THE INSTITUTE OF
Company Secretaries of India
भारतीय कम्पनी सचिव संस्थान
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)

SUPPLEMENT
PROFESSIONAL PROGRAMME

(OLD SYLLABUS)

for

June, 2021 Examination

ADVANCED TAX LAWS AND PRACTICE

(PART A - DIRECT TAX MANAGEMENT)

MODULE 3

PAPER 7

PROFESSIONAL PROGRAMME

(OLD SYLLABUS)

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FOR

ADVANCED TAX LAWS AND PRACTICE

(PART A - DIRECT TAX MANAGEMENT)

(Relevant for Students appearing in June, 2021 Examination)

MODULE 3 - PAPER 7

Note:
Students appearing in June, 2021 Examination shall note the following:

1. For Direct taxes, Finance Act, 2020 is applicable.
2. Applicable Assessment year is 2021-22 (Previous Year 2020-21).
3. For Indirect Taxes: Goods and Services Tax 'GST' & Customs Law is applicable for Professional Programme (Old Syllabus)

Students are also required to update themselves on all the relevant Rules, Notifications, Circulars, Clarifications, etc. issued by the CBDT, CBIC & Central Government, on or before six months prior to the date of the examination.

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Sr. No.	Lesson No.	Income Tax Act, 1961 & Rules 1962 CIRCULAR	Weblink (For Details)
1.	**Lesson 1-3**	**Circular No. 2/2018 dated: 15th February, 2018** **Explanatory notes to the provisions of the Finance Act, 2017** The Finance Act, 2017 as passed by the Parliament, received the assent of the President on the 31st day of March, 2017 and has been enacted as Act No. 7 of 2017. This circular explains the substance of the provisions of the Act relating to direct taxes and amendments at a glance.	https://www.incometaxindia.gov.in/communications/circular/circular2_2018.pdf
2.	**Lesson 1**	**Circular No. 2 dated 4th January 2019** **Income From Other Sources (Section 56) withdrawal of Circular No. 10/2018 dated 31.12.2018 regarding applicability of Section 56(2)(viia) for issue of shares by a company in which public are not substantially interested** It has been brought to the notice of the Board that the matter relating to interpretation of the term "receives" used in section 56(2)(viia) of the Income- tax Act, 1961 is subjudice in certain higher judicial forums. Further, representations have been received from stakeholders seeking clarification on other similar provisions in section 56 of the Act. Accordingly, the matter has been reconsidered by the Board. Given the fact that the matter relating to interpretation of the term 'receives' used in section 56(2) (viia) of the Act is pending before judicial forums and stakeholders have sought clarifications on similar provisions in section 56 of the Act, the Board is of the view that the matter is required to be examined afresh so that a comprehensive circular on the matter can be issued. *Accordingly, the Circular No. 10/2018 dated 31st December, 2018 issued is hereby withdrawn and the aid circular shall be considered to have been never issued.*	https://www.incometaxindia.gov.in/communications/circular/circular_2_2019.pdf
3.	**Lesson 1**	**Circular No. 3 dated 21st January 2019** **Income from other sources (Section 56) - chargeable as - applicability of section 56(2) (viia) or similar provisions under section 56(2) for issue of shares by a company** Keeping in view the plain reading as well as the legislative intent of section 56(2)(viia) and similar provisions contained in section 56(2) of the Act, being anti-abuse in nature, it has been decided that the view, as was taken in Circular No. 10/2018 [subsequently withdrawn by Circular No. 02/2019] that section 56(2)(viia) of the Act would not apply to fresh issuance of shares, would not be a correct approach, as it could be subject to abuse and	https://www.incometaxindia.gov.in/communications/circular/circular_3_2019.pdf

		would be contrary to the express provisions and the legislative intent of section 56(2)(viia) or similar provisions contained in section 56(2) of the Act. *Therefore, any view expressed by the Board in Circular No. 10/2018 shall be considered to have never been expressed and accordingly, the said circular shall not be taken into account by any Income-tax authority in any proceedings under the Act.*	
4.	**Lesson 1**	**Circular No. 4 dated 6th January, 2019** **Clarification regarding liability and status of Official Assignees under the Income tax Act** Under provisions of the Presidency Towns Insolvency Act, 1909 and the Provincial Insolvency Act, 1920, where an order of Insolvency is passed against a debtor by the concerned Court, property of the debtor gets vested with the Court appointed Official Assignee. The Official Assignee then realizes property of the insolvent and allocates it amongst the creditors of the insolvent. Consequentially, Official Assignee has the responsibility to handle income-tax matters of the estate assigned to him. In this regard, a clarification has been sought regarding applicability of clause (iii) of section 160(1) of the Income-tax Act, 1961 (Act) which applies on a 'Representative Assessee' in the case of an Official Assignee. Further, clarity regarding status of the Official Assignee's i.e. their fallibility in the appropriate category of 'persons', as defined in section 2(31) of the Act, has also been sought. 'Representative Assessee' amongst other situations specified therein, becomes liable in respect of any income which the Assignee receives or is entitled to receive while managing the property for benefit of any person. As per the two insolvency Acts, Official Assignee manages the property of the debtor for the benefit of the creditors. Further, the Insolvency Act, 1909, in unambiguous terms, provides that an insolvent ceases to have an ownership interest in the estate once an order of adjudication is made under section 17 of the Insolvency Act. Thus, it is hereby clarified that since Official Assignee does not receive the income or manage the property on behalf of the debtor, they cannot be considered as a 'Representative Assessee' of the debtor under the Act while computing the tax- liability arising from the estate of the debtor. As property of the insolvent is vested with the Official Assignee as per specific provisions of the Act/Law regulating functioning of the Official Assignee's, they have to be treated as a 'juristic entity' for purposes of the income-tax Act. Hence, it is clarified	https://www.incometaxindia.gov.in/communications/circular/circular_4_2019.pdf

		that for purpose of discharge of tax-liability under the Act, the status of Official Assignees is that of an 'artificial juridical person' as prescribed in section 2(31)(vii) of the Act, not being one of the 'persons' falling in sub-clauses (i) to (vi) of section 2(31) of the Act. *Therefore, Official Assignee is required to file income-tax return electronically in the ITR Form applicable to 'artificial juridical person' separately for each of the estate of the insolvent and the income shall be taxed as per the rates applicable in a particular year to an 'artificial juridical person'. In view of the above position, Official Assignees would have to obtain a separate PAN for each of the estate of the insolvent.*	
5.	**Lesson 2**	**Circular No. 8 dated 10th May, 2019** **Clarification regarding definition of "Fund Manager" under Section 9A (4)(b) of the Income-tax Act, 1961** SEBI has stated that an AMC is engaged in the activity of fund management of Mutual Funds and hence is in substance, a Fund Manager, and entitled for benefits u/s 9A of the Income-tax Act. *Accordingly, it is hereby clarified that the phrase "fund manager" in Section 9A (4) (b) of the Income-tax Act includes an AMC as approved by SEBI under the SEBI (Mutual Funds) Regulations, 1996.*	https://www.incometaxindia.gov.in/communications/circular/circular_8_10-05-2019.pdf
6.	**Lesson 1**	**Circular No. 9 dated 14th May, 2019** **Order under section 119 of the Income-tax Act, 1961** Section 44AB of the Income-tax Act, 1961 ('the Act') read with rule 6G of the Income-tax Rules, 1962 ('the Rules') requires specified persons to furnish the Tax Audit Report along with the prescribed particulars in Form No. 3CD. The existing Form No. 3CD was amended vide notification no. GSR 666(E) dated 20th July, 2018 with effect from 20th August, 2018. However, the reporting under clause 30C and clause 44 of the Tax Audit Report was kept in abeyance till 31st March, 2019 vide Circular No. 6/2018 dated 17.08.2018. Representations were received by the Board that the implementation of reporting requirements under clause 30C (pertaining to General Anti- Avoidance Rules (GAAR and clause 44 (pertaining to Goods and Services Tax (GST) compliance) of the Form No. 3CD may be deferred further. *Accordingly, the Board has clarified that the reporting under clause 30C and clause 44 of the Tax Audit Report shall be kept in abeyance till 31st March, 2020.*	https://www.incometaxindia.gov.in/communications/circular/circular_9_2019.pdf

7.	**Lesson 1**	**CIRCULAR NO. 11 DATED 19TH JUNE, 2019** **Clarification regarding non-allowability of set-off of losses against the deemed income under section 115BBE of the Income-tax Act, 1961 prior to assessment-year 2017-18** With effect from 01.04.2017, sub-section (2) of section 115BBE of the Income- tax Act, 1961 (Act) provides that where total income of an assessee includes any income referred to in section(s) 68/69/69A/69B/69C/69D of the Act, no deduction in respect of any expenditure or allowance or set off of any loss shall be allowed to the assessee under any provisions of the Act in computing the income referred to in section 115BBE (1) of the Act. In this regard, it has been brought to the notice of the Central Board of Direct Taxes that in assessments prior to assessment year 2017-18, while some of the Assessing Officers have allowed set off of losses against the additions made by them under Section(s) 68/69/69A/69B/69C/69D, in some cases, set off of losses against the additions made under Section 115BBE(1) of the Act have not been allowed. As the amendment inserting the words 'or set off of any loss' is applicable with effect from 1ST of April, 2017 and applies from assessment year 2017-18 onwards, conflicting views have been taken by the Assessing Officers in assessments for years prior to assessment year 2017-18. The matter has been referred to the Board so that a consistent approach is adopted by the Assessing Officers while applying provision of section 115BBE in assessments for period prior to the assessment year 2017-18. *Accordingly, keeping the legislative intent behind amendment in section 115BBE (2) vide the Finance Act, 2016 to remove any ambiguity of interpretation, the Board is of the view that since the term 'or set off of any loss' was specifically inserted only vide the Finance Act 2016, w.e.f. 01.04.2017, an assessee is entitled to claim set-off of loss against income determined under section 115BBE of the Act till the assessment year 2016-17*	https://www.incometaxindia.gov.in/communications/circular/circular_11_2019.pdf
8.	**Lesson 2**	**Circular No. 14 dated 3th July 2019** **Clarification regarding taxability of income earned by a non-resident investor from off-shore investments routed through an Alternate Investment Fund** The incidence of tax arising from off-shore investment made by a non-resident investor through the AIFs would depend on determination of status of income of non-resident investor as per provisions of section 5(2) of the Income-tax Act, 1961 (Act). As	https://www.incometaxindia.gov.in/communications/circular/circular_no_14_2019.pdf

		per section 5(2) of the Act, the income of a person who is non-resident, is liable to be taxed in India if it is **received or is deemed to be received in India** in such year by or on behalf of such person; or **accrues or arises or is deemed to accrue or arise to him in India.** Section 115UB of the Act ('Tax on income of investment fund and its unit holders) is the applicable provision to determine the income and tax-liability of investment funds & their investors. By an overriding effect over other provisions of the Act, sub-section (1) of section 115UB of the Act provides that any income accruing or arising to, or received by, a person, being a unit holder of an investment fund, out of investments made in the investment fund, shall be chargeable to income-tax in the same manner as If it were the income accruing or arising to, or received by, such person had the investments made by the investment fund been made directly by him and not through the AIF. *Accordingly, it is hereby clarified that any income in the hands of the non-resident investor from off-shore investments routed through the Category I or Category II AIF, being a deemed direct investment outside India by the non-resident investor, is not taxable in India under section 5(2) of the Act. It is further clarified that loss arising from the off-shore investment relating to non-resident investor, being an exempt, shall not be allowed to be set-off or carried-forward and set off against the income of the Category I or Category II AIF .*	
9.	**Lesson 1**	**Circular No. 29 Dated: 2nd October, 2019** **Clarification in respect of option under section 115BAA of the income tax Act , 1961 inserted through The Taxation Laws (Amendment) Ordinance 2019** Section 115BAA in the Income-tax Act, 1961 provides that a domestic company shall, at its option, pay tax at a lower rate of 22 % for any previous year relevant to the Assessment Year beginning on or after 1ST April 2020 subject to certain conditions including that the total income should be computed without claiming any deduction or exemption: The option is required to be exercised by the company before the due date of furnishing return of income and the option once	https://www.incometaxindia.gov.in/communications/circular/circular_29_2019.pdf

		exercised, cannot be subsequently withdraw and shall apply to all subsequent assessment. The Ordinance also amended section 115JB of the Act relating to Minimum Alternate Tax (MAT) so as at inter alia provide that the provisions of said section shall not apply to a person who has exercised the option referred to under newly inserted section 115BAA. Representations have been received from the stakeholders seeking clarification on following issues relating to exercise of option under section 115BAA: a) Allowability of brought forward loss on account of additional depreciation: and a) Allowability of brought forward MAT credit. These issues have been examined in the board and in order to provide clarity in the matter, the clarifications are issued as under: As regards allowability of brought forward loss on account of additional depreciation, it may be noted that clause (i) of sub-section (2) of the newly inserted section l15 BAA inter alia, provides that the total income shall be computed without claiming any deduction under clause (iia) of sub-section (1) of section 32 (additional depreciation): and clause (ii) of the said sub - section provide that the total income shall be computed without claiming set off of any loss carried forward from any earlier assessment year if the same is attributable inter alia, to additional depredation. *Therefore, a domestic company which, would exercise option for availing benefit of lower tax rate under section 115BAA shall not be allowed to claim set off of any brought forward loss on account of additional depreciation for an Assessment Year for which the option has been exercised and for any subsequent Assessment Year. Further as there is no lime line within which option under section 115BAA can be exercised, it may be noted that a domestic company having brought forward losses on account of additional depreciation may if it so desires, exercise the option after set off of the losses so accumulated.* As regards allowability of brought forward MAT credit, it may be noted that as the provisions of section 115JB relating to MAT itself shall not be applicable to the domestic company which exercises option under section 115BAA, it is hereby clarified that *the tax credit of MAT paid by the domestic company exercising option under section 115BAA of the Act shall not*	

		be available consequent to exercising of such option. Further, as there is no lime line within which option under section 115BAA can be exercised, it may be noted that a domestic company having credit of MAT may, if it so desires, exercise the option after utilizing the said credit against the regular tax payable under the taxation regime existing prior to promulgation of the ordinance.	
10.	**Lesson 1**	**Circular No. 32 Dated: 30th December, 2019** **Clarifications in respect of prescribed electronic modes under section 269SU of the Income-tax Act, 1961** In furtherance to the declared policy objective of the Government to encourage digital economy and move towards a less-cash economy, a new provision namely Section 269SU was inserted in the Income-tax Act, 1961 vide the Finance (No. 2) Act 2019, which provides that every person having a business turnover of more than Rs 50 Crore shall mandatorily provide facilities for accepting payments through prescribed electronic modes. The said electronic modes have been prescribed vide notification no. 105/2019 dated 30.12.2019. Further, Section 10A of the Payment and Settlement Systems Act 2007, inserted by the Finance Act, provides that no Bank or system provider shall impose any charge on a payer making payment, or a beneficiary receiving payment, through electronic modes prescribed under Section 269SU of the Act. In this connection, it may be noted that the Finance Act has also inserted section 271 DB in the Act, which provides for levy of penalty of Rs. 5000 per day in case of failure by the specified person to comply with the provisions of section 269SU. *In order to allow sufficient time to the specified person to install and operationalise the facility for accepting payment through the prescribed electronic modes, it is hereby clarified that the penalty under section 271 DB of the Act shall not be levied if the specified person installs and operationalises the facilities on or before 31" January, 2020.*	https://www.incometaxindia.gov.in/communications/circular/circular_32_2019.pdf
11.	**Lesson 1**	**Clarifications in respect of prescribed electronic modes under section 269SU of the Income-tax Act, 1961 [Circular No. 12 dated 20th May, 2020]** In furtherance to the declared policy objective of the Government to encourage digital transactions and move towards a less-cash economy, a new provision namely Section 269SU was inserted vide the Finance (No.2) Act 2019 as per which person carrying on business and having	https://www.incometaxindia.gov.in/communications/circular/circular_no_12_2020.pdf

		sales/turnover/gross receipts from business of more than Rs 50 crores in the immediately preceding previous year to mandatorily provide facilities for accepting payments through prescribed electronic modes. *It is hereby further clarified that the provisions of section 269SU of the Act shall not be applicable to a specified person having only B2B transactions (i.e. no transaction with retail customer/consumer) if at least 95% of aggregate of all amounts received during the previous year, including amount received for sales, turnover or gross receipts, are by any mode other than cash.*	
12.	**Lesson 1-3**	**Imposition of charge on the prescribed electronic modes under section 269SU of the Income-tax Act, 1961 [Circular No. 16/2020 Dated August 30, 2020]** *Central Board of Direct Taxes 'CBDT' vide its Circular No. 16/2020 Dated August 30, 2020 advised banks to refund all the charges which they collect on digital transaction on and after 1st January 2020. Also, advised to banks not collect any such charges on transaction due to new section 269SU of Income tax Act, 1961.*	https://www.incometaxindia.gov.in/communications/circular/circular-16-2020.pdf

Sr. No.	Lesson No.	Income Tax Act, 1961 & Rules 1962 NOTIFICATION	Weblink (For Details)
1.	**Lesson 1**	**Notification No. 9/2018 dated 16th February, 2018** The Central Government hereby notifies the Contributory Health Service Scheme of the Department of Atomic Energy for the purposes of the clause (a) of sub-section (2) of section 80D of the Income-tax Act, 1961 for the assessment year 2018-2019 and subsequent years.	https://www.incometaxindia.gov.in/communications/notification/notification9_2018.pdf
2.	**Lesson 1**	**Notification No. 17/2018 dated 6th April, 2018** The Central Board of Direct Taxes hereby makes the Income-tax (Third Amendment) Rules, 2018 further to amend the Income-tax Rules, 1962. They shall come into force on the 1st day of April, 2019 and shall apply to the assessment year 2019-2020 and subsequent assessment years. In the Income-tax Rules, 1962, in rule 2BB, in sub-rule (2), in the Table, against serial number 10, the entries under columns (2) to (4) shall be omitted. *Accordingly, the Transport Allowance exemption of Rs. 1600 per month shall not be available for assessment year 2019-2020 and subsequent assessment years.*	https://www.incometaxindia.gov.in/communications/notification/notification17_2018.pdf
3.	**Lesson 1**	**NOTIFICATION NO. 23/2018 DATED 24TH MAY, 2018** The Central Government hereby makes the Income-tax (6th Amendment), Rules, 2018 further to amend the Income-tax Rules, 1962. They shall come into force from the date of their publication in the Official Gazette. In the Income-tax Rules, 1962 (hereinafter referred to as the principal rules), in rule 11U, clause (a) shall be omitted. Further, In the principal rules, in rule 11UA, in sub- rule (2), in clause (b), the words "or an accountant" shall be omitted. *Accordingly, the words "accountant" has been omitted in Rule 11U [Meaning of expressions used in determination of fair market value] and 11UA [Determination of fair market value].*	https://www.incometaxindia.gov.in/communications/notification/notification23_2018.pdf
4.	**Lesson 1**	**NOTIFICATION NO. 24/2018 DATED 24TH MAY, 2018** 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 fair market value of the	https://www.incometaxindia.gov.in/communications/notification/notification24_2018.pdf

		shares shall be chargeable to Tax under the head Income from other sources. *However, CBDT vide this notification clarified that the provisions of clause (viib) of sub-section (2) of section 56 of the Income Tax Act, 1961 shall not apply to consideration received by a company for issue of shares that exceeds the face value of such shares, if the consideration has been received for issue of shares from an investor in accordance with the approval granted by the Inter- Ministerial Board of Certification.* This notification shall be deemed to have come into force retrospectively from the 11th April, 2018.	
5.	**Lesson 1**	**NOTIFICATION NO. 25/2018 DATED 30TH MAY, 2018** The organization M/s Indian Institute of Science Education and Research, Kolkata (PAN:- AAAAI2170E) has been approved by the Central Government for the purpose of section 35(1)(ii) of the Income-tax Act, 1961 read with Rules 5C and 5E of the Income-tax Rules, 1962, from Assessment year 2018-2019 and onwards under the category of "University, College or other Institution" engaged in research activities subject to the certain conditions. *Accordingly, sum paid to M/s Indian Institute of Science Education and Research, Kolkata has been allowed as deduction while computing income under PGBP.*	https://www.incometaxindia.gov.in/communications/notification/notification25_2018.pdf
6.	**Lesson 1**	**NOTIFICATION NO. 26/2018 DATED 13TH JUNE, 2018** The Central Government has notified the Cost Inflation Index "280" for the Financial Year 2018-19 i.e. Assessment Year 2019-20. *Accordingly, the Cost Inflation Index "280" for the Financial Year 2018-19 i.e. Assessment Year 2019-20 is to be considered while computing long term capital gains.*	https://www.incometaxindia.gov.in/communications/notification/notification26_2018.pdf
7.	**Lesson 1**	**NOTIFICATION NO. 27/2018 DATED 18TH JUNE, 2018** The Central Government hereby specifies the "Power Finance Corporation Limited 54EC Capital Gains Bond" issued by Power Finance Corporation Limited for the purpose of clause (iib) of the proviso to section 193 of the Income-tax Act, 1961. Provided that the benefit under the said proviso shall be admissible in the case of transfer of such bonds by endorsement or delivery, only if the transferee informs Power Finance Corporation Limited by registered post within a period of sixty days of such transfer.	https://www.incometaxindia.gov.in/communications/notification/notification27-2018.pdf

8.	**Lesson 1**	**NOTIFICATION NO. 28/2018 DATED 18TH JUNE, 2018** The Central Government hereby specifies the "Indian Railway Finance Corporation Limited 54EC Capital Gains Bond" issued by Indian Railway Finance Corporation Limited for the purpose of clause (iib) of the proviso to section 193 of the Income-tax Act, 1961. Provided that the benefit under the said proviso shall be admissible in the case of transfer of such bonds by endorsement or delivery, only if the transferee informs Indian Railway Finance Corporation Limited by registered post within a period of sixty days of such transfer.	https://www.incometaxindia.gov.in/communications/notification/notification28-2018.pdf
9.	**Lesson 1**	**NOTIFICATION NO. 29/2018 DATED 22ND JUNE, 2018** In a case where a foreign company is said to be resident in India on account of its Place of Effective Management "PoEM" being in India under sub-section (3) of section 6 of the Act in any previous year 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 the Act, the provisions of the 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 to the foreign company for the said previous year with certain exceptions, modifications and adaptations specified in the notification.	https://www.incometaxindia.gov.in/communications/notification/notification29_2018.pdf
10.	**Lesson 1**	**NOTIFICATION NO. 42/2018 DATED 30TH AUGUST, 2018** The Central Government hereby makes the Income-tax (9th Amendment), Rules, 2018 which shall come into force from the 1st day of April, 2019 and shall apply in relation to assessment year 2019-20 and subsequent years. In the Income-tax Rules, 1962, (a) in rule 11U, in clause (b), for sub-clause (ii), the following sub-clause shall be substituted, namely:— "(ii) in any other case,— in relation to an Indian company, the balance-sheet of such company (including the notes annexed thereto and forming part of the accounts) as drawn up on the valuation date which has been audited by the auditor of the company appointed under the laws relating to companies in force; and (B) in relation to a company, not being an Indian company, the balance-sheet of the company (including the notes annexed thereto and forming part of the accounts) as drawn up on the valuation date which has been audited by the auditor of the company, if any, appointed under the laws in force of the country in which the	https://www.incometaxindia.gov.in/communications/notification/notification42_2018.pdf.

		company is registered or incorporated;"; (b) after rule 11UAA, the following rule shall be inserted, namely: "11UAB. Determination of fair market value for inventory.(1) For the purposes of clause (via) of section 28 of the Act, the fair market value of the inventory,— (i) being an immovable property, being land or building or both, shall be the value adopted or assessed or assessable by any authority of the Central Government or a State Government for the purpose of payment of stamp duty in respect of such immovable property on the date on which the inventory is converted into, or treated, as a capital asset; **(i)** being jewellery, archaeological collections, drawings, paintings, sculptures, any work of art, shares or securities referred to in rule 11UA, shall be the value determined in the manner provided in sub-rule (1) of rule 11UA and for this purpose the reference to the valuation date in the rule 11U and rule 11UA shall be the date on which the inventory is converted into, or treated, as a capital asset; (i) being the property, other than those specified in clause (i) and clause (ii), the price that such property would ordinarily fetch on sale in the open market on the date on which the inventory is converted into, or treated, as a capital asset."	
11.	**Lesson 1**	**NOTIFICATION NO. 54/2018 DATED 18TH SEPTEMBER, 2018** The organization M/s Indian Council of Medical Research (PAN:-AAEAT4818Q) has been approved by the Central Government for the purpose of clause (ii) of sub- section (1) of section 35 of the Income-tax Act, 1961 (said Act), read with Rules 5C and 5E of the Income-tax Rules, 1962 (said Rules), from Assessment year 2019-2020 and onwards under the category of "Other Institution" engaged in research activities subject to the certain conditions. *Accordingly, sum paid to M/s* Indian Council of Medical Research *has been allowed as deduction while computing income under PGBP.*	https://www.incometaxindia.gov.in/communications/notification/notification54_2018.pdf
12.	**Lesson 1**	**NOTIFICATION NO. 60/2018 DATED 1ST OCTOBER, 2018** The Central Government, with a view to specify the nature of acquisition in respect of which the provision of section 112A(1)(iii)(a) of the Income-tax Act shall not apply, hereby notifies the transactions of acquisition of equity share entered into (I) before the 1st day of October, 2004; or (II) on or after the 1st day of October, 2004 which are not chargeable to securities transaction tax other than	https://www.incometaxindia.gov.in/communications/notification/notification60_2018.pdf

		(a) where acquisition of existing listed equity share in a company whose equity shares are not frequently traded in a recognised stock exchange of India is made through a preferential issue. (b) where transaction for acquisition of existing listed equity share in a company is not entered through a recognised stock exchange in India (c) acquisition of equity share of a company during the period beginning from the date on which the company is delisted from a recognised stock exchange and ending on the date immediately preceding the date on which the company is again listed on a recognised stock exchange in accordance with the Securities Contracts (Regulation) Act, 1956 read with Securities and Exchange Board of India Act, 1992 (15 of 1992) and the rules made thereunder;	
13.	Lesson 1	**NOTIFICATION NO. 75/2018 DATED 31ST OCTOBER, 2018** The organization M/s Charutar Arogya Mandai, Gujarat (PAN:-AAA TC1264G) has been approved by the Central Government for the purpose of clause (ii) of sub-section of section 35 of the Income tax Act, 1961, read with Rules 5C and 5E of the Income-tax Rules, 1962, from Assessment year 2019-2020 onwards in the category of 'University, College or other Institution', engaged in research activities, subject to the certain conditions. *Accordingly, sum paid to* M/s Charutar Arogya Mandai *has been allowed as deduction while computing income under PGBP.*	https://www.incometaxindia.gov.in/communications/notification/notification_75_2018.pdf
14.	**Lesson 1**	**NOTIFICATION NO. 83/2018 DATED 26TH NOVEMBER, 2018** The organization M/s Centre for Brain Research, Bangalore (pAN:AABTC7082K) has been approved by the Central Government for the purpose of clause (ii) of sub section (1) of section 35 of the Income tax Act, 1961, read with Rules 5C and 5D of the Income tax Rules, 1962, from Assessment year 2018-2019 onwards in the category of 'Scientific Research Association ', subject to the certain conditions. *Accordingly, sum paid to* M/s Centre for Brain Research *has been allowed as deduction while computing income under PGBP.*	https://www.incometaxindia.gov.in/communications/notification/notification83_2018.pdf
15.	**Lesson 1**	**NOTIFICATION NO. 84/2018 DATED 26TH NOV, 2018** The organization M/s Thalassemia and Sickle Cell Society (PAN AAATR4038K) has been approved by the Central Government for the purpose of clause (ii) of sub-section (1) of section 35 of the Income-tax Act, 1961 (said Act), read with Rules 5C and 5D of the Income-tax Rules, 1962, from Assessment year 2018-2019 onwards in the category of ' Scientific Research Association', subject to the	https://www.incometaxindia.gov.in/communications/notification/notification84_2018.pdf

		certain conditions. *Accordingly, sum paid to* M/s Thalassemia and Sickle Cell Society *has been allowed as deduction while computing income under PGBP.*	
16.	**Lesson 1**	**NOTIFICATION NO. 01/2019 DATED 24TH JANUARY, 2019** The 'Jubilee Centre for Medical Research'(**JCMR**) under the aegis of 'Jubilee Mission Hospital Trust' has been approved by the Central Government for the purpose of clause (ii) of sub-section (1) of section 35 of the said Act, read with Rules 5C and 5E of the Income tax Rules, 1962, from Assessment year 2019- 2020 onwards in the category of 'University, College or other Institution', engaged in research activities, subject to the ceratin conditions. *Accordingly, sum paid to* M/s Jubilee Centre for Medical Research' *has been allowed as deduction while computing income under PGBP.*	https://www.incometaxindia.gov.in/communications/notification/notification_1_2019.pdf
17.	**Lesson 1**	**NOTIFICATION NO. 8/2019 DATED 31ST JANUARY, 2019** The Central Government hereby notifies **M/s. BSE Limited, Mumbai (PAN: AACCB6672L)** as a '**recognised association'** for the purpose of clause (iii) in the Explanation of clause (e) of the proviso to sub-section (5) of Section 43 of the Income-tax Act, 1961 read with sub-rule (4) of Rule 6DDD of the Income-tax Rules, 1962, **with effect from 01.10.2018 (the date of commencement of trading in commodity derivative segment)** subject to fulfillment of certain conditions in respect of trading in derivatives.	https://www.incometaxindia.gov.in/communications/notification/notification_8_2019.pdf
18.	**Lesson 1**	**NOTIFICATION NO. 9/2019 DATED 31ST JANUARY, 2019** The Central Government hereby makes following amendment to the notification number S.O. 2088(E) dated the 24th May, 2018 under clause (ii) of the proviso to clause (viib) of sub-section (2) of section 56 of the Income-tax Act, 1961: In the said notification for the words, brackets, figures, and letters "consideration received by a company for issue of shares that exceeds the face value of such shares, if the consideration has been received for issue of shares from an investor in accordance with the approval granted by the Inter- Ministerial Board of Certification under clause (i) of sub-para (3) of para 4 of the notification number G.S.R. 364(E), dated 11Th April, 2018 and published in the Gazette of India, Extraordinary, Part-II, Section 3, Sub-section (i) dated the 11Th April, 2018 issued by the Department of Industrial Policy	https://www.incometaxindia.gov.in/communications/notification/notification_9_2019.pdf

		and Promotion", the words, letters, figures and brackets "consideration received by a company from an investor for issue of shares that exceeds the face value of such shares, if such issue of shares is approved by the Central Board of Direct Taxes under para 4 of notification number G.S.R. 364(E) dated 11Th April, 2018 and published in the Gazette of India, Extraordinary, Part II Section 3, Sub-section (i) dated the 11Th April, 2018 issued by Department of Industrial Policy and Promotion as modified by notification number 34(E) dated 16th January, 2019 and published in the Gazette of India, Extraordinary, Part II Section 3, Sub-section (i) dated the 16th January, 2019" shall be substituted. This notification shall be deemed to have come into force retrospectively from the 16th January, 2019. **Explanatory Memorandum**: By giving retrospective effect to the present notification, no body shall be affected adversely.	
19.	**Lesson 1**	**NOTIFICATION NO. 13/2019 DATED 5TH MARCH, 2019** The Central Government, hereby notifies that the provisions of clause (viib) of sub-section (2) of section 56 of the said Act shall not apply to consideration received by a company for issue of shares that exceeds the face value of such shares, if the said consideration has been received from a person, being a resident, by a company which fulfils the conditions specified in para 4 of the notification number G.S.R. 127(E), dated the 19th February, 2019 issued by the Ministry of Commerce and Industry in the Department for Promotion of Industry and Internal Trade and published and files the declaration referred to in para 5 of the said notification of the Department for Promotion of Industry and Internal Trade. This notification shall be deemed to have come into force retrospectively from the 19th February, 2019.	https://www.incometaxindia.gov.in/communications/notification/notification_13_2019.pdf
20.	**Lesson 1**	**NOTIFICATION NO. 14/2019 DATED 6TH MARCH, 2019** On consideration of application of **M/s Agricultural Development Trust, Baramati, Pune ('ADT') (PAN: AAATB7892F)** dated 10.03.2018 for approval under section 35(1)(ii) of Income Tax Act,1961('said Act') wherein approval for the following three units under its aegis namely '**Shardabai Pawar Mahila Arts, Commerce and Science College, College of Agriculture and Allied Sciences & Krishi Vigyan Kendra, Baramati**' has been sought in the category of **'University, College or other Institution'**, it is hereby notified for general information that '**the said three units** under the aegis of '**Agricultural Development Trust, Baramati, Pune'** have been approved by	https://www.incometaxindia.gov.in/communications/notification/notification_14_2019.pdf

		the Central Government for the purpose of clause (ii) of sub-section (1) of section 35 of the said Act, read with Rules 5C and 5E of the Income-tax Rules, 1962 (said Rules), from **Assessment year 2018-2019 onwards** in the category of **'University, College or other Institution'**, engaged in research activities, subject to the certain conditions	
21.	**Lesson 1**	**NOTIFICATION NO. 16 DATED 8TH MARCH, 2019** The Central Government, having regard to the maximum amount of any gratuity payable to employees, hereby specifies twenty lakh rupees as the limit for the purposes of sub-clause (iii) of clause (10) of section 10 of the Income- tax Act, 1961 in relation to the employees who retire or become incapacitated prior to such retirement or die on or after the 29th day of March, 2018 or whose employment is terminated on or after the said date.	https://www.incometaxindia.gov.in/communications/notification/notification_16_2019.pdf
22.	**Lesson 1**	**NOTIFICATION NO. 27/2019 DATED 20TH MARCH 2019** The Central Government hereby notifies the **Securities and Exchange Board of India (Mutual Funds) Regulations, 1996** made under the Securities and Exchange Board of India Act, 1992 (15 of 1992) as the regulation for the purposes of clause (e) of sub-section (9) of section 9A of the Income-tax Act, 1961. This notification shall come into force from the date of its publication in the Official Gazette.	https://www.incometaxindia.gov.in/communications/notification/notification27_2019.pdf
23.	**Lesson 1**	**Notification No. 48/2019 Dated 26th June 2019** The organization M/s. Manipal Academy of Higher Education, Manipal, Karnataka (PAN: AAAJN0078Q) has been approved by the Central Government for the purpose of clause (ii) of sub-section (1) of section 35 of the Income-tax Act, 1961 (said Act), read with Rules 5C and 5E of the Income-tax Rules, 1962 (said Rules), from Assessment year 2015-16 and onwards in the category of 'University, College or other Institution', subject to the certain conditions.	https://www.incometaxindia.gov.in/communications/notification/notification_48_2019.pdf
24.	**Lesson 2**	**Notification No. 63/2019/Dated 12th September, 2019** The Central Government vide this notification hereby notifies the Cost Inflation Index for the FY 2019-20 as "289" This notification shall come into force with effect from the 1st day of April, 2020 and shall accordingly apply to the Assessment Year 2020-2021 and subsequent years.	https://www.incometaxindia.gov.in/communications/notification/notification_63_2019.pdf
25.	**Lesson 2**	**Notification No. 64/2019 Dated 13th September, 2019** The Central Government hereby notifies that where the variation between the arm's length price determined under section 92C of the said Act and the price at which the international transaction or specified domestic transaction has actually been undertaken	https://www.incometaxindia.gov.in/communications/notification/notification_

		does not exceed 1% of the latter in respect of wholesale trading and 3% of the latter in all other cases, the price at which the international transaction or specified domestic transaction has actually been undertaken shall be deemed to be the arm's length price for assessment year 2019-2020. **Explanation.-** For the purposes of this notification, "wholesale trading" means an international transaction or specified domestic transaction of trading in goods, which fulfils the following conditions, namely:- i purchase cost of finished goods is eighty percent or more of the total cost pertaining to such trading activities; and ii average monthly closing inventory of such goods is ten percent or less of sales pertaining to such trading activities. Explanatory Memorandum: It is certified that none will be adversely affected by the retrospective effect being given to the notification.	64_2019.pdf
26.	**Lesson 1**	**Notification No. 76 /2019/ Dated 30th September, 2019** **Amendment in Rule 10CB in respect of computation of interest pursuant to secondary adjustment u/s 92CE of the Income Tax Act, 1961** The Central Board of Direct Taxes hereby Income-tax (11th Amendment) Rules, 2019 which shall come into force with effect from the date of the publication in the Official Gazette. In the Income-tax Rules, 1962, in rule 10CB (I) for the words "excess money" occurring at both the places, the words "excess money or part thereof" shall be substituted; (II) in sub-rule (1), — (A) for clause (iii), the following clause shall be substituted, namely:— "(iii) in a case where primary adjustment to transfer price is determined by an advance pricing agreement entered into by the assessee under section 92CC of the Act in respect of a previous year, - i from the date of filing of return under sub-section (1) of section 139 of the Act ifthe advance pricing agreement has been entered into on or before the due date of filing of return for the relevant	https://www.incometaxindia.gov.in/communications/notification/notification_76_2016.pdf

previous year;

ii from the end of the month in which the advance pricing agreement has been entered into if the said agreement has been entered into after the due date of filing of return for the relevant previous year";

(B) for clause (v), the following clause shall be substituted, namely:—

"from the date of giving effect by the Assessing Officer under rule 44H to the resolution arrived at under mutual agreement procedure, where the primary adjustment to transfer price is determined by such resolution under a Double Taxation Avoidance Agreement entered into under section 90or section 90A of the Act";

(III) after sub-rule (2), the following sub-rule shall be inserted, namely:—

"(3) The interest referred to in sub-rule (2) shall be chargeable on excess money or part thereof which is not repatriated—

a) in cases referred to in clause (i), in sub-clause(a) of clause (iii) and clause (iv) of sub rule(1), from the due date of filing of return under sub-section (1) of section 139 of the Act;

b) in cases referred to in clause(ii) of sub-rule(1), from the date of the order of Assessing Officer or the appellate authority, as the case may be;

c) in cases referred to in sub-clause(b) of clause (iii) of sub-rule(1), from the end of the month in which the advance pricing agreement has been entered into by the assessee under section 92CC of the Act;

d) in cases referred to in clause (v) of sub-rule (1), from the date of giving effect by the Assessing Officer under rule 44H to the resolution arrived at under mutual agreement procedure.";

(IV) for the Explanation, the following Explanation shall be substituted, namely:

"Explanation- For the purposes of this rule, —

A. "International transaction" shall have the same meaning as assigned to it in section 92B of the Act;

B. The rate of exchange for the calculation of the value in rupees of the international transaction denominated in foreign currency shall be the telegraphic transfer buying rate of such currency on

		the last day of the previous year in which such international transaction was undertaken and the "telegraphic transfer buying rate" shall have the same meaning as assigned in the Explanation to rule 26."	
27.	**Lesson 1**	**Notification No. 88/2019 Dated 5th November, 2019** The Central Board of Direct Taxes hereby makes the following amendments in the notification published in the Official Gazette *vide* number S.O. 2752(E), dated the 22Nd October, 2014 namely:- In the said notification, in Schedule-I, against the entries in serial number 67,- (i) in column (3), for the words "Jammu, Jammu and Kashmir", the words "Jammu, the Union territory of Jammu and Kashmir and the Union territory of Ladakh" shall be substituted; (i) in column (4), for the words "All districts of State of Jammu and Kashmir", the words "All districts of the Union territory of Jammu and Kashmir and of the Union territory of Ladakh" shall be substituted; In Schedule –II, against the entries in serial number 8, in column (4), for the words "State of Jammu and Kashmir" the words "the Union territory of Jammu and Kashmir and the Union territory of Ladakh" shall be substituted. This notification shall be deemed to have come into force with effect from the 31st day of October, 2019. **Explanatory Memorandum**: It is hereby certified that no person is being adversely affected by giving retrospective effect to this notification.	https://www.incometaxindia.gov.in/communications/notification/notification_88_2019.pdf
28.	**Lesson 1**	**Notification No. 93 /2019 Dated 5th November, 2019** The Central Board of Direct Taxes hereby makes the following amendments in the notification published in the Official Gazette *vide* number S.O. 2914(E), dated the 13th November, 2014 namely:- In the said notification, in the Schedule, against the entries in serial number 4, in column (6), for the words "Jammu and Kashmir", the words "the Union territory of Jammu and Kashmir and the Union territory of Ladakh" shall be substituted. This notification shall be deemed to have come into force with effect from the 31st day of October, 2019. **Explanatory Memorandum:** It is hereby certified that no person is	https://www.incometaxindia.gov.in/communications/notification/notification_93_2019.pdf

		being adversely affected by giving retrospective effect to this notification	
29.	**Lesson 1**	**Notification No. 94 /2019 Dated 5th November, 2019** The Central Board of Direct Taxes hereby makes the following amendments in the notification published in the Official Gazette *vide* number S.O. 3125(E), dated the 10th December, 2014 namely: - In the said notification, in Schedule –II, against the entries in serial number 6, in column (4), for the words "Jammu and Kashmir", the words "the Union territory of Jammu and Kashmir, Union territory of Ladakh" shall be substituted. This notification shall be deemed to have come into force with effect from the 31st day of October, 2019. **Explanatory Memorandum:** It is hereby certified that no person is being adversely affected by giving retrospective effect to this notification.	https://www.incometaxindia.gov.in/communications/notification/notification_94_2019.pd f
30.	**Lesson 1**	**Notification No. 96/2019 Dated 11th November, 2019** The Central Government hereby makes the Income tax Amendment (13TH Amendment), Rules, 2019 which shall come into force from the 1ST day of April, 2020. In the Income-tax Rules, 1962, after rule 11UAB, the following rule shall be inserted from the 1ST day of April, 2020 and shall be applicable for assessment year commencing on the 1ST day of April, 2020 and subsequent assessment years, namely: **Prescribed class of persons for the purpose of clause (XI) of the proviso to clause (x) of sub-section (2) section 56.** 11UAC.The provisions of clause (x) of sub-section (2) of section56 shall not apply to any immovable property, being land or building or both, received by a resident of an unauthorised colony in the National Capital Territory of Delhi, where the Central Government by notification in the Official Gazettee, regularised the transactions of such immovable property based on the latest Power of Attorney, Agreement to Sale, Will, possession letter and other documents including documents evidencing payment of consideration for conferring or recognising right of ownership or transfer or mortgage in regard to such immovable property in favour of such resident. Explanation.—For the purposes of this rule,— (a) "resident" means a person having physical possession of property on the basis of a registered sale deed or latest set of Power of Attorney, Agreement to Sale, Will, possession letter and other documents including documents evidencing payment of consideration in respect of a property in unauthorized colonies and	https://www.incometaxindia.gov.in/communications/notification/notification_96_2019.p df

		includes their legal heirs but does not include tenant, licensee or permissive user; (b)"unauthorized colony" means a colony or development comprising of a contiguous area, where no permission has been obtained for approval of layout plan or building plans and has been identified for regularization of such colony in pursuance to the notification number S.O. 683(E), dated the 24th March, 2008, of the Delhi Development Authority, published in the Gazette of India, Extraordinary, Part-II, Section 3, Sub-section (ii), dated the 24th March, 2008.'.	
31.	**Lesson 1**	**Notification No, 99/2019 Dated 27th November, 2019** M/s International Centre for Research in Agroforestry, South Asia Regional Programme, NASC Complex, Delhi (ICRAF) (PAN:- AAATI4803K) has been approved by the Central Government for the purpose of clause (ii) of sub- section (I) of section 35 of the Income-tax Act, 1961 (said Act), read with Rules 5C and 5D of the Income-tax Rules, 1962 (said Rules), from Assessment year 2019-2020 onwards in the category of 'Scientific Research Association' , subject to the certain conditions. *Accordingly, sum paid to* M/s International Centre for Research in Agroforestry *has been allowed as deduction while computing income under PGBP.*	https://www.incometaxindia.gov.in/communications/notification/notification_no_99_2019.pdf
32.	**Lesson 1**	**Notification No.100 Dated 27th November, 2019** The Central Government hereby notifies **M/s National Stock Exchange of India Limited, Mumbai (PAN: AAACN1797L)** as a **'recognized association'** for the purpose of clause (iii) in the Explanation of clause (e) of the proiso to sub-section (5) of Section 43 of the Income-tax Act, 1961 (43 of 1961) read with sub-rule (4) of Rule 6DDD of the Income-tax Rules. 1962, subject to fulfilment of certain conditions in respect of trading in derivatives.	https://www.incometaxindia.gov.in/communications/notification/notification_no_100_2019.pdf
33.	**Lesson 1**	**Notification No.105/2019 Dated 30th December, 2019** The Central Board of Direct Taxes hereby makes the Income-tax (16th Amendment) Rules, 2019 which shall come into force from 1st day of January, 2020. In the Income-tax Rules, 1962, after rule 119A, the following rule shall be inserted, namely: **"119AA. Modes of payment for the purpose of section 269SU**. - Every person, carrying on business, if his total sales, turnover or	https://www.incometaxindia.gov.in/communications/notification/notification_105_2019.pdf

		gross receipts, as the case may be, in business exceeds fifty crore rupees during the immediately preceding previous year shall provide facility for accepting payment through following electronic modes, in addition to the facility for other electronic modes of payment, if any, being provided by such person, namely:— i Debit Card powered by RuPay; ii Unified Payments Interface (UPI) (BHIM-UPI); and iii Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code)	
34.	**Lesson 1**	**Notification No. 8/2020 Dated 29th January, 2020** The Central Board of Direct Taxes hereby makes the Income-tax (3rd Amendment) Rules, 2020 which shall come into force on the date of their publication in the Official Gazette. In the Income-tax Rules, 1962 (i) after rule 6ABB, the following rule shall be inserted and shall be deemed to have been inserted from the 1st day of September, 2019, namely:- **"Other electronic modes** **6ABBA.** The following shall be the other electronic modes for the purposes of clause (d) of first proviso to section 13A, clause (f) of sub-section (8) of section 35AD, sub- section (3), sub-section (3A), proviso to subsection (3A) and sub-section (4) of section 40A, second proviso to clause (1) of Section 43, sub-section (4) of section 43CA, proviso to sub-section (1) of section 44AD, second proviso to sub-section (1) of section 50C, second proviso to sub-clause (b) of clause (x) of sub-section (2) of section 56, clause (b) of first proviso of clause (i) of Explanation to section 80JJAA, section 269SS, section 269ST and section 269T, namely:− (a) Credit Card; (b) Debit Card; (c) Net Banking; (d) IMPS (Immediate Payment Service); (e) UPI (Unified Payment Interface); (f) RTGS (Real Time Gross Settlement); (g) NEFT (National Electronic Funds Transfer), and (h) BHIM (Bharat Interface for Money) Aadhar Pay"; *Accordingly, rule 6ABBA specify other electronic mode of payment as specify above for the purpose of various section specified above.*	https://www.incometaxindia.gov.in/communications/notification/notification_08_2020.pdf
35.	**Lesson 1**	**Notification No. 10/2020 Dated 12th February, 2020** The Central Board of Direct Taxes hereby makes the Income-tax (4th Amendment) Rules, 2020 which shall come into force on the 1st day of April, 2020. In the Income-tax Rules, 1962, after rule 21AD, the rule 21AE and 21AF has been inserted, namely: "21AE. Exercise of option under sub-section (5) of section 115BAA - The option to be exercised in accordance with the provisions of sub-section (5) of section 115BAA by a person, being a domestic company,	https://www.incometaxindia.gov.in/communications/notification/notification_10_2020 20.pdf

		for any previous year relevant to the assessment year beginning on or after the 1st day of April, 2020, shall be in Form No. 10-IC. 21AF. Exercise of option under sub-section (7) of section 115BAB. The option to be exercised in accordance with the provisions of sub-section (7) of section 115BAB by a person, being a domestic company, for any previous year relevant to the assessment year beginning on or after the 1st day of April, 2020, shall be in Form No. 10-ID. *Accordingly, the domestic company opting for concessional rate of tax as specified in section 115BAA / 115BAB shall filed Form No. 10-IC / 10-ID electronically as specified in rule 21AE / 21AF of the Income Tax Rules, 1962.*	
36.	**Lesson 1**	**Notification No. 12/2020 Dated 17th February, 2020** The Central Government, hereby makes the Income tax Amendment (6th Amendment), Rules, 2020 which shall come into force from the 1st day of April, 2020. In the Income-tax Rules, 1962, in rule 11UAC, in the Explanation, for clause (b), the following clause shall be substituted, namely: '(b) "unauthorised colony" means a colony or development comprising of a contiguous area, where no permission has been obtained for approval of layout plan or building plans and has been identified for regularisation of such colony in pursuance to the notification number S.O. 683(E), dated the 24th March, 2008, of the Delhi Development Authority. *Accordingly, section 56(2)(x) shall not apply to immovable property being land or building or both, received by a resident of an **unauthorised colony** in the National Capital Territory of Delhi where the Central Government by notification in the Official Gazettee, regularised the transactions of such immovable property based on the latest Power of Attorney, Agreement to Sale, Will, possession letter and other documents including documents evidencing payment of consideration for conferring or recognising right of ownership or transfer or mortgage in regard to such immovable property in favour of such resident.*	https://www.incometaxindia.gov.in/communications/notification/notification_12_2020.pdf
37.	**Lesson 1**	**NOTIFICATION NO. 32/2020 [DATED JUNE 12, 2020]** The Central Government has notified the Cost Inflation Index "301" for the Financial Year 2020-21 i.e. Assessment Year 2021-22. *Accordingly, the Cost Inflation Index "301" for the* 2020-21 i.e. Assessment Year 2021-22 *is to be considered while computing long term capital gains.*	https://www.incometaxindia.gov.in/communications/notification/notification_32_20 20.pdf
38.	**Lesson 1**	**Income-tax (14th Amendment) Rules, 2020 [Notification No. 40/2020 Dated June 29, 2020]**	https://www.incometaxindia.gov

		The Central Board of Direct Taxes (CBDT) notify the Income Tax (14th Amendment) Rules, 2020, to further amend the Income Tax Rules, 1962 as per which Rule 11UAC has been substituted, which relates to the right of ownership for the purpose of mortgage along with all the documents, certain class of persons shall be excluded from the provision for sub-section (2) the government regularised the transactions of such immovable property.	.in/communications/notification/notification_40_20 20.pdf
39.	**Lesson 1**	**Notification under proviso to section 9A(3) of the Income-tax Act, 1961 [Notification No. 41/2020 Dated June 30, 2020]** The Central Government hereby notifies that the conditions specified in clauses (e), (f) and (g) of the sub-section (3) of section 9A of the Income-tax Act, 1961 shall not apply in case of an investment fund set up by a Category-I foreign portfolio investor registered under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, made under the Securities and Exchange Board of India Act, 1992	https://www.incometaxindia.gov.in/communications/notification/notification_41_20 20.pdf
40.	**Lesson 1**	**Income-tax (15th Amendment) Rules, 2020 [Notification No. 42/2020 Dated June 30, 2020]** Section 50CA provides that consideration received for transfer of an unquoted share computed in prescribed manner shall be full consideration even if it is less than fair market value. *The Central Board of Direct Taxes has issued the Income-tax (15th Amendment) Rules, 2020 to add Rule 11UAD which provides that the provisions of Section 50CA shall not apply to transfer of any movable property, being unquoted shares, of a company and its subsidiary and the subsidiary of such subsidiary in certain situation.*	https://www.incometaxindia.gov.in/communications/notification/notification_42_20 20.pdf
41.	**Lesson 1**	**Notification of Harmonised Master List of Infrastructure Sub-sectors for the purposes of section 10(23FE) of the Income-tax Act, 1961 [Notification No. 44/2020 Dated July 6, 2020]** The Central Government hereby specifies business, for the purposes of item (b) of sub-clause (iii) of clause (23FE) of section 10 of the Income-tax Act, 1961, to be the business which is engaged in the infrastructure sub-sectors mentioned in Updated Harmonised Master List of Infrastructure Sub-sectors in the notification of the Government of India in the Ministry of Finance, Department of Economic Affairs, published in Gazette of India, dated 13th August, 2018. The reference to the infrastructure sub-sectors in the said Harmonised Master List of Infrastructure Sub-sectors shall not include the business already provided in the said item (b). This notification shall come into force from the 1st day of April, 2021 and shall be applicable for assessment year 2021-22 and subsequent assessment years.	https://www.incometaxindia.gov.in/communications/notification/notification_44_2020.pdf
42.	**Lesson 1**	**Notification No. 49/2020 [Dated July 17, 2020]** The Central Government hereby notifies for the purposes of clause (46) of section 10 of the Income-tax Act, 1961, 'Real Estate Regulatory Authority' in respect of the specified income arising to that Authority subject to certain	https://www.incometaxindia.gov.in/communications/notification/

		conditions. Accordingly, the Real Estate Regulatory Authority is notified for the purpose of claiming exemption under section 10(46) of the Income tax Act, 1961 subject to certain conditions.	notification_49_2020.pdf
43.	**Lesson 1**	**Notification of Sovereign Wealth Fund 'SWF' under section 10(23FE) of the Income-tax Act, 1961 [Circular No. 15/2020 Dated July 22, 2020]** In order to facilitate the process of notification of the SWF, the CBDT specifies that the SWF shall file application in the Form I with the Member (Legislation), (CBDT), during the financial year 2020-21 and thereafter to the Member, CBDT having supervision and control over the work of Foreign Tax and Tax Research Division. Further, the SWF shall be required to file return of income along with audit report and also be required to file a quarterly statement within one month from the end of the quarter electronically in Form II in respect of each investment made during the quarter.	https://www.incometaxindia.gov.in/communications/circular/circular_15_2020.pdf
44.	**Lesson 1**	**Notification No. 50/2020 [Dated July 21, 2020]** The Central Government hereby notifies for the purposes of clause (46) of section 10 of the Income-tax Act, 1961, 'Tamil Nadu e-Governance Agency' in respect of the specified income arising to that Agency subject to certain conditions. Accordingly, the 'Tamil Nadu e-Governance Agency' is notified for the purpose of claiming exemption under section 10(46) of the Income tax Act, 1961 subject to certain conditions.	https://www.incometaxindia.gov.in/communications/notification/notification_50_2020.pdf
45.	**Lesson 1**	**Income Tax 20th Amendment Rules 2020 [Notification No. 67/2020 Dated August 17, 2020]** The Central Board of Direct Taxes hereby makes the Income-tax (20th Amendment) Rules, 2020 which shall come into force from the date of their publication in the Official Gazette. In the Income-tax Rules, 1962: • after rule 2DA, the rules "2DB" shall be inserted which specify Other conditions to be satisfied by the pension fund. • After rule 2DA, the rules "2DC" shall be inserted which specifies the Guidelines for notification under clause (23FE) of section 10 of the Income Tax Act, 1961.	https://www.incometaxindia.gov.in/communications/notification/notification_67_2020.pdf
46.	**Lesson 1**	**Notification No. 73/2020 [Dated September 10, 2020]** The Central Government hereby notifies for the purposes of the clause (46) of section 10 of the Income-tax Act, 1961, 'District Mineral Foundation Trust' in respect of the certain specified income arising to that Authority subject to certain conditions. Accordingly, the District Mineral Foundation Trust is notified for the purpose of claiming exemption under section 10(46) of the Income tax Act, 1961 subject to certain conditions.	https://www.incometaxindia.gov.in/communications/notification/notification_73_2020.pdf
47.	**Lesson 1**	**Notification No. 74/2020 [Dated September 11, 2020]** The Central Government hereby notifies the Infrastructure Debt Fund	https://www.incometaxindia.gov.in/communicati

		namely, the 'L&T Infra Debt Fund (PAN: AACCL4493R)' for the purposes of the clause (47) of section 10 of the Income-tax Act, 1961 for the assessment year 2018-2019 and subsequent years subject to the certain conditions. Accordingly, the L&T Infra Debt Fund (Infrastructure Debt Fund) is notified for the purpose of claiming exemption under section 10(47) of the Income tax Act, 1961 subject to certain conditions.	ons/notification/notification_74_2020.pdf
48.	**Lesson 1-3**	**Equalisation levy (Amendment) Rules, 2020 (Notification No. 87 Dated October 28, 2020)** CBDT has made the Equalisation levy (Amendment) Rules, 2020 to amend the Equalisation levy Rules, 2016 as follows: 1. **Definition of "electronic verification code" is added to definition Rules 2 by inserting a new clause (aa):** *"electronic verification code" means a code generated for the purpose of electronic verification of the person furnishing the statement of specified services as per the data structure and standards laid down by the Principal Director- General of Income-tax (Systems) or Director General of Income-tax (Systems), as the case may be.* 2. **Rounding off rules amended:** The heading of Rule 3 is amended to exclude the words "for specified services". 3. **Amendment to payment of equalisation levy:** Rule 4 related to payment of equalisation levy is amended to include an e-commerce operator in addition to the assessee. 4. **Filing of annual statements:** Rule 5 is amended to include a statement of e-commerce supply or services in addition to the statement of specified services. Further, provision to furnish a revised statement in Form No. 1 is incorporated. 5. **Furnishing of a statement in response to notice:** Rule 6 is amended to include the furnishing of a statement of specified services or e-commerce supply or services in response to a notice issued by the Assessing Officer. Further, this rule is made applicable to an e-commerce operator apart from the assessee. 6. **Notice of demand:** The notice of demand can now be served upon an assessee as well as on an e-commerce operator under Rule 7 by the Assessing Officer. 7. **Amendment related to Appeals:** An e-commerce operator is also allowed to file an appeal before the CIT(A) as per Rule 8. 8. **Amendment related to ITAT Appeals:** An e-commerce operator is also allowed to file an appeal before the ITAT as per Rule 9. 9. **Substitution of Forms:** For the execution of amended provisions of the Rules, **Form 1, Form 3 and Form 4 under the Equalisation Levy Rules, 2016** has been substituted with effect from 28.10.2020.	https://www.incometaxindia.gov.in/communications/notification/notification_87_2020.pdf
49.	**Lesson 1**	**Notification No. 89 [Dated November 02, 2020]** The Central Government hereby specifies the sovereign wealth fund, namely, the MIC Redwood 1 RSC Limited, Abu Dhabi, United Arab Emirates, as the specified person for the purposes of the sub-clause (vi) of clause (b) of the Explanation to clause (23FE) of section 10 of the Income-tax Act, 1961 in respect of the investment made by it in India on	https://www.incometaxindia.gov.in/communications/notification/notification_no_89_2020.pdf

		or after the date of publication of this notification in the Official Gazette but on or before the 31st day of March, 2024 subject to the fulfilment of the certain conditions. Accordingly, MIC Redwood 1 RSC Limited, Abu Dhabi, United Arab Emirates has been specified as sovereign wealth fund for the purposes of the sub-clause (vi) of clause (b) of the Explanation to clause (23FE) of section 10 of the Income-tax Act, 1961.	
50.	**Lesson 1-3**	**The Central Board of Direct Taxes extended the Income Tax exemption available under the LTC cash voucher scheme to employees of state governments, state-owned enterprises and private sector (PIB Dated October 29, 2020)** In order to provide the benefits to other employees (i.e. non-central government employees), the Central Board of Direct Taxes has provided similar income-tax exemption for the payment of cash equivalent of LTC fare [subject to maximum of Rs 36,000 per person as deemed Leave Travel Concession (LTC) fare per person Round Trip] to the non-Central Government employees also subject to certain condition. Non-central government employees include employees of state governments, public sector enterprises, banks and private sector. The conditions listed out by the CBDT for availing the tax exemption under the LTC cash voucher scheme require the employee to spend a sum equal to three times of the value of the deemed LTC fare on purchase of goods / services which carry a GST rate of 12% or more from GST registered vendors / service providers through digital mode between October 12, 2020 to March 31, 2021 and obtains a voucher indicating the GST number and the amount of GST paid. The employees have to exercise an option for the deemed LTC fare in lieu of the applicable LTC in the Block year 2018-2021.	https://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/870/Press-Release-IT-Exemption-for-payment-of-deemed-LTC-dated-29-10-2020.pdf

TAX RATES FY 2020-21, AY 2021-22

TAX RATES FOR FY 2020-21 i.e. AY 2021-22

Tax Rates for Different types of person depending upon various parameters:

1. For:

- Resident Individual of the age below 60 years
- Non Residents Individual
- Hindu undivided family
- Association of Persons
- Body of Individuals (other than Co-operative society)
- Artificial Juridical Person

Total Income (Rs.)	Tax Rate	Tax liability (Rs.)
Upto 2,50,000	Nil	Nil
2,50,001 – 5,00,000	5%	5% of (Total Income – 2,50,000)
5,00,001 – 10,00,000	20%	20% of (Total Income – 5,00,000) + 12,500
Above 10,00,000	30%	30% of (Total Income – 10,00,000) + 1,12,500

2. Applicable for Resident individual of the age of 60 years or more but less than eighty years at any time during the previous year

Total Income (Rs.)	Tax Rate	Tax liability (Rs.)
Upto 3,00,000	Nil	Nil
3,00,001 – 5,00,000	5%	5% of (Total Income – 3,00,000)
5,00,001 – 10,00,000	20%	20% of (Total Income – 5,00,000) + 10,000
Above 10,00,000	30%	30% of (Total Income – 10,00,000) + 1,10,000

3. Applicable for Resident Individual of the age of 80 years or more at anytime during the previous year

Total Income (Rs.)	Tax Rate	Tax liability (Rs.)
Upto 5,00,000	Nil	Nil
5,00,001 – 10,00,000	20%	20% of (Total Income – 5,00,000)
Above 10,00,000	30%	30% of (Total Income – 10,00,000) + 1,00,000

CBDT has clarified vide Circular No. 28/2016 27.07.2016, that a person born on 1ST April would be considered to have attained a particular age on 31st March, the day preceding the anniversary of his birthday.

Therefore a resident individual, whose 60th / 80th birthday falls on 1ST April, 2021 would be treated as having attained the age of 60 years/80 years in the P. Yr. 2020-21.

4. For Firm and Local Authorities:

	Types of person	**Tax Rates**
i.	Firms (including LLP)	30% of total Income
ii.	Local Authorities	30% of total Income

Note: Entity or individual other than a company whose adjusted total income exceeds Rs. 20 lakhs is liable to pay Alternate Minimum tax @18.5%.

5. For Companies

Domestic Company	***Assessment Year 2021-22***
Where it opted for Section 115BA [Tax on income of certain manufacturing domestic companies]	25%
Where it opted for Section 115BAA [This benefit shall be available when total income of the company is computed without claiming specified deductions, incentives, Exemptions and additional depreciation available under the Income- tax Act.]	22%
Where it opted for Section 115BAB [This regime shall be available only for the manufacturing companies incorporated in India on or after 01-10-2019. Hence, old companies will not be able to take the benefit of this section.]	15%
Where it has not opted for Section 115BAA and the Total Turnover or Gross receipts of the company in the previous year 2018-19 does not exceeds 400 crore rupees	25%
Any other domestic company	30%
Foreign Company	40%

6.For Co-operative Society:

	Income Slabs	**Tax Rates**
i.	Where the taxable income does not exceed Rs. 10,000/-	10% of the income

ii.	Where the taxable income exceeds Rs. 10,000/- but does not exceed Rs. 20,000/-	Rs. 1,000/- + 20% of income in excess of Rs. 10,000/-
iii	Where the taxable income exceeds Rs. 20,000/-	Rs. 3.000/- + 30% of the amount by which the taxable income exceeds Rs. 20,000/-

Surcharge

	Types of person	**Income Slab**	**Surcharge Rates**
i.	Individuals, HUF, AOP, BOI	If Income exceeds Rs. 50 lakhs but does not exceed Rs. 1 crore	10% of income tax
		If income exceeds Rs. 1 crore but does not exceed Rs. 2 crore	15% of income tax
		If income exceeds Rs. 2 crore but does not exceed Rs. 5 crore	25% of income tax
		If total income exceeds Rs. 5 crore	37% of income tax
ii	Firm / Local Authority / Co-operative Society	If income exceeds Rs. 1 crore	12% of income tax
iii.	Domestic Companies*	If income exceeds Rs. 1 crore but does not exceed Rs. 10 crores	7% of income tax
		If income exceeds Rs. 10 crore	12% of income tax
iv.	Foreign company	If income exceeds Rs. 1 crore but does not exceed Rs. 10 crores	2% of income tax
		If income exceeds Rs. 10 crore	5% of income tax

*Note:

- The rate of surcharge in case of a company opting for taxability under Section 115BAA or Section 115BAB shall be 10% irrespective of amount of total income.
- The domestic company who has opted for special taxation regime under Section 115BAA & 115BAB is exempted from provision of MAT. However, no exemption is available in case where section 115BA has been opted.
- The enhanced surcharge of 25% & 37%, as the case may be, is not levied, from income chargeable to tax under sections 111A, 112A and 115AD. Hence, the maximum rate of surcharge on tax payable on such incomes shall be 15%.

Health and Education Cess

The Rate of Health and Education Cess for FY 2020-21 is 4%

Rebate under section 87A

An assessee, being an individual resident in India, whose total income does not exceed Rs. 5,00,000 shall be entitled to a deduction, from the amount of income-tax (as computed before allowing the deductions under this Chapter) on his total income with which he is chargeable for any assessment year, of an amount equal to 100% of such income-tax or an amount of Rs. 12,500, whichever is less.

Special Tax Regime for Individual and HUFs [Section 115BAC]

The Finance Act, 2020, has provided an option to Individuals and HUF for payment of taxes at the following reduced rates from Assessment Year 2021-22 and onwards:

Total Income (Rs)	**Tax Rate**
Up to 2,50,000	*Nil*
From 2,50,001 to 5,00,000	5%
From 5,00,001 to 7,50,000	10%
From 7,50,001 to 10,00,000	15%
From 10,00,001 to 12,50,000	20%
From 12,50,001 to 15,00,000	25%
Above 15,00,000	30%

Surcharge: Surcharge is levied on the amount of income-tax at following rates if total income of an assessee exceeds specified limits:

Rs. 50 Lakhs to Rs. 1 Crore	*Rs. 1 Crore to Rs.2 Crores*	*Rs. 2 Crores to Rs. 5 Crores*	*Rs. 5 crores to Rs. 10 Crores*	*Exceeding Rs. 10 Crores*
10%	15%	25%	37%	37%

Note: Marginal relief is available from surcharge.

Health and Education Cess: Health and Education Cess is levied at the rate of 4% on the amount of income-tax plus surcharge.

Alternate Minimum Tax: The assessee opting for this scheme have been kept out of the purview of Alternate Minimum Tax (AMT). Further the provision relating to the computation, carry forward and set off of AMT credit shall not apply to these assessees.

Conditions to be satisfied:

1. The option to pay tax at lower rates shall be available only if the total income of Individual or HUFs is computed without claiming following exemptions or deductions:

a) Leave Travel concession [Section 10(5)]

b) House Rent Allowance [Section 10(13A)]

c) Official and personal allowances (other than those as may be prescribed) [Section 10(14)]

d) Allowances to MPs/MLAs [Section 10(17)]

e) Allowances for income of minor [Section 10(32)]

f) Deduction for units established in Special Economic Zones (SEZ) [Section 10AA];

g) Standard Deduction [Section 16(ia)]

h) Entertainment Allowance [Section 16((ii)]

i) Professional Tax [Section 16(iii)]

j) Interest on housing loan [Section 24(b)]

k) Additional depreciation in respect of new plant and machinery [Section 32(1)(iia)];

l) Deduction for investment in new plant and machinery in notified backward areas [Section 32AD];

m) Deduction in respect of tea, coffee or rubber business [Section 33AB];

n) Deduction in respect of business consisting of prospecting or extraction or production of petroleum or natural gas in India [Section 33ABA];

o) Deduction for donation made to approved scientific research association, university college or other institutes for doing scientific research which may or may not be related to business [Section 35(1) (ii)];

p) Deduction for payment made to an Indian company for doing scientific research which may or may not be related to business [Section 35(1)(iia)];

q) Deduction for donation made to university, college, or other institution for doing research in social science or statistical research [Section 35(1) (iii)];

r) Deduction for donation made for or expenditure on scientific research [Section 35(2AA)];

s) Deduction in respect of capital expenditure incurred in respect of certain specified businesses, i.e., cold chain facility, warehousing facility, etc. [Section 35AD];

t) Deduction for expenditure on agriculture extension project [Section 35CCC];

u) Deduction for family Pension [Section 57(iia)]

v) Deduction in respect of certain incomes other than specified under Section 80JJAA, 80CCD(2) and deduction under section 80LA for Unit located in IFSC [Part C of Chapter VI-A].

2. Total income of the assessee is calculated after claiming depreciation under section 32, other than additional depreciation, and without adjusting brought forward losses and depreciation from any earlier year (if such loss or depreciation pertains to any deduction under the aforesaid sections). Further, loss under the head house property can't be set off against other heads of Income. Moreover, such loss and depreciation will not be carried forward.

3. If the assessee has any unabsorbed depreciation, relating to additional depreciation, which has not

been given full effect, the corresponding adjustment shall be made to WDV of the block of assets in the prescribed manner.

4. In case the assessee has business or professional income, this option shall be exercised on or before the due date for furnishing the returns of income.

5. Once the assessee has exercised the option for any previous year, it cannot be subsequently withdrawn for the same or any other previous year. The option once exercised for any previous year can be withdrawn only once in subsequent previous year (other than the year in which it was exercised) and thereafter, he shall never be eligible to exercise this option again except where such person ceases to have any business income.

6. If assessee does not have business or professional income, the option must be exercised along with the return of income for every previous year. If an assessee, after opting for Section 115BAC, claims any of prescribed deduction or allowance in any previous year, then the option to pay tax at concessional rate shall become invalid for that year.

Special Tax Regime applicable to a Co-operative societies [Section 115BAD]

The Finance Act, 2020 has inserted a new section 115BAD in Income-tax Act to provide an option to the resident co-operative societies to get taxed at the rate of 22% *plus* 10% surcharge and 4% cess. The resident co-operative societies have an option to opt for taxation under newly section 115BAD of the Act w.e.f. Assessment Year 2021-22. The option once exercised under this section cannot be subsequently withdrawn for the same or any other previous year.

If the new regime of Section 115BAD is opted by a co-operative society, its income shall be computed without providing for specified exemption, deduction or incentive available under the Act. The societies opting for this section have been kept out of the purview of Alternate Minimum Tax (AMT). Further, the provision relating to computation, carry forward and set-off of AMT credit shall not apply to these assessees.

The option to pay tax at lower rates shall be available only if the total income of cooperative society is computed without claiming following exemptions or deductions:

a) Deduction for units established in Special Economic Zones (SEZ) [Section 10AA];

b) Additional depreciation in respect of new plant and machinery [Section 32(1)(iia)];

c) Deduction for investment in new plant and machinery in notified backward areas [Section 32AD];

d) Deduction in respect of tea, coffee or rubber business [Section 33AB];

e) Deduction in respect of business consisting of prospecting or extraction or production of petroleum or natural gas in India [Section 33ABA];

f) Deduction for donation made to approved scientific research association, university college or other institutes for doing scientific research which may or may not be related to business [Section 35(1)(ii)];

g) Deduction for payment made to an Indian company for doing scientific research which may or may not be related to business [Section 35(1)(iia)];

h) Deduction for donation made to university, college, or other institution for doing research in social science or statistical research [Section 35(1) (iii)];

i) Deduction for donation made to National Laboratory or IITs, etc. for doing scientific research which may or may not be related to business [Section 35(2AA)];

j) Deduction in respect of capital expenditure incurred in respect of certain specified businesses, i.e., cold chain facility, warehousing facility, etc. [Section 35AD];

k) Deduction for expenditure on agriculture extension project [Section 35CCC];

l) Deduction in respect of certain incomes other than specified under Section 80JJAA [Part C of Chapter VI-A].

Where a co-operative society exercises option for availing benefit of lower tax rate under section 115BAD, it shall not be allowed to claim set-off of any brought forward losses or depreciation attributable to any restricted exemption or deduction in the Assessment Year for which the option has been exercised and for any subsequent Assessment Year.

AMENDMENTS MADE BY FINANCE ACT, 2018

DEDUCTIONS FROM INCOME OF FARM PRODUCER COMPANIES

New Section inserted for 100% deduction: A new Section 80PA has been inserted under the Act in order to provide that 100% of the gross total income of Producer Company shall be exempt if following conditions are satisfied:

- Turnover in the relevant previous year is less than Rs. 100 crores;
- Such Producer Company shall be engaged in marketing, processing of agricultural produce of members, purchase of agricultural implements, seeds, livestock for the use of members.
- Deduction can be taken from FY 2018-19 to FY 2024-25.

Important Points: Producer Company means a body corporate having objects or activities in relation to production, marketing, selling, export of agriculture produce of member, providing machinery, education, consultancy to members in relation to production activities.

EXEMPTION ON SALE OF STOCK OF CRUDE OIL BY FOREIGN COMPANY

The provisions of Section 10(48), 10(48A) and 10(48B) of the Income tax Act, 1961 exempts the following Incomes of a foreign company:

- Income received in India on account of Sale of crude oil as per the agreement approved by the Central Government – Section 10(48).
- Income accrue or arise in India on account of storage of crude oil in India and sale of crude oil therefrom in India as per the agreement approved by Central Government – Section 10 (48A).
- Income accrues or arises in India on account of Sale of leftover stock after the expiry of agreement approved by Central Government – Section 10 (48B).

Now Finance Act, 2018 has made the amendment that even in case of termination of agreement, exemption benefit under Section 10(48B) will be available to such foreign company.

BENEFITS TO COMPANIES UNDER INSOLVENCY PROCEEDINGS

Provisions before Amendment

- The provisions of Section 79 of the Income tax Act, 1961 provides that NO LOSS can be carried forward and set off in case of change in shareholding by more than 51% from the loss year to set off year. For Example, If Loss relates to FY 2015-16 which is tested for set off in FY 2018-19, at- least 51% of the voting power of shareholders must be same in both years.
- Further, Section 115JB allows the benefit of brought forward losses **OR** Unabsorbed depreciation (as per books), whichever is lower from the Book Profits computed under the provisions of Minimum Alternate Tax (MAT).
- Companies which are under the Insolvency proceedings are under a lose-lose situation due to above two provisions since upon taken over by others, losses will be lapsed. Further, if any of

the loss or unabsorbed depreciation as per books is NIL, then there would be no benefit under MAT

Amendment made by Finance Act, 2018

- Section 79 of the Act has been amended in order to provide that the provisions of Non Carry forward of loss will not be applicable in case of a Company whose resolution plan has been approved under Insolvency and Bankruptcy Code, 2016 (IBC, 2016).
- For Example, If Loss relates to FY 2015-16 which is tested for set off in FY 2018-19, no testing is required to be made for 51% criteria in case of Companies under Insolvency.
- Section 115JB of the Act has been amended in order to provide that in place of "Lower of Brought Forward Loss or Unabsorbed Depreciation", "Aggregate of Brought Forward Loss **and** Unabsorbed Depreciation" will be allowed to a Company whose resolution plan has been approved. This will benefit the acquisitions of Companies which are under the proceedings of IBC, 2016.

AMENDMENTS IN RELATION TO INDIVIDUALS

1. Amendments made under the head Salaries [**Section 16 and Section 17]:** Finance Act, 2018 has introduced Standard Deduction amounting to INR 40,000 from Gross Salary as a benefit to the Salaried Employees. Now, total three deductions are available under the head Salaries:

It has further **withdrawn** the benefit of medical reimbursement which was earlier available to the extent of INR 15,000. Further, Exemption upto INR 19,200 w.r.t. transportation allowance for commuting between office and residence has also been withdrawn. The above amendments will apply for Salary Income earned from F.Y. 2018-19 onwards.

2. Enhancement of quantum of deduction of Medical Insurance: Section 80D of the Act has been amended in order to provide that the deduction in respect of Senior Citizen will now be available with a new cap of INR 50,000 instead of INR 30,000. Further, the benefit of deduction in respect of medical expenditure is also available in case of Senior Citizen having age > = 60 years.

♦ For HUF also, the deduction has been increased from INR 30,000 to INR 50,000. However, the limit of INR 25,000 is intact for Individuals and family members in case the age is < 60 years.

♦ Post Amendment, the maximum deduction which can be allowed under this section can be INR 1,00,000 if all the insured persons are Senior Citizens. Further, amount paid for insurance taken for more than one year will now be allowed proportionately.

3. Enhancement of quantum of deduction for specified disease

Section 80DDB of the Act provides for a deduction to a resident Individual and HUF for medical treatment of specified disease of dependent amounting to INR 60,000 in case of Senior Citizen and INR 80,000 in case of Very Senior Citizen. Post Amendment, the deduction which can be allowed under this section can be INR 1,00,000 for any type of Senior Citizen.

4. Interest Income of Senior Citizens: Section 80TTA of the Act provides that deduction amounting to INR 10,000 (maximum) is allowed to an Individual or HUF for Interest Income earned on saving

account. Section 80TTA is not applicable on Interest Income earned on Fixed Deposits/ Time Deposits.

Now, **Finance Act, 2018** has inserted a new Section 80TTB in order to provide that Senior Citizens are allowed a deduction of upto INR 50,000 in respect of Income earned by such Senior Citizens from Deposits (Saving Account, Fixed Deposits and Time Deposits). Further, in case of Senior Citizens, TDS will be deducted if the Income exceeds INR 50,000. (Amendment made in Section 194A). No deduction under Section 80TTA shall be allowed to such Senior Citizens. Only those deposits are covered which are held with Banking Company, Post Office or Cooperative Societies.

5. Amendments in relation to Trust:

Applicability of Section 40A(3), 40A(3A) and Section 40(a)(ia) in case of Trusts: Income of a religious and charitable trust registered under the Act is taxable under the head "Other Sources". Now, **Finance Act, 2018** has made an amendment in order to provide that provisions of Section 40A(3), 40A(3A) and 40(a)(ia) shall also apply to religious or charitable trusts.

Accordingly, no deduction is allowable for any expenditure:

- Exceeding INR 10,000 made to a person in a day by cash mode; or
- Payment of Outstanding Balance exceeding INR 10,000 to a person in a day by cash mode;
- 30% of the amount of expense will be disallowed in case such trust do not deduct any TDS on payments being made to residents.

The same applies to trusts governed by Section 10(23C) and Section 11 & 12 of the Act.

AMENDMENTS RELATING TO ICDS

Income Computation and Disclosure Standards (ICDS) provides the accounting treatment to be given to certain transactions under the head "PGBP" and "Other Sources".

The provisions of ICDS have overruled certain judicial precedents given by Hon'ble Supreme Court and various High Courts. Hon'ble Delhi High Court in the case of writ petition filed by Chamber of Tax Consultants (CTC) have struck down certain provisions of the ICDS ruling that the same cannot overrule the landmark judgments given by various courts. The reason for such struck down is that the provisions of ICDS have been introduced vide Rules which have been framed by Central Board of Direct Taxes (CBDT) and do not have any statutory backing from parliament.

Finance Act, 2018 has made some amendments under the Income tax Act, 1961 in order to give the statutory backing to the treatment prescribed by ICDS. Some new sections and provisions have been inserted which have concluded the treatments as below:

1. Mark to Market loss computed in accordance with ICDS shall be allowed as deduction from the Income under PGBP – **Section 36(1)(xviii)**.

2. Foreign Exchange Gains/Losses arising on account of change in rates of exchange shall be allowed as deduction in accordance with ICDS. This means that loss and gains of capital nature other than Section 43A are also taxed or allowed as deduction in the year of realization or restatement, as the case may be - **Section 43AA**.

3. Income from Construction Contracts or Service Incomes shall be determined as per percentage of completion method (PCM) (except service contracts for a period of upto 90 days which can be recognized on full completion)– **Section 43CB**;

4. Inventory shall be valued at Cost or NRV whichever is lower computed in manner as per ICDS – Section 145A.

5. Listed Securities shall be valued at Cost or NRV whichever is lower (in case held as stock) **Section 145A**

6. Unlisted/ Unquoted Securities shall be valued at initial cost – **Section 145A**.

7. Interest on compensation or enhanced compensation shall be taxable on receipt basis – **Section 145B**

8. Escalation claims and Export incentives shall be recognized as Income when reasonable certainty is achieved – **Section 145B**.

9. Subsidy, Grant, Cash Incentives, Duty Drawback etc. are recognized as Income of the year in which such amount is received – **Section 145B**.

The amendments are retrospective and applicable from FY 2016-17 onwards.

AMENDMENTS HAVING IMPACT ON FOREIGN CURRENCY INFLOWS

1. Amendment relating to Presence of Digital Companies and Dependent Agents: Before Amendment, what we see is only **physical presence** of Non-resident or his dependent agent for the purpose of determining Income accruing or arising in India.

Finance Act, 2018 has made an amendment under Section 9 of the Act in order to provide that significant economic presence will also be deemed as "Business Connection" for the purpose of Section 9.

Significant Economic Presence means transactions in respect of goods, services or property carried out by a non-resident in India including downloading of software etc. if such transactions exceed the prescribed amount **OR** by way of soliciting or interacting with prescribed users by digital means.

Amendment has been made for extending the dependency of agent not only who concludes contracts but also who substantially negotiates contracts on behalf of Nonresident.

2. Long-term Capital Gain to FIIs: Before Amendment, Section 10(38) exempts the income of any person arising from long term capital gains on sale of listed shares, units of equity oriented fund etc. The same also includes LTCG of FIIs from such securities.

Finance Act, 2018 has made an amendment under Section 115AD of the Act in order to provide that 10% tax will be levied in case such LTCG exceeds Rs. 1 lakh.

OTHER AMENDMENTS

1. Introduction of LTCG tax on Sale of Listed Securities: Before amendment, Section 10(38) of the Act provides that LTCG arising on transfer of listed equity shares or units of equity oriented fund is exempt from tax provided:

- STT has been paid; and
- transaction of both purchase and sale has been taken on recognized stock exchange.

In order to take the same under tax net, **Finance Act, 2018** has introduced **Section 112A** of the Act in order to provide that:

- Tax @ 10% of the LTCG shall be charged.
- The tax will be charged only if LTCG of such nature exceeds Rs. 1 lakh.
- No Benefit of indexation shall be allowed on such gains.

No tax will be levied if the sale has been made till March 31, 2018 since the budget is applicable from April 01, 2018. If the asset is acquired on or after February 01, 2018, actual cost will be considered for the purpose of calculation.

If the asset is acquired on or before January 31, 2018, then cost of acquisition shall be

- Actual Cost of Acquisition; **OR**
- Lower of Sale Value or Fair Market Value;

Whichever is higher.

The restriction upto "lower of sale value" is provided so that no long term capital loss shall arise on such computation.

Example:

Investment Amount	**Investment Date**	**Redemption Amount**	**Redemption Date**	**Taxability**
2,00,000	31.01.2017	3,60,000	28.03.2018	Not Taxable
2,00,000	31.03.2017	4,00,000	03.04.2018	10% of Gain
1,00,000	25.06.2017	1,90,000	30.06.2018	Not Taxable
2,00,000	15.01.2018	3,50,000	31.08.2018	15% u/s Section 111A
3,00,000	10.12.2017	4,20,000	15.12.2018	10% of Gain

2. Incentives for Employment Generation: Deduction is allowed @ 30% of the additional employee cost incurred during the previous year for 3 consecutive years i.e. total 90% deduction will be allowed under this Section. Deduction is allowed only if the following conditions are satisfied:

- There should be an increase in number of employees in current year vis-à-vis preceding financial year.
- Salary or wage shall be paid other than cash mode.
- Only those employees will be treated as additional employees whose salary is upto INR 25,000; **AND** Contributing in provident fund; **AND** Employed for 240 days or more in the year (150 days or more for apparel industry).

Finance Act, 2018 has made an amendment to Section 80JJAA of the Act in order to provide that benefit of 150 days or more will also be available to **shoes and leather industry.** Further, Employed days (240/150) can be completed subsequent to joining year also.

3. Rationalization of Section 43CA, Section 50C and Section 56

♦ **Section 43CA:** It provides that in case the consideration for transfer of stock in trade, being land or building, is less than the stamp duty value, then Stamp Duty Value shall be deemed to be the sale price of such stock – **Section for PGBP**.

♦ **Section 50C:** It provides that in case the consideration received or receivable from transfer of a capital asset, being land or building, is less than the stamp duty value, then Stamp Duty Value shall be deemed to be the full value of consideration – **Section for Capital Gains**.

♦ **Section 56(2)(x):** It provides that in case a person receives any immovable property at a value less than the stamp duty value by INR 50,000, then the balance shall be treated as Income from other sources – **Section for Other Sources**.

Finance Act, 2018 has made an amendment under the above sections in order to provide that difference upto 5% between actual consideration and stamp duty value shall be ignored. The amendments are effective from F.Y. 2018-19 onwards.

4. Provisions relating to conversion of stock into capital asset: Income tax law currently provides provisions for conversion of capital asset into stock in trade. The taxability in such cases shall be as under:

- Fair Market Value on the date of conversion shall be the full value of consideration to be taken for capital gains purpose.
- Actual Cost of capital asset shall be taken as the cost of acquisition of such stock.
- Period of holding will be the period starting from acquisition date to conversion date.
- The Capital Gains are taxable in the year in which stock will be sold.

New Provisions have been introduced for the vice-versa cases of conversion of stock-in-trade into capital assets. The taxability in such cases shall be the Fair Market Value on the date of conversion shall be deemed to be the Sale price under the head PGBP. Cost will be considered as actual cost of purchase of stock-in trade.

5. Amendment under presumptive taxation scheme in case of Goods Carriage – Section 44AE: Section 44AE of the Act provides a presumptive taxation scheme for the transporters having upto ten (10) vehicles at any time during the previous year. It provides that such transporters have an option to declare Income @ 7,500 per month or part thereof per vehicle.

Finance Act, 2018 has made an amendment in Section 44AE of the Act in order to provide that for vehicles **having more than 12MT gross weight**, then instead of INR 7,500 per month per vehicle, INR 1,000 per tonne capacity per month per vehicle shall be deemed as Income.

6. Measures to Promote Start-ups: Section 80-IAC of the Income tax Act, 1961 provides 100% deduction to start-ups for 3 consecutive years out of seven years if it is incorporated between 01.04.2016 to 31.03.2018 and the turnover is upto INR 25 crores per year between 01.04.2016 to 31.03.2021.

Finance Act, 2018 has made an amendment in order to provide that start-ups **incorporated between 01.04.2019 to 31.03.2021** can also avail the benefit of this Section. Further, turnover limit of INR 25 crores is applicable for first seven years from start date. Start-up can be of such type which can generate employment or create wealth substantially.

7. Trading in Agriculture Commodities: Amendment has been made under Section 43(5) of the Act in order to provide that trading in agriculture commodities will also be considered as non-speculative transaction instead of speculative transaction. Post Amendment, loss from trading in agricultural commodities can also be set off from other non-speculative business losses. Further, such loss can now be carried forward for 8 AYs instead of 4 AYs.

Note: Copy of the Amendments made by the Finance Act, 2018 is available at following weblink: http://egazette.nic.in/writereaddata/2018/184302.pdf**. Students are advised to go through the detailed amendment made by Finance Act, 2018.**

AMENDMENTS MADE BY FINANCE ACT, 2019

Income under the Head Salary

i. Standard Deduction [Section 16(ia)]: There is an amendment u/s 16(ia) where standard deduction is enhanced to Rs. 50,000 from Rs. 40,000. The benefit of increased standard deduction shall be available to salaries persons and pensioner.

ii. Deduction of up to 10% of salary is allowed under Section 80CCD in respect of contribution made by an employer to NPS. The limit has been proposed to be increased to 14% of salary in case of Central Government's employees.

Income from house property: There is an amendment in section 23 where tax payer is allowed to opt two house as a self occupied house (earlier it was allowed only one house) and balance he has to offer as let out. U/s 24, the tax payer, can now claim interest for both the house. However, the aggregate monetary limit for the deduction would remain the same i.e. Rs. 2,00,000.

Capital Gains:

i. There is an amendment u/s 54 where any capital gain arising on sale of long term residential house and capital gain does not exceed Rs. 2 crore, tax payer is allowed to invest in two residential house in India (earlier it was allowed in one house) and capital gain will be taxed accordingly. This option is given once in life time to tax payer.

ii. The sunset date for transfer of residential house property, for claiming exemption under Section 54GB in respect of investment made in eligible start-ups, has been extended from 31st March, 2019 to 31st March, 2021. Further, the conditions of minimum shareholding or voting rights has been relaxed from 50% to 25%.

Deduction:

i. A new Section 80EEA has been inserted to provide for deduction of up to Rs. 1.50 lakhs for interest on loan taken from any financial institution for acquisition of a residential house property whose stamp duty value does not exceed Rs. 45 lakhs.

ii. A new section 80EEB has been inserted to provide for a deduction of Rs. 1.5 lakhs in respect of interest on loan taken for purchase of an electric vehicle from any financial institution.

Transfer Pricing: Constituent entity of an International group shall now be required to keep and maintain information and document under Section 92D and file required form even when there is no international transaction is undertaken by such constituent entity.

Other Amendments:

i. A taxpayer has been allowed to withdraw 60% of total amount from NPS as tax free. Currently, the exemption is allowed only up to 40% of the total corpus amount.

ii. Relief under Section 89 shall be considered while computing the tax liability under Section 140A, section 143, section 234A, section 234B, and section 234C to avoid genuine hardships to the taxpayers who are claiming such relief.

Every person, carrying on business, shall, provide facility for accepting payment through electronic modes if his turnover or gross receipts exceeds Rs. 50 crores. The Payment and Settlement Systems Act, 2007 is proposed to be amended to provide that no bank or system provider shall impose any charge upon anyone, either directly or indirectly, for using the electronic modes of payment.

iii. Section 115QA which requires payment tax on distributed income in case of buy-back of shares has proposed to be extended to listed companies as well.

iv. Any sum of money paid, or any property situated in India transferred, on or after July 5, 2019 by a person resident in India to a person outside India shall be deemed to accrue or arise in India under Section 9.

Note: Copy of the Amendments made by the Finance Act, 2019 is available at following weblink: http://egazette.nic.in/WriteReadData/2019/209695.pdf. Students are advised to go through the detailed amendment made by Finance Act, 2019.

AMENDMENTS MADE BY FINANCE ACT, 2020

Income from fund or trust or institution or university or other educational institution or hospital or other medical institution [Section 10(23C)]

Any income received by any person on behalf of fund or trust or institution or university or other educational institution or hospital or other medical institution specified in Section 10(23C) of the Income Tax Act, 1961 is exempt from tax subject to certain condition.

Exemption in respect of certain income of wholly owned subsidiary of Abu Dhabi Investment Authority and Sovereign Wealth Fund [Section 10(23FE)]

In order to promote investment of sovereign wealth fund, including the wholly owned subsidiary of Abu Dhabi Investment Authority (ADIA), An exemption has been provided to any income of a specified person in the nature of dividend, interest or long-term capital gains arising from an investment made by it in India, whether in the form of debt or equity, in a company or enterprise carrying on the business of developing, or operating and maintaining, or developing, operating or maintaining any infrastructure facility as defined in Explanation to clause (i) of sub-section (4) of section 80-IA of the Act or such other business as may be notified by the Central Government in this behalf. In order to be eligible for exemption, the investment is required to be made on or before 31st March, 2024 and is required to be held for at least three years.

For the purpose of this exemption, "specified person" is proposed to be defined to mean,-

(a) a wholly owned subsidiary of the ADIA, which is a resident of the United Arab Emirates (UAE) and which makes investment, directly or indirectly, out of the fund owned by the Government of the United Arab Emirates; and

(b) a sovereign wealth fund which satisfies the following conditions:

A. It is wholly owned and controlled, directly or indirectly, by Government of a foreign country;
B. It is set up and regulated under the law of the foreign country;
C. Its earnings are credited either to the account of the Government of the foreign country or to any other account designated by that Government such that no portion of the earnings inures any benefit to any private person;
D. Its asset vest in the Government of the foreign country upon dissolution;
E. It does not undertake any commercial activity whether within or outside India; and
F. It is notified by the Central Government in the Official Gazette for this purpose.

This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

Income on Buyback of Shares [Section 10(34A)]

Any income arising to an assessee, being a shareholder, on account of buy back of shares by the company as referred to in section 115QA is exempt from tax.

Exemption of income of foreign company from sale of leftover stock of crude oil on termination of agreement or arrangement [Section 10(48B)]

Any income of foreign company on account of sale of leftover stock of crude oil from the facility in India after the expiry or on termination of the agreement or the arrangement shall be exempt, in accordance with the terms mentioned therein.

Income accruing or arising to Indian Strategic Petroleum Reserves Limited (ISPRL) [Section 10(48C)]

Any income accruing or arising to Indian Strategic Petroleum Reserves Limited (ISPRL), being a wholly owned subsidiary of Oil Industry Development Board under the Ministry of Petroleum and Natural Gas, as a result of an arrangement for replenishment of crude oil stored in its storage facility in pursuance to directions of the Central Government in this behalf.

This exemption shall be subject to the condition that the crude oil is replenished in the storage facility within three years from the end of the financial year in which the crude oil was removed from the storage facility for the first time.

This amendment will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years.

Modification of concessional tax schemes for domestic companies under section 115BAA and 115BAB

Section 115BAA and section 115BAB has been inserted in the Act to provide domestic companies an option to be taxed at concessional tax rates provided they do not avail specified deductions and incentives. Some of the deductions prohibited are deductions under any provisions of Chapter VI-A under the heading "C. Deduction in respect of certain incomes" other than the provisions of section 80JJAA.

An Amendment has been made vide Finance Act, 2020 to provide in section 115BAA and section 115BAB to not allow deduction under any provisions of Chapter VI-A other than section 80JJAA or section 80M, in case of domestic companies opting for taxation under these sections. These amendments will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years.

Withdrawal of exemption on certain perquisites or allowances provided to Union Pubic Services Commission (UPSC) Chairman and members and Chief Election Commissioner and Election Commissioners

Section 10(45) inserted by the Finance Act, 2011, provides that any allowance or perquisite as may be notified by the Central Government, paid to the serving/ retired Chairman or Members of UPSC shall not be included in computing their total income and hence shall be exempt from income-tax.

An Amendment has been made vide Finance Act, 2020 to delete Section 10(45) and Withdraw exemption on certain perquisites or allowances provided to Union Pubic Services Commission (UPSC) Chairman and members and Chief Election Commissioner and Election Commissioners. These amendments will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

Rationalization of provisions of start-ups

The existing provisions of section 80-IAC of the Act provide for a deduction of an amount equal to one hundred per cent of the profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years out of seven years, at the option of the assessee, subject to the condition that the eligible start-up is incorporated on or after 1st April, 2016 but before 1st April, 2021 and the total turnover of its business does not exceed twenty-five crore rupees.

In order to further rationalise the provisions relating to start-ups, an Amendment has been made vide Finance Act, 2020 to section 80-IAC of the Act so as to provide that-

(i) the deduction under the said section 80-IAC shall be available to an eligible start-up for a period of three consecutive assessment years out of ten years beginning from the year in which it is incorporated;

(ii) the deduction under the said section shall be available to an eligible start-up, if the total turnover of its business does not exceed one hundred crore rupees in any of the previous years beginning from the year in which it is incorporated.

This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

Extending time limit for approval of affordable housing project for availing deduction under section 80-IBA of the Act

The existing provisions of section 80-IBA of the Act, inter alia, provide that where the gross total income of an assessee includes any profits and gains derived from the business of developing and building affordable housing projects, there shall, subject to certain conditions specified therein, be allowed a deduction of an amount equal to one hundred per cent of the profits and gains derived from such business. The conditions contained in the section, inter alia, prescribe that the project is approved by the competent authority during the period from 1st June, 2016 to 31st March, 2020. In order to incentivise building affordable housing to boost the supply of such houses, the period of approval of the project by the competent authority is proposed to be extended to 31st March, 2021.

This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

Extending time limit for sanctioning of loan for affordable housing for availing deduction under section 80EEA of the Act

The existing provisions of section 80EEA of the Act provide for a deduction in respect of interest on loan taken from any financial institution for acquisition of an affordable residential house property. The deduction allowed is up to one lakh fifty thousand rupees and is subject to certain conditions. One of the conditions is that loan has been sanctioned by the financial institution during the period from 1st April, 2019 to 31st March, 2020. The said deduction is aimed to incentivise first time buyers to invest in residential house property whose stamp duty does not exceed forty-five lakh rupees.

In order to continue promoting purchase of affordable housing, the period of sanctioning of loan by the financial institution is amended by Finance Act, 2020 extended to 31st March, 2021. This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

Modification in conditions for offshore funds' exemption from "business connection"

Section 9A of the Act provides for a special regime in respect of offshore funds by providing them exemption from creating a "business connection" in India on fulfilment of certain conditions. It provides that in the case of an eligible investment fund, the fund management activity carried out through an eligible fund manager acting on behalf of such fund shall not constitute business connection in India of the said fund. Further, an eligible investment fund shall not be said to be resident in India merely because the eligible fund manager undertaking fund management activities on its behalf is located in India. The benefit under section 9A is available subject to the conditions as provided in sub-sections (3), (4) and (5) thereof. Sub-section (3) of section 9A provides the conditions for eligibility of the fund.

One of the conditions for eligibility of the fund provided under clause (c) of said sub-section (3) requires that the aggregate participation or investment in the fund, directly or indirectly, by persons resident in India does not exceed five per cent of the corpus of the fund. Representations have been received in this regard stating that this condition is difficult to comply with in the initial years for the reason that eligible fund manager, who is resident in India, is required to invest his money as "skin in the game" to create reputation to attract investment.

One other condition for eligibility of the fund provided under clause (j) of said sub-section (3) requires that the monthly average of the corpus of the fund shall not be less than one hundred crore rupees except where the fund has been established or incorporated in the previous year in which case, the corpus of fund shall not be less than one hundred crore rupees at the end of a period of six months from the last day of the month of its establishment or incorporation, or at the end of such previous year, whichever is later. This condition does not apply in a case where the fund has been wound up.

Representations have been received in this regard stating that as per this condition, the period for fulfilling the requirement of monthly average of the corpus of one hundred crore rupees ranges from six months to eighteen months, in so far as the fund established or incorporated on last day of the financial year would get six months and the fund established or incorporated on first day of the financial year would get eighteen months. It has been stated that this results in anomaly as certain funds due to its date of establishment and incorporation get favoured or discriminated against.

Accordingly, an amendment has been made vide Finance Act, 2020 in section 9A of the Act to relax these two conditions so as to provide that,-

(i) for the purpose of calculation of the aggregate participation or investment in the fund, directly or indirectly, by Indian resident, contribution of the eligible fund manager during first three years up to twenty-five crore rupees shall not be accounted for; and

(ii) if the fund has been established or incorporated in the previous year, the condition of monthly average of the corpus of the fund to be at one hundred crore rupees shall be fulfilled within twelve months from the last day of the

month of its establishment or incorporation. This amendment will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years.

Amendment of section 115BAB of the Act to include generation of electricity as manufacturing

The newly inserted section 115BAB provides that new manufacturing domestic companies set up on or after 1st October, 2019, which commence manufacturing or production by 31st March, 2023 and do not avail of any specified incentives or deductions, may opt to pay tax at a concessional rate of 15 per cent. Further, Explanation to clause (b) of sub-section (2) thereof provides that for the purposes of the said section, businesses engaged in development of computer software, mining, conversion of marble blocks or similar items into slabs, bottling of gas into cylinder, printing of books or production of cinematograph film or any other business as may be notified by the Central Government will not be considered as manufacturing or production.

Representations have been received from various stakeholders requesting to provide that the benefit of the concessional rate under section 115BAB of the Act may also be extended to business of generation of electricity, which otherwise may not amount to manufacturing or production of an article or thing.

Accordingly, an amendment has been made to explain that, for the purposes of this section, manufacturing or production of an article or thing shall include generation of electricity. This amendment will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years.

Providing an option to the assessee for not availing deduction under section 35AD

Section 35AD of the Act, relating to deduction in respect of expenditure on specified business, provides for 100 per cent. deduction on capital expenditure (other than expenditure on land, goodwill and financial assets) incurred by the assessee on certain specified businesses. Under sub-section (1) of section 35AD, the said deduction of 100 per cent. of the capital expenditure is allowable during the previous year in which such expenditure has been incurred. Further, sub-section (4) provides that no deduction is allowable under any other section in respect to the expenditure referred to in sub-section (1). At present, an assessee does not have any option of not availing the incentive under said section.

Due to this, a legal interpretation can be made that a domestic company opting for concessional tax rate under section 115BAA or section 115BAB of the Act, which does not claim deduction under section 35AD, would also be denied normal depreciation under section 32 due to operation of sub-section (4) of section 35AD. This has not been the intention of the statute.

Therefore, an amendment has been made in sub-section (1) of section 35AD to make the deduction thereunder optional. It is further proposed to amend sub-section (4) of section 35AD to provide that no deduction will be allowed in respect of expenditure incurred under sub-section (1) in any other section in any previous year or under this section in any other previous year, if the deduction has been claimed by the assessee and allowed to him under this section. This amendment will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years.

Increase in safe harbour limit of 5 percent under section 43CA, 50C and 56 of the Act to 10 percent

Section 43CA of the Act, inter alia, provides that where the consideration declared to be received or accruing as a result of the transfer of land or building or both, is less than the value adopted or assessed or assessable by any authority of a State Government (i.e. "stamp valuation authority") for the purpose of payment of stamp duty in respect of such transfer, the value so adopted or assessed or assessable shall for the purpose of computing profits and gains from transfer of such assets, be deemed to be the full value of consideration. The said section also provide that where the value adopted or assessed or assessable by the authority for the purpose of payment of stamp duty does not exceed one hundred and five per cent of the consideration received or accruing as a result of the transfer, the consideration so received or accruing as a result of the transfer shall, for the purposes of computing profits and gains from transfer of such asset, be deemed to be the full value of the consideration.

Section 50C of the Act provides that where the consideration declared to be received or accruing as a result of the transfer of land or building or both, is less than the value adopted or assessed or assessable by stamp valuation authority for the purpose of payment of stamp duty in respect of such transfer, the value so adopted or assessed or assessable shall be deemed to be the full value of the consideration and capital gains shall be computed on the basis of such consideration under section 48 of the Act. The said section also provides that where the value adopted or assessed or assessable by the stamp valuation authority does not exceed one hundred and five per cent of the consideration received or accruing as a result of the transfer, the consideration so received or accruing as a result of the transfer shall, for the purposes of section 48, be deemed to be the full value of the consideration.

Clause (x) of sub-section (2) of section 56 of the Act, inter alia, provides that where any person receives, in any previous year, from any person or persons on or after 1st April, 2017, any immovable property, for a consideration which is less than the stamp duty value of the property by an amount exceeding fifty thousand rupees, the stamp duty value of such property as exceeds such consideration shall be charged to tax under the head "income from other sources". It also provide that where the assessee receives any immovable property for a consideration and the stamp duty value of such property exceeds five per cent of the consideration or fifty thousand rupees, whichever is higher, the stamp duty value of such property as exceeds such consideration shall be charged to tax under the head "Income from other sources".

Thus, the present provisions of section 43CA, 50C and 56 of the Act provide for safe harbour of five per cent. Representations have been received in this regard requesting that the said safe harbour of five per cent may be increased. It is, therefore, an amendment has been made vide Finance Act, 2020 to increase the limit to ten per cent. This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

Amendment for providing attribution of profit to Permanent Establishment in Safe Harbour Rules under section 92CB and in Advance Pricing Agreement under section 92CC

Section 92CB of the Act empowers the Central Board of Direct Taxes (Board) for making safe harbour rules (SHR) to which the determination of the arm's length price (ALP) under section 92C or section 92CA of the Act shall be subject to. As per Explanation to said section the term "safe harbour" means circumstances in which the Income-tax Authority shall accept the transfer price declared by the assessee. This section was inserted in the Act to reduce the number of transfer pricing audits and prolonged disputes especially in case of relatively smaller assessees. Besides reduction of disputes, the SHR provides certainty as well.

Further, section 92CC of the Act empowers the Board to enter into an advance pricing agreement (APA) with any person, determining the ALP or specifying the manner in which the ALP is to be determined, in relation to an international transaction to be entered into by that person. APA provides tax certainty in determination of ALP for five future years as well as for four earlier years (Rollback).

SHR provides tax certainty for relatively smaller cases for future years on general terms, while APA provides tax certainty on case to case basis not only for future years but also Rollback years. Both SHR and the APA have been successful in reducing litigation in determination of the ALP.

It has been represented that the attribution of profits to the PE of a non-resident under clause (i) of sub-section (1) of section 9 of the Act in accordance with rule 10 of the Rules also results in avoidable disputes in a number of cases. In order to provide certainty, the attribution of income in case of a non-resident person to the PE is also required to be clearly covered under the provisions of the SHR and the APA.

In view of the above, An amendment has been made vide Finance Act, 2020 in section 92CB and section 92CC of the Act to cover determination of attribution to PE within the scope of SHR and APA. With respect to section 92CB, the amendment will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years. With respect to section 92CC, the amendment will take effect from 1st April, 2020 and therefore will apply to an APA entered into on or after 1st April, 2020.

Allowing deduction for amount disallowed under section 43B, to insurance companies on payment basis

Section 44 of the Act provides that computation of profits and gains of any business of insurance, including any such business carried on by a mutual insurance company or a co-operative society shall be computed in accordance with the rules contained in the First Schedule to the Act.

Section 43B of the Act provides for allowance of certain deductions, irrespective of the previous year in which the liability to pay such sum was incurred by the assessee according to the method of accounting regularly employed by the assessee, only in the previous year in which such sum is actually paid.

Rule 5 of the said Schedule provides for computation of profits and gains of other insurance business. It states that profits and gains of any business of insurance other than life insurance shall be taken to be the profit before tax and appropriations as disclosed in the profit and loss account prepared in accordance with the provisions of the Insurance Act, 1938 or the rule made thereunder or the provisions of the Insurance Regulatory and Development Authority Act, 1999 or the regulations made thereunder, subject to the condition that any expenditure debited to the profit and loss account which is not admissible under the provisions of sections 30 to 43B shall be added back; any gain or loss on realisation of investment shall be added or deducted, as the case may be, if the same is not credited or debited to the profit and loss account; any provision for diminution in the value of investment debited to the profit and loss account shall be added back. Thus, there is no specific provision, in this rule, in the case of other insurance companies, to allow deduction for any payment of certain expenses specified in section 43B if they are paid in subsequent previous year. There is a possibility that such sum may not be allowed as deduction in the previous year in which the payment is made. This has not been the intention of the legislature.

Therefore, An amendment has been made vide Finance Act, 2020 to insert a proviso after clause (c) of the said rule

5 to provide that any sum payable by the assessee which is added back under section 43B in accordance with clause (a) of the said rule shall be allowed as deduction in computing the income under the rule in the previous year in which such sum is actually paid. This amendment will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years.

Rationalization of tax treatment of employer's contribution to recognized provident funds, superannuation funds and national pension scheme

Under the existing provisions of the Act, the contribution by the employer to the account of an employee in a recognized provident fund exceeding twelve per cent. of salary is taxable. Further, the amount of any contribution to an approved superannuation fund by the employer exceeding one lakh fifty thousand rupees is treated as perquisite in the hands of the employee. Similarly, the assessee is allowed a deduction under National Pension Scheme (NPS) for the fourteen per cent. of the salary contributed by the Central Government and ten per cent. of the salary contributed by any other employer. However, there is no combined upper limit for the purpose of deduction on the amount of contribution made by the employer. This is giving undue benefit to employees earning high salary income. While an employee with low salary income is not able to let employer contribute a large part of his salary to all these three funds, employees with high salary income are able to design their salary package in a manner where a large part of their salary is paid by the employer in these three funds. Thus, this portion of salary does not suffer taxation at any point of time, since Exempt-Exempt-Exempt (EEE) regime is followed for these three funds. Thus, not having a combined upper cap is iniquitous and hence, not desirable.

Therefore, An amendment has been made vide Finance Act, 2020 to provide a combined upper limit of seven lakh and fifty thousand rupee in respect of employer's contribution in a year to NPS, superannuation fund and recognised provident fund and any excess contribution is proposed to be taxable. Consequently, it is also proposed that any annual accretion by way of interest, dividend or any other amount of similar nature during the previous year to the balance at the credit of the fund or scheme may be treated as perquisite to the extent it relates to the employer's contribution which is included in total income. This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

Modification of residency provisions

Sub-section (1) of section 6 of the Act provide for situations in which an individual shall be resident in India in a previous year. Clause (c) thereof provides that the individual shall be Indian resident in a year, if he,-

(i) has been in India for an overall period of 365 days or more within four years preceding that year, and
(ii) is in India for an overall period of 60 days or more in that year.

Clause (b) of Explanation 1 of said sub-section provides that an Indian citizen or a person of Indian origin shall be Indian resident if he is in India for 182 days instead of 60 days in that year. This provision provides relaxation to an Indian citizen or a person of Indian origin allowing them to visit India for longer duration without becoming resident of India.

Instances have come to notice where period of 182 days specified in respect of an Indian citizen or person of Indian origin visiting India during the year, is being misused. Individuals, who are actually carrying out substantial economic activities from India, manage their period of stay in India, so as to remain a non-resident in perpetuity

and not be required to declare their global income in India.

Sub-section (6) of the said section provides for situations in which a person shall be "not ordinarily resident" in a previous year. Clause (a) thereof provides that if the person is an individual who has been non-resident in nine out of the ten previous years preceding that year, or has during the seven previous years preceding that year been in India for an overall period of 729 days or less. Clause (b) thereof contains similar provision for the HUF.

This category of persons has been carved out essentially to ensure that a non-resident is not suddenly faced with the compliance requirement of a resident, merely because he spends more than specified number of days in India during a particular year. The conditions specified in the present law in respect of this carve out have been the subject matter of disputes, amendments and further disputes. Further, due to reduction in number of days, as proposed, for visiting Indian citizen or person of Indian origin, there would be need for relaxation in the conditions.

The issue of stateless persons has been bothering the tax world for quite some time. It is entirely possible for an individual to arrange his affairs in such a fashion that he is not liable to tax in any country or jurisdiction during a year. This arrangement is typically employed by high net worth individuals (HNWI) to avoid paying taxes to any country/ jurisdiction on income they earn. Tax laws should not encourage a situation where a person is not liable to tax in any country. The current rules governing tax residence make it possible for HNWIs and other individuals, who may be Indian citizen to not to be liable for tax anywhere in the world. Such a circumstance is certainly not desirable; particularly in the light of current development in the global tax environment where avenues for double non-taxation are being systematically closed.

In the light of above, An amendment has been made vide Finance Act, 2020 as follows:

i. the exception provided in clause (b) of Explanation 1 of sub-section (1) to section 6 for visiting India in that year be decreased to 120 days from existing 182 days.
ii. an individual or an HUF shall be said to be "not ordinarily resident" in India in a previous year, if the individual or the manager of the HUF has been a non-resident in India in seven out of ten previous years preceding that year. This new condition to replace the existing conditions in clauses (a) and (b) of sub-section (6) of section 6.
iii. an Indian citizen who is not liable to tax in any other country or territory shall be deemed to be resident in India.

This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

Removing dividend distribution tax (DDT) and moving to classical system of taxing dividend in the hands of shareholders/unit holders.

Section 115-O provides that, in addition to the income-tax chargeable in respect of the total income of a domestic company, any amount declared, distributed or paid by way of dividends shall be charged to additional income-tax at the rate of 15 per cent. The tax so paid by the company (called DDT) is treated as the final payment of tax in respect of the amount declared, distributed or paid by way of dividend. Such dividend referred to in section 115-O is exempt in the hands of shareholders under clause (34) of section 10. In case of business trust, specific exemption

is provided under sub-section (7) of section 115-O, subject to certain conditions. Similarly, exemption is provided for distributed profits of a unit of an International Financial Service Centre, on fulfilment of certain conditions, under sub-section (8) of section 115-O.

Similarly under section 115R, specified companies and Mutual Funds are liable to pay additional income-tax at the specified rate on any amount of income distributed by them to its unit holders. Such income is then exempt in the hands of unit holders under clause (35) of section 10. The incidence of tax is, thus, on the payer company/Mutual Fund and not on the recipient, where it should normally be. The dividend is income in the hands of the shareholders and not in the hands of the company.

The incidence of the tax should therefore, be on the recipient. Moreover, the present provisions levy tax at a flat rate on the distributed profits, across the board irrespective of the marginal rate at which the recipient is otherwise taxed. The provisions are hence, considered, iniquitous and regressive. The present system of taxation of dividend in the hands of company/ mutual funds was reintroduced by the Finance Act, 2003 (with effect from the assessment year 2004-05) since it was easier to collect tax at a single point and the new system was leading to increase in compliance burden. However, with the advent of technology and easy tracking system available, the justification for current system of taxation of dividend has outlived itself.

In view of above, an amendment has been made so that dividend or income from units are taxable in the hands of shareholders or unit holders at the applicable rate and the domestic company or specified company or mutual funds are not required to pay any DDT. It is also provided that the deduction for expense under section 57 of the Act shall be maximum 20 per cent of the dividend or income from units.

Therefore, an amendment has been made to-

(i) amend section 115-O to provide that dividend declared, distributed or paid after 1st April, 2003, but on or before 31st March, 2020 shall be covered under the provision of this section.
(ii) amend clause (34) of section 10 to provide that the provision of this clause shall not apply to any income, by way of dividend, received on or after 1st April, 2020.
(iii) amend section 115R to provide that the income distributed on or before 31st March, 2020 shall only be covered under the provision of this section.
(iv) amend clause (35) of section 10 to provide that the provision of this clause shall not apply to any income, in respect of units, received on or after 1st April, 2020.
(v) amend clause (23FC) of section 10 so that all dividends received or receivable by business trust from a special purpose vehicle is exempt income under this clause.
(vi) amend clause (23FD) of section 10 to exclude dividend income received by a unit holder from business trust from the exemption so that the dividend income is taxable in the hand of unit holder of the business trust.
(vii) amend sub-section (3) of section 115UA to delete reference to sub-clause (a) so that distributed income of the nature as referred to in clause (23FC) or clause (23FCA) of section 10 shall be deemed to be income of the unit holder and shall be charged to tax as income of the previous year. Thus dividend income distributed by a special purpose vehicle to business trust would be taxed in the hands of unit holder.
(viii) remove reference of section 115-O dividend income in various sections like section 57, section 115A, section 115AC, section 115ACA, section 115AD and section 115C.
(ix) remove the opening line of clause (23D) of section 10, as mutual fund no longer required to pay additional tax.
(x) insert new section 80M as it existed before it removal by the Finance Act, 2003 to remove the cascading affect,

with a change that set off will be allowed only for dividend distributed by the company one month prior to the due date of filing of return, in place of due date of filing return earlier.

(xi) amend section 115BBDA which taxes dividend income in excess of ten lakh rupee in the hands of shareholder at ten per cent., to only dividend declared, distributed or paid by a domestic company on or before the 31st day of March, 2020.

(xii) amend section 57 to provide that no deduction shall be allowed from dividend income, or income in respect of units of mutual fund or specified company, other than deduction on account of interest expense and in any previous year such deduction shall not exceed twenty per cent. of the dividend income or income from units included in the total income for that year without deduction under section 57.

(xiii) amend section 194 to include dividend for tax deduction. At the same time the rates of ten per cent. is proposed to be prescribed and threshold is proposed to be increased from Rs 2,500/- to Rs 5,000/- for dividend paid other than cash. Further, at present the mode of payment is given as "an account payee cheque or warrant". It is proposed to change this to any mode.

(xiv) amend section 194LBA to provide for tax deduction by business trust on dividend income paid to unit holder, at the rate of ten per cent. for resident. For non-resident, it would be 5 per cent for interest and ten per cent. for dividend.

(xv) insert a new section 194K to provide that any person responsible for paying to a resident any income in respect of units of a Mutual Fund specified under clause (23D) of section 10 or units from the administrator of the specified undertaking or units from the specified company shall at the time of credit of such income to the account of the payee or at the time of payment thereof by any mode, whichever is earlier, deduct income-tax there on at the rate of ten per cent. It may also be provided for threshold limit of Rs 5,000/- so that income below this amount does not suffer tax deduction. It is also proposed to defined "Administrator", "specified company", as already defined in clause (35) of section 10. It is also proposed to define "specified undertaking" as in clause (i) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002. It is also proposed to provide that where any income is credited to any account like suspense account, in the books of account of the person liable to pay such income, the liability for tax deduction under this section would arise at that time.

(xvi) amend section 195 to delete exemption provided to dividend referred to in section 115-O.

(xvii) amend section 196A to revive its applicability on TDS on income in respect of units of a Mutual Fund. It is also proposed to substitute "of the Unit Trust of India" with "from the specified company defined in Explanation to clause (35) of section 10"and "in cash or by the issue of a cheque or draft or by any other mode" with "by any mode".

(xviii) amend section 196C to remove exclusion provided to dividend under section 115-O. It is also proposed to substitute "in cash or by the issue of a cheque or draft or by any other mode" with "by any mode".

(xix) amend section 196D to remove exclusion provided to dividend under section 115-O. It is also proposed to substitute "in cash or by the issue of a cheque or draft or by any other mode" with "by any mode".

Amendments at clause (i) to (xii) above will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years. Amendments at clause (xiii) to (xix) will take effect from 1st April, 2020.

Rationalization of provisions of section 55 of the Act to compute cost of acquisition

The existing provisions of section 55 of the Act provide that for computation of capital gains, an assessee shall be allowed deduction for cost of acquisition of the asset and also cost of improvement, if any. However, for computing capital gains in respect of an asset acquired before 1st April, 2001, the assessee has been allowed an

option of either to take the fair market value of the asset as on 1st April, 2001 or the actual cost of the asset as cost of acquisition.

An amendment has been made to rationalise the provision and to insert a proviso below sub-clause (ii) of clause (b) of Explanation under clause (ac) of sub-section (2) of the said section to provide that in case of a capital asset, being land or building or both, the fair market value of such an asset on 1st April, 2001 shall not exceed the stamp duty value of such asset as on 1st April, 2001 where such stamp duty value is available.

An Explanation has also been inserted to provide that for the purposes of sub-clause (i) and (ii), "stamp duty value" shall mean the value adopted or assessed or assessable 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. These amendments will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

Note: Copy of the Amendments made by the Finance Act, 2020 is available at following weblink: https://www.indiabudget.gov.in/doc/memo.pdf. Students are advised to go through the detailed amendment made by Finance Act, 2020.