec. 35(1) (ii) or (iii)	Irrespective of size of Income (even where there is a loss)

APPEALS, REVISION, PENALTIES OFFENCES AND PROSECUTIONS

No Amendments

COLLECTION AND RECOVERY OF TAX

No Amendments

REFUND OF TAX

No Amendments

CHAPTER 19: NEW TAX RATE FOR DOMASTIC COMPANY

Reduced tax rate for domestic companies

As per Section 115BAA, domestic companies have the option to pay tax at a rate of 22% from the FY (AY onwards subject to following conditions

Conditions: -

The company does not avail following exemptions/ incentives under income tax law

1	Sec. IOAA: Deduction available for SIEZ units
2	Sec.32: Additional depreciation for new plant and machinery
3	Sec.32AD: Investment allowance for new plant and machinery made in notified backward areas in the states of Andhra Pradesh, 13ihar, Telangana, and West Bengal
4	Sec.33AB: Deduction for tea, coffee and rubber manufacturing companies
5	Sec.33ABA: Deduction for site restoration fund by assessee engaged in extraction or production of petroleum or natural gas or both in India
6	Sec.35: Deduction for Scientific research
7	Sec.35AD: Deduction for the capital expenditure incurred by specified business
8	Sec.35CCC: Deduction for the expenditure incurred on an agriculture extension project
9	Sec.35CCD: Deduction for the expenditure incurred on a skill development project
10	Chapter VIA (part c): Deduction u/s 801A, 801AB, 801AC, 801B and so on, except deduction under section 80JJAA

Option must be exercised before due date of return:

Such companies will have to exercise this option on or before the due date of filing income tax returns

Option once exercised cannot be withdrawn:

Once the company opts for section 115BAA in a particular financial year, it cannot be withdrawn subsequently.

New tax rate:

Base tax rate	Surcharge applicable	Cess	Effective tax rate
22%	10%	4%	$22 \times 1.1 \times 1.04 = 25.168\%$

Companies opting the new rates will also have to pay a surcharge of 10%, irrespective of their total income. Hence, the effective tax rate for these companies shall be 25.168%.

Minimum Alternate "Tax": Such companies will not be required to pay minimum alternate tax (NIA I) u/s 115JB of the Act.

Unabsorbed depreciation: Domestic company opting for sec. 115BAA shall not be allowed to claim set-off of any brought forward depreciation (additional depreciation) for the assessment year in which the option has been exercised and for the future assessment years.

There is no timeline for the domestic companies to choose a lower tax rate under section 115BAA. So such companies can avail the benefit of section 115BAA after claiming the brought forward loss on account of additional depreciation and also utilizing the MAIT credit against the regular tax payable if any.

Tax rate on new incorporated manufacturing company [sec. 115BAB]

A domestic manufacturing company registered on or after October 1st 2019 and commencing before 31st March 2023. Companies choosing for concessional tax will no longer be eligible for deductions or incentives from the government. However, there is an option to choose to opt to pay tax as per normal provisions. The company can opt for section 115BAB and file within 30th September of every assessment year.

Conditions for claiming deduction u/s 115BAB:-

- 1) The company should be the domestic manufacturing company, and the total income should be computed without claiming the any deduction under section 10AA, Section 32 (additional depreciation) section 32AD, section 33AB, section 33ABA, section 35(2AB). Section 35, section 35AD, section 35CCC, section 35CCD, and provisions under chapter VI-A heading C.
- 2) The machinery used by the company should not have been used previously by other companies. However, the company can use machinery that was not used in India by other companies. If the company opts to use its old machinery the total value of the machinery should not exceed 20% of the total value of the plant and machinery.

Tax rate:-

The total tax liability for the domestic manufacturing companies shall be followed as:

S.no	Type	Per cent
1	Basic tax rate	15%
2	Surcharge	10%
3	Cess	4%
4	Effective rate of tax	17.16%

MAT: the provision for documenting MAT will be not applicable.

MINIMUM ALTERNATE TAX

Rate of MAT reduce from 18.5% to 15% from AY20-21.