PROFESSIONAL PROGRAMME

(OLD SYLLABUS)

SUPPLEMENT

FOR

ADVANCED TAX LAWS AND PRACTICE

(PART A - DIRECT TAX MANAGEMENT)

(Relevant for Students appearing in December, 2020 Examination)

MODULE 3- PAPER 7

Students appearing in December, 2020 Examination shall note the following:

1. For Direct taxes, Finance Act, 2019 is applicable.

2. Applicable Assessment year is 2020-21 (Previous Year 2019-20).

3. For Indirect Taxes: Goods and Services Tax 'GST' and Customs Laws is applicable for Professional Programme (Old Syllabus)

4. 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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PART I – DIRECT TAXATION

INCOME TAX ACT, 1961 & RULES 1962

CIRCULARS

Sr. No.	Updates	Lesson No.
1.	**CIRCULAR NO. 2/2018 DATED: 15TH FEBRUARY, 2018** **EXPLANATORY NOTES TO THE PROVISIONS OF THE FINANCE ACT, 2017** For details: https://www.incometaxindia.gov.in/communications/circular/circular2_2018.pdf	**Lesson 1-3**
2.	**CIRCULAR NO. 2 DATED 4TH JANUARY 2019** **SECTION 56 OF THE INCOME-TAX ACT, 1961 - INCOME FROM OTHER SOURCES - WITHDRAWAL OF CIRCULAR NO. 10/2018 DATED 31-12-2018 ON APPLICABILITY OF SECTION 56(2) (viia) OF THE INCOME-TAX ACT, 1961 FOR ISSUE OF SHARES BY A COMPANY IN WHICH PUBLIC ARE NOT SUBSTANTIALY INTERESTED** Reference is invited to the Circular No. 10/2018 dated 31-12-2018 on the captioned subject. 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. In view of the above, the Circular No. 10/2018 dated 31st December, 2018 issued is hereby withdrawn and the aid circular shall be considered to have been never issued. A fresh comprehensive circular on the subject shall be issued in due course. For details: https://www.incometaxindia.gov.in/communications/circular/circular_2_2019.pdf	**Lesson 1**

3.	**CIRCULAR NO. 3 DATED 21ST JANUARY 2019** **SECTION 56 OF THE INCOME-TAX ACT, 1961 - INCOME FROM OTHER SOURCES - CHARGEABLE AS - APPLICABILITY OF SECTION 56(2) (viia) OR SIMILAR PROVISIONS UNDER SECTION 56(2) FOR ISSUE OF SHARES BY A COMPANY** As mentioned in Circular No. 02/2019, a comprehensive review of the subject matter relating to interpretation of the term "receives" as used in, inter alia, section 56(2)(viia) of the Income-tax Act, 1961 (the Act) and similar provisions contained in section 56(2) of the Act has been made by the Board in view of pendency of this issue in various judicial forums and clarifications sought by stakeholders. Based on the above, the following position is hereby clarified. 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 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. For details: https://www.incometaxindia.gov.in/communications/circular/circular_3_2019.pdf	**Lesson 1**
4.	**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. As per provisions of section 160(1)(iii) of the Act, a 'Representative Assessee' amongst other situations specified therein, becomes liable in respect of any	**Lesson 1**

	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 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. For details: https://www.incometaxindia.gov.in/communications/circular/circular_4_2019.pdf	
5.	**CIRCULAR NO. 8 DATED 10TH MAY, 2019** **Clarification regarding definition of "Fund Manager" under Section 9A (4)(b) of the Income-tax Act, 1961** Representations have been received in the Board for inclusion of an Asset Management Company (AMC) approved in accordance with Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 for the purpose of Section of 9A(4)(b) of the Income-tax Act, 1961. The matter has been examined in the Board in consultation with SEBI. 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. Therefore, 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. A notification (No. 27/2019 dated 20th March 2019) has already been issued to include the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 in the definition of "specified regulations" in Section 9A(9)(e) of the Income-tax Act. For details: https://www.incometaxindia.gov.in/communications/circular/circular_8_10-05-2019.pdf	**Lesson 2**

6.	**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. The matter has been examined and it has been decided by the Board that the reporting under clause 30C and clause 44 of the Tax Audit Report shall be kept in abeyance till 31st March, 2020. For details: https://www.incometaxindia.gov.in/communications/circular/circular_9_2019.pdf	**Lesson 1**
7.	**CIRCULAR NO. 11 DATED 19TH JUNE, 2019** **Clarification regarding non-allow ability 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 (the Board) 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. The Board has examined the matter. The Circular No. 3/2017 of the Board dated 20th January, 2017 which contains Explanatory notes to the provisions	**Lesson 1**

	of the Finance Act, 2016, at para 46.2, regarding amendment made in section 115BBE(2) of the Act mentions that currently there is uncertainty on the issue of set-off of losses against income referred to in section 115BBE. It also further mentions that the pre-amended provision of section 115BBE of the Act did not convey the intention that losses shall not be allowed to be set-off against income referred to in section 115BBE of the Act and hence, the amendment was made vide the Finance Act, 2016. Thus 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 For details: https://www.incometaxindia.gov.in/communications/circular/circular_11_2019.pdf	
8.	**CIRCULAR NO.12 DATED 19TH JUNE, 2019** **Assessment of Firms'-some of the important issues to be kept under consideration by the Assessing Officers while framing assessment** C&AG had carried out a Performance Audit regarding 'Assessment of Firms' under the Income tax Act, 1961 and in its Report NO.7 of 2014, has made certain suggestions so that in future, assessments in these cases are handled in a more effective manner by the Assessing Officers (AOs). Various recommendations made by the C&AG in its Report have been duly considered by the Board. In order to improve the quality of assessments being framed in these cases and also to reduce the scope for committing errors, the Board desires that Assessing Officers should duly take into consideration the following issues while making assessments in case of firms: (i) Expenses in the hands of the firm such as interest on capital paid to the partners, remuneration payable to the working partners etc. are taxable in the hands of respective partners. Therefore, while framing assessment in case of firms, a cross-verification of such amounts with income-tax return of firm's partner will be desirable and any discrepancy between the tax return of a firm and its partners should be dealt with as per provisions of the Act. Further, AOs should invariably call for a copy of the partnership deed during the course of assessment proceedings and examine it carefully so that instances of payment of remuneration to any non-working partner or remuneration payment for period prior to the date of partnership deed but claimed as deductible are identified and cognizance of these are duly taken in assessment. (ii) Section 40(b)(iv) stipulates following three conditions for allow ability of interest to the partners of a firm: a) the payment should be in accordance with the terms of the partnership deed; and	**Lesson 1**

b) it should relate to any period falling after the date of such partnership deed; and
c) it should not exceed the amount calculated at the rate of twelve percent simple interest per annum.

Instances have been noticed where the interest in the partnership deed was stated to be below twelve percent, yet, the same was allowed at the rate of twelve percent by the AO. Such mistakes should be avoided. Further, in case the rate prescribed in the partnership deed is in excess of twelve percent, the excess should be disallowed in assessment. The AO is also required to ascertain whether payment of interest is duly authorized by the partnership deed or not. Further, while calculating interest payable to the partners for purposes of section 40(b)(iv) of the Act, ADs are taking different yardsticks for calculating interest viz. opening balance of capital, closing balance of capital, fixed capital or current capital etc. In this regard, section 40(b)(iv) of the Act prescribes that payment of interest to partners should be authorized by and be in accordance with the partnership deed. Therefore, while framing assessment, ADs should refer to the terms of the partnership deed for purpose of computation of interest on capital payable to a partner.

(iii) Clause (ii) and (v) of section 40(b) of the Act lays down that payment of remuneration to a working partner should be authorized by the partnership deed, be in accordance with the terms of the partnership deed, should relate to a period after the partnership deed and should also not exceed the maximum amounts prescribed therein. However, it has been noticed that in some assessments, ADs had allowed expenditure on remuneration to the working partners though the same was either not authorized by the partnership deed or was in excess of the amount specified therein. In order to prevent recurrence of mistakes and allowing the expenditure strictly as per provisions of the Act, the ADs should ensure that claim under section 40(b)(v) of the Act is allowed only after a thorough verification of the partnership deed. Further, while computing remuneration which is allowable to a working partner under section 40(b) (v) of the Act, the term 'in accordance with the terms of the partnership deed' in clauses (ii) and (v) of section 40(b) of the Act implies that remuneration should not be undetermined or undecided. Hence, in all situations, partnership deed should form the basis for determination of remuneration payable to the working partners. Furthermore, in situations where the remuneration either so specified in the partnership deed or computed as per the method indicated therein falls short of the amount allowable under section 40(b)(v) of the Act, it would be restricted to the figure computed on the basis of the partnership deed.

(iv) While computing remuneration payable to the working partners under section 40(b)(v) of the Act, the remuneration should not exceed a particular aggregate amount which is based upon the figure of 'book profit'. The Explanation 3 to section 40(b) of the Act contains definition of 'book profit' for the purposes of determination of remuneration of the partners and provides that 'book profit' shall mean the net profit, as shown in the profit & loss account for the relevant previous year, computed in the manner laid down in Chapter IV-D as increased by the aggregate amount of the remuneration paid or payable to all the partners of the firm if such amount has been deducted

	while calculating the net profit. Therefore, while computing 'book profit' for purposes of section 40(b)(v) of the Act, all incomes such as capital gain, interest, rental income, income from other sources etc. which do not fall under the head 'profit or gain of business or profession', should be excluded. **(v)** ADs are advised to apply the provisions of Chapter XVI of the Act in assessment of firms whenever required. It should be taken into consideration that under section 185 of the Act, any noncompliance by the firm or its partners with provisions of section 184 of the Act may result in denial of expenses such as remuneration, interest etc. payable to the partners which are otherwise allowable under the provisions of the Act. **(vi)** It has also come to notice that some firms try to inflate the profits eligible for deduction under section 80IA of the Act by not claiming expenditure towards remuneration, salary, interest etc. which are payable to the partners. In such situations, Assessing Officers may examine these transactions in light of provisions of sub-section (10) of section 80IA of the Act which empower Assessing Officer to re-compute profit of the eligible business after excluding the profits of the related activity/business which produced the excessive profit. **(vii)** While framing assessments in case of firms claiming carry forward and set off of losses, Assessing Officers are requested to verify such claims taking into consideration provisions of section 78 of the Act which disallow such a carry forward and set off in case of change in constitution of the firm or on succession. **(viii)** Regarding the issue concerning possible action against the tax auditor for furnishing incomplete information in the Tax-Audit Report and effective utilization of information in the Tax Audit Report by the Assessing Officers, it is reiterated that directions given earlier viz. Instruction No. 09/2008 dated 31.07.2008 of CSDT should be followed scrupulously by the field authorities. It is hereby clarified that this circular would also be applicable to limited scrutiny cases if the assessee is a registered firm. For details: https://www.incometaxindia.gov.in/communications/circular/circular_12_2019.pdf	
9.	**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 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**	Lesson 2

	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. In this context, investment fund "is defined to mean any fund established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate which has been granted a certificate of registration as a Category I or Category II Alternative Investment Fund and is regulated under the Securities and Exchange Board of India (Alternative Investment Fund) Regulations, 2012, made under the Securities and Exchange Board of India Act, 1992 (15 of 1992). Thus, provisions of section 115UB apply only to Category I or Category II AIFs, as defined in SEBIs regulations. 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. The matter has been considered by the Board. As section 115UB (1) of the Act provides that the investments made by Category I or Category II AIFs are deemed to have been made by the investor directly, 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 1055, 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 . **Further details:** https://www.incometaxindia.gov.in/communications/circular/circular_no_14_2019.pdf	
10.	**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 percent for any previous year	**Lesson 1**

	relevant to the Assessment Year beginning on or after 1" 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 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 b) 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 n0 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 1L5BAA can be exercised, it may be noted that a domestic company having credit of MAT may, if it s0 desires, exercise the option after 12tilizing the said credit against the regular tax payable under the taxation regime existing prior to	

	promulgation of the ordinance. **Further details:** https://www.incometaxindia.gov.in/communications/circular/circular_29_2019.pdf	
11.	**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 five thousand rupees 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. **Further details:** https://www.incometaxindia.gov.in/communications/circular/circular_32_2019.pdf	**Lesson 1**
12.	**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 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. https://www.incometaxindia.gov.in/communications/circular/circular_no_12_2020.pdf	**Lesson 1**

INCOME TAX ACT, 1961 & RULES 1962

NOTIFICATIONS

Sr. No.	Updates	Lesson No.
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. For details: https://www.incometaxindia.gov.in/communications/notification/notification9_2018.pdf	Lesson 1
2.	**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. For details: https://www.incometaxindia.gov.in/communications/notification/notification17_2018.pdf	Lesson 1
3.	**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. For details: https://www.incometaxindia.gov.in/communications/notification/notification23_2018.pdf	Lesson 1
4.	**NOTIFICATION NO. 24/2018 DATED 24TH MAY, 2018** 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 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	Lesson 1

	Gazette of India, Extraordinary, Part-II, Section 3, Sub-section (i) dated the 11th April, 2018 issued by the Department of Industrial Policy and Promotion. This notification shall be deemed to have come into force retrospectively from the 11th April, 2018. For details: https://www.incometaxindia.gov.in/communications/notification/notification24_2018.pdf	
5.	**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 clause (ii) of sub-section (1) of section 35 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 following conditions, namely: (i) The sums paid to the approved organization shall be utilized for scientific research; (ii) The approved organization shall carry out scientific research through its faculty members or its enrolled students; (iii) The approved organization shall maintain separate books of accounts in respect of the sums received by it for scientific research, reflect therein the amounts used for carrying out research, get such books audited by an accountant as defined in the explanation to sub-section (2) of section 288 of the said Act and furnish the report of such audit duly signed and verified by such accountant to the Commissioner of Income-tax or the Director of Income-tax having jurisdiction over the case, by the due date of furnishing the return of income under subsection (1) of section 139 of the said Act; (iv) The approved organization shall maintain a separate statement of donations received and amounts applied for scientific research and a copy of such statement duly certified by the auditor shall accompany the report of audit referred to above. The Central Government shall withdraw the approval if the approved organization: (a) fails to maintain separate books of accounts referred to in sub-paragraph (iii) of paragraph 1; or (b) fails to furnish its audit report referred to in sub-paragraph (iii) of paragraph 1; or (c) fails to furnish its statement of the donations received and sums applied for scientific research referred to in sub-paragraph (iv) of paragraph 1; or (d) ceases to carry on its research activities or its research activities are not found to be genuine; or For details: https://www.incometaxindia.gov.in/communications/notification/notification25_2018.pdf	**Lesson 1**

6.	**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. For details: https://www.incometaxindia.gov.in/communications/notification/notification26_2018.pdf	**Lesson 1**
7.	**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. For details: https://www.incometaxindia.gov.in/communications/notification/notification27-2018.pdf	**Lesson 1**
8.	**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. **For details:** https://www.incometaxindia.gov.in/communications/notification/notification28-2018.pdf	**Lesson 1**
9.	**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 exceptions, modifications and adaptations specified here under: (i) If the foreign company is assessed to tax in the foreign jurisdiction, and,— (a) where it is required to take into account depreciation for the purpose of computation of its taxable income, the written down value (hereinafter referred to as WDV) of the depreciable asset as per the tax record in the foreign	**Lesson 1**

	country on the 1st day of the previous year shall be adopted as the opening WDV for the said previous year, (b) in cases not covered by (a), the WDV shall be calculated in the manner, as though the asset was installed, utilised and the depreciation was actually allowed as per the provisions of the laws of that foreign jurisdiction and the WDV so arrived at as on the 1st day of the previous year, shall be adopted to be the opening WDV for the said previous year. (ii) If the foreign company is not assessed to tax in the foreign jurisdiction, then WDV of the depreciable asset as appearing in the books of account as on the 1st day of the previous year maintained in accordance with the laws of that foreign jurisdiction shall be adopted as the opening WDV for the said previous year. (iii) If the foreign company is assessed to tax in the foreign jurisdiction, its brought forward loss and unabsorbed depreciation as per the tax record shall be determined year wise on the 1st day of the said previous year. (iv) If the foreign company is not assessed to tax in the foreign jurisdiction, its brought forward loss and unabsorbed depreciation as per the books of account prepared in accordance with the laws of that country shall be determined year wise on the 1st day of the said previous year. (v) The brought forward loss and unabsorbed depreciation of the foreign company as arrived at paras (iii) or (iv), as the case may be, shall be deemed as loss and unabsorbed depreciation brought forward as on the 1st day of the said previous year and shall be allowed to be set off and carried forward in accordance with the provisions of the Act for the remaining period calculated from the year in which they occurred for the first time taking that year as the first year Provided that the losses and unabsorbed depreciation of the foreign company shall be allowed to be set off only against such income of the foreign company which have become chargeable to tax in India on account of it becoming Indian resident. (vi) In cases where the brought forward loss and unabsorbed depreciation referred to in para (iii) or (iv), as the case may be, originally adopted in India are revised or modified in the foreign jurisdiction due to any action of the tax or legal authority, the amount of the loss and unabsorbed depreciation shall be revised or modified for the purposes of set off and carry forward as referred to in para (v). (vii) In cases where the accounting year does not end on 31st March, the foreign company shall be required to prepare profit and loss account and balance sheet for the period starting from the date on which the accounting year immediately following said accounting year begins, upto 31st March of the year immediately preceding the period beginning with 1st April and ending on 31st March during which the foreign company has become resident. The foreign company shall also be required to prepare profit and loss account and balance sheet for succeeding periods of twelve months, beginning from 1st April and ending on 31st March, till the year the foreign company remains resident in India on account of its PoEM. (viii) For the purpose of carry forward of loss and unabsorbed depreciation in cases	

	where the accounting year followed by the foreign company does not end on 31st March and the period starting from the date on which immediately following year begins upto 31st March of the year, immediately preceding the period beginning with 1st April and ending on 31st March during which it has become resident, is,— (a) less than six months, it shall be included in that accounting year; (b) equal to or more than six months, that period shall be treated as a separate accounting year. Thus, if the accounting year followed by the foreign company is calendar year, the accounting year immediately preceding the accounting year in which the foreign company is held to be resident in India, shall be increased by three months, i.e., 1st January to 31st March; and if the accounting year followed by the foreign company is from 1st July to 30th June, the accounting year immediately preceding the accounting year in which the foreign company is held to be resident in India, shall be of nine months from 1st July to 31st March. (ix) In cases covered under para (viii), loss and unabsorbed depreciation as per tax record or books of account, as the case may be, of the foreign company shall, be allocated on proportionate basis. (x) Where more than one provision of Chapter XVII-B of the Act applies to the foreign company as resident as well as foreign company, the provision applicable to the foreign company alone shall apply. (xi) Compliance to those provisions of Chapter XVII-B of the Act as are applicable to the foreign company prior to its becoming Indian resident shall be considered sufficient compliance to the provisions of said Chapter. (xii) The provisions contained in sub-section (2) of section 195 of the Act shall apply in such manner so as to include payment to the foreign company. (xiii) The foreign company shall be entitled to relief or deduction of taxes paid in accordance with the provisions of section 90 or section 91 of the Act. (xiv) In a case where income on which foreign tax has been paid or deducted, is offered to tax in more than one year, credit of foreign tax shall be allowed across those years in the same proportion in which the income is offered to tax or assessed to tax in India in respect of the income to which it relates and shall be in accordance with the provisions of rule 128 of the Income-tax Rules, 1962. Explanation.— For the purposes of this notification,— (i) the term “Foreign jurisdiction” would mean the place of incorporation of the foreign company. (ii) the rate of exchange for conversion into rupees of value expressed in foreign currency, wherever applicable, shall be in accordance with provision of rule 115 of the Income-tax Rules, 1962. B. the exceptions, modifications and adaptations referred to in para A shall not apply in respect of such income of the foreign company becoming Indian resident on account of its PoEM being in India which would have been chargeable to tax in India, even if the foreign company had not become Indian resident.	

	C. in a case where the foreign company is said to be resident in India during a previous year, immediately succeeding a previous year during which it is said to be resident in India; the exceptions, modifications and adaptations referred to in para A shall apply to the said previous year subject to the condition that the WDV, the brought forward loss and the unabsorbed depreciation to be adopted on the 1st day of the previous year shall be those which have been arrived at on the last day of the preceding previous year in accordance with the provisions of this notification. D. any transaction of the foreign company with any other person or entity under the Act shall not be altered only on the ground that the foreign company has become Indian resident. E. subject to the above, the foreign company shall continue to be treated as a foreign company even if it is said to be resident in India and all the provisions of the Act shall apply accordingly. Consequently, the provisions specifically applicable to,— (i) a foreign company, shall continue to apply to it; (ii) non-resident persons, shall not apply to it; and (iii) the provisions specifically applicable to resident, shall apply to it. F. in case of conflict between the provision applicable to the foreign company as resident and the provision applicable to it as foreign company, the later shall generally prevail. Therefore, the rate of tax in case of foreign company shall remain the same, i.e., rate of income-tax applicable to the foreign company even though residency status of the foreign company changes from non-resident to resident on the basis of PoEM. This notification shall be deemed to have come into force from the 1st day of April, 2017. For details: https://www.incometaxindia.gov.in/communications/notification/notification29_2018.pdf	
10.	**NOTIFICATION NO. 42/2018 DATED 30TH AUGUST, 2018** In exercise of the powers conferred by clause (via) of section 28 read with section 295 of the Income-tax Act, 1961 (43 of 1961), hereinafter referred to as the Income-tax Act, 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,— (A) 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	**Lesson 1**

	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 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; (ii) 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." For details: https://www.incometaxindia.gov.in/communications/notification/notification42_2018.pdf.	
11.	**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 following conditions, namely:- (i) The sums paid to the approved organization i.e. M/s Indian Council of Medical Research shall be utilized for scientific research. The Grants/Donations for undertaking scientific research which are extended to Non-ICMR Institutes by the approved organization shall not be eligible for benefit under section 35(1)(ii) of the said Act. However, any collaborative research activity carried out by an ICMR-institute by utilizing the Grants/Donations received by the approved organization shall not be covered under the said exclusion. (ii) The approved organization shall carry out scientific research through its faculty	**Lesson 1**

	members or its enrolled students; (iii) The approved organization shall maintain separate books of accounts in respect of the sums received by it for scientific research, reflect therein the amounts used for carrying out research, get such books audited by an accountant as defined in the explanation to sub-section (2) of section 288 of the said Act and furnish the report of such audit duly signed and verified by such accountant to the Commissioner of Income-tax or the Director of Income-tax having jurisdiction over the case, by the due date of furnishing the return of income under sub-section (1) of section 139 of the said Act; (iv) The approved organization shall maintain a separate statement of donations received and amounts applied for scientific research and a copy of such statement duly certified by the auditor shall accompany the report of audit referred to above. The Central Government shall withdraw the approval if the approved organization:- (a) fails to maintain separate books of accounts referred to in sub-paragraph (iii) of paragraph 1; or (b) fails to furnish its audit report referred to in sub-paragraph (iii) of paragraph 1; or (c) fails to furnish its statement of the donations received and sums applied for scientific research referred to in sub-paragraph (iv) of paragraph 1; or (d) ceases to carry on its research activities or its research activities are not found to be genuine; or (e) ceases to conform to and comply with the provisions of clause (ii) of sub-section (1) of section 35 of the said Act read with rules 5C and 5E of the said Rules. For details: https://www.incometaxindia.gov.in/communications/notification/notification54_2018.pdf	
12.	**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 sub-clause (a) of clause (iii) of sub-section (1) of section 112A 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 under Chapter VII of the Finance (No. 2) Act, 2004 (23 of 2004), other than the following, namely: (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: Provided that nothing contained in this clause shall apply to acquisition of listed equity shares in a company; (i) which has been approved by the Supreme Court, High Court, National Company Law Tribunal, Securities and Exchange Board of India or Reserve Bank of India in this behalf; (ii) by any non-resident in accordance with foreign direct investment guidelines issued	**Lesson 1**

	by the Government of India; (iii) by an investment fund referred to in clause (a) of Explanation 1 to section 115UB of the Income-tax Act or a venture capital fund referred to in clause (23FB) of section 10 of the Income-tax Act or a Qualified Institutional Buyer; and (iv) through preferential issue to which the provisions of chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 does not apply. (b) where transaction for acquisition of existing listed equity share in a company is not entered through a recognised stock exchange in India: Provided that nothing contained in this clause shall apply to the acquisition of listed equity shares in a company which has been made in accordance with the provisions of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), and is— (i) through an issue of share by a company other than the issue referred to in clause (a); (ii) by scheduled banks, reconstruction or securitisation companies or public financial institutions during their ordinary course of business; (iii) approved by the Supreme Court, High Courts, National Company Law Tribunal, Securities and Exchange Board of India or Reserve Bank of India in this behalf; (iv) under employee stock option scheme or employee stock purchase scheme framed under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines,1999; (v) by any non-resident in accordance with foreign direct investment guidelines of the Government of India; (vi) in accordance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 2011; (vii) from the Government; (viii) by an investment fund referred to in clause (a) to Explanation 1 to section 115UB of the Income-tax Act or a venture capital fund referred to in clause (23FB) of section 10 of the income-tax Act or a Qualified Institutional Buyer; and (ix) by mode of transfer referred to in section 47 or section 50B or sub-section (3) of section 45 or subsection (4) of section 45 of the Income-tax Act, if the previous owner or the transferor, as the case may be, of such shares has not acquired them by any mode referred to in clause (a) or clause (b) or clause (c) [other than the transactions referred to in the proviso to clause (a) or clause (b)]. (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; Explanation: For the purposes of this notification, (a) “frequently traded shares” means shares of a company, in which the traded turnover on a recognised stock exchange during the twelve calendar months preceding the calendar month in which the acquisition and transfer is made, is at least ten per cent. of the total number of shares of such class of the company: Provided that where	

	the share capital of a particular class of shares of the company is not identical throughout such period, the weighted average number of total shares of such class of the company shall represent the total number of shares; (b) 'listed' means listed in a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 and the rules made thereunder; (c) "preferential issue" and "Qualified Institutional Buyer" shall have the meanings respectively assigned to them in sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (d) "public financial institution" and "scheduled bank" shall have the meanings respectively assigned to them in Explanation to clause (viia) of sub-section (1) of section 36 of Income-tax Act; (e) "recognised stock exchange" shall have the same meaning assigned to it in clause (f) of section 2 of the Securities Contracts (Regulation) Act, 1956; and (f) "reconstruction company" and "securitisation company" shall have the meanings respectively assigned to them in sub-section (1) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002). This notification shall come into force with effect from the 1st day of April, 2019 and shall accordingly apply in relation to the assessment year 2019-20 and subsequent assessment years. For details: https://www.incometaxindia.gov.in/communications/notification/notification60_2018.pdf	
13.	**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) bf sub-section (1) 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 following conditions, namely:- (i) The sums paid to the approved organization shall be used to undertake scientific research; (ii) The approved organization shall carry out scientific research through its faculty members or enrolled students; (iii) The approved organization shall maintain separate books of accounts in respect of the sums received by it for scientific research, reflect therein the amounts used for carrying out research, get such books audited by an accountant as defined in the explanation to sub-section (2) of section 288 of the said Act and furnish the report of such audit duly signed and verified by such accountant to the Commissioner of Income-tax or the Director of Income-tax having jurisdiction over the case, by the due	**Lesson 1**

	date of furnishing the return of income under sub-section (I) of section 139 of the said Act; (iv) The approved organization shall maintain a separate statement of donations received and amounts applied for scientific research, such donations shall be used exclusively for core scientific research and a copy of such statement duly certified by the auditor shall accompany the report of audit referred to above. (v) Donations being received by the organization under clause (ii) of sub-section (I) of section 35 of the Act, shall be used exclusively for core scientific research only and not for hospital activities, activities related to treatment of patients, general educational activities (other than research) or any other object of the organization. (vi) The approved organization shall, by the due date of furnishing the return of income under sub-section (1) of section 139, furnish a statement to the Commissioner of Income-tax or Director of Income-tax containing a detailed note on the research work undertaken by it during the previous year; a summary of research articles published in national or international journals during the year; any patent or other similar rights applied for or registered during the year; programme of research projects to be undertaken during the forthcoming year and the financial allocation for such programme. The Central Government shall withdraw the approval if the approved organization:- fails to maintain separate books of accounts referred to in sub-paragraph (iii) of paragraph 1; or fails to furnish its audit report referred to in sub-paragraph (iii) of paragraph I ; or fails to furnish its statement of the donations received and sums applied for scientific research referred to in sub-paragraph (iv) of paragraph 1; or ceases to carry on its research activities or its research activities are not found to be genuine; or ceases to conform to and comply with the provisions of clause (ii) of sub-section (I) of section 35 of the said Act read with rules 5C and 5E of the said Rules. For details: https://www.incometaxindia.gov.in/communications/notification/notification_75_2018.pdf	
14.	**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 (I) 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 following conditions, namely:- (i) The sole objective of the approved 'Scientific Research Association' shall be to undertake scientific research; (ii) The approved organization shall carry out scientific research by itself; (iii) The approved organization shall maintain separate books of accounts in respect of the sums received by it for scientific research reflect therein the amounts used for carrying out research, get such books audited by an accountant as defined in the explanation to sub-section (2) of section 288 of the said Act and furnish the report of such audit duly signed and verified by such accountant to the Commissioner of Income-tax or the Director of Income-tax having jurisdiction over the case, by the due date of furnishing the return of income under subsection (I) of section 139 of the said	**Lesson 1**

	Act; (iv)The approved organization shall maintain a separate statement of donations received and amounts applied for scientific research and a copy of such statement duly certified by the auditor shall accompany the report of audit referred to above. The Central Government shall withdraw the approval if the approved organization fails to maintain separate books of accounts referred to in sub-paragraph (ii i) of paragraph I; or fails to furnish its audit report referred to in sub-paragraph (iii) of paragraph 1; or fails to furnish its statement of the donations received and sums applied for scientific research referred to in sub-paragraph (iv) of paragraph I; or ceases to carry on its research activities or its research activities are not found to be genuine; or ceases to conform to and comply with the provisions of clause (ii) of sub-section (I) of section 35 of the said Act read with rules 5C and 5D of the said Rules. For details: https://www.incometaxindia.gov.in/communications/notification/notification83_2018.pdf	
15.	**NOTIFICATION NO. 84/2018 DATED 26TH NOV, 2018** The organization M/s Thalassemia and Sickle Cell Society (PA AAATR4038K) 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, from Assessment yea r 2018- 2019 onwards in the category of ' Scientific Research Association', subject to the following conditions, namely:- (i) The sole objective of the approved ' Scientific Research Association' shall be to undertake scientific research; (ii) The approved organization shall carry out scientific research by itself; (iii) The approved organization shall maintain separate books of accounts in respect of the sums received by it for scientific research, reflect therein the amounts used for carrying out research, get such books audited by an accountant as defined in the explanation to sub-section (2) of section 288 of the said Act and furnish the report of such audit duly signed and verified by such accountant to the Commissioner of Income-tax or the Director of Income-tax having jurisdiction over the case, by the due date of furnishing the return of income under sub-section (I) of section 139 of the said Act; (iv) The approved organization shall maintain a separate statement of donations received and amounts applied for scientific research and a copy of such statement duly certified by the auditor shall accompany the report of audit referred to above. The Central Government shall withdraw the approval if the approved organization:- (a) fails to maintain separate books of accounts referred to in sub-paragraph (iii) of paragraph I; or (b) fails to furnish its audit report referred to in sub-paragraph (iii) of paragraph I; or (c) fails to furnish its statement of the donations received and sums applied for scientific research referred to in subparagraph (iv) of paragraph I; or (d) ceases to carry on its research activities or its research activities are not found to be genuine; or (e) ceases to conform to and comply with the provisions of clause (ii) of sub-section (I) of section 35 of the said Act read with rules 5C and 5D of the said Rules. For details: https://www.incometaxindia.gov.in/communications/notification/notification84_2018.pdf	**Lesson 1**

16.	**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 following conditions, namely: (i) The sums paid to JCMR shall be used to undertake scientific research; (ii) **JCMR** shall carry out scientific research through its faculty members or enrolled students; (iii) **JCMR** shall maintain separate books of accounts in respect of the sums received by it for scientific research, reflect therein the amounts used for carrying out research, get such books audited by an accountant as defined in the explanation to sub-section (2) of section 288 of the said Act and furnish the report of such audit duly signed and verified by such accountant to the Commissioner of Income-tax or the Director of Income-tax having jurisdiction over the case, by the due date of furnishing the return of income under sub-section (1) of section 139 of the said Act; (iv) **JCMR** shall maintain a separate statement of donations received and amounts applied for scientific research, such donations shall be used exclusively for core scientific research and a copy of such statement duly certified by the auditor shall accompany the report of audit referred to above. (v) **JCMR** shall, by the due date of furnishing the return of income under sub-section (1) of section 139, furnish a statement to the Commissioner of Income-tax or Director of Income-tax containing- • a detailed note on the research work undertaken by it during the previous year; • a summary of research articles published in national or international journals during the year; • any patent or other similar rights applied for or registered during the year; • Programme of research projects to be undertaken during the forthcoming year and the financial allocation for such programme. The Central Government shall withdraw the approval if the approved organization:- (a) fails to maintain separate books of accounts referred to in sub-paragraph (iii) of paragraph 1; or (b) fails to furnish its audit report referred to in sub-paragraph (iii) of paragraph 1; or (c) fails to furnish its statement of the donations received and sums applied for scientific research referred to in subparagraph (iv) of paragraph 1; or (d) ceases to carry on its research activities or its research activities are not	**Lesson 1**

	found to be genuine; or (e) Ceases to conform to and comply with the provisions of clause (ii) of sub-section (1) of section 35 of the said Act read with rules 5C and 5E of the said Rules. For details: https://www.incometaxindia.gov.in/communications/notification/notification_1_2019.pdf	
17.	**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 following conditions in respect of trading in derivatives, namely; (i) The Exchange shall have the approval of the Forward Markets Commission established under the Forward Contracts (Regulation) Act, 1952 (74 of 1952) [merged with Securities and Exchange Board of India vide Gazette Notification No. S.O. 2630(E) dated 24.09.2015] in respect of trading in derivatives and shall function in accordance with the guidelines or conditions laid down by it; or (ii) it shall ensure that the particulars of the client (including unique client identity number and PAN) are duly recorded and stored in its databases; or (iii) it shall maintain a complete audit trail of all transactions (in respect of derivative market) for a period of seven years on its system; or (iv) it shall ensure that transactions (in respect of derivative market) once registered in the system are not erased; (v) it shall ensure that the transactions (in respect of derivative market) once registered in the system are modified only in cases of genuine error and maintain data regarding all transactions (in respect of derivative market) registered in the system which have been modified and submit a monthly statement in Form No. 3BC to the Director General of Income-tax (Intelligence and Criminal Investigation), New Delhi within fifteen days from the last day of each month to which such statement relates. This notification shall remain in force until the approval granted by the Securities and Exchange Board of India is withdrawn or expires; or this notification is rescinded by the Central Government as provided in sub-rule (5) of rule 6DDD of the Income Tax Rules, 1962, whichever is earlier. For details: https://www.incometaxindia.gov.in/communications/notification/notification_8_2019.pdf	**Lesson 1**

18.	**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 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. For details: https://www.incometaxindia.gov.in/communications/notification/notification_9_2019.pdf	**Lesson 1**
19.	**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. For details: https://www.incometaxindia.gov.in/communications/notification/notification_13_2019.pdf	**Lesson 1**

20.	**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 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 following conditions, namely: (i) The sums paid to approve units of ADT shall be used to undertake scientific research; (ii) Approved units of ADT shall carry out scientific research through its faculty members or enrolled students; (iii) Approved units of ADT shall maintain **separate books of accounts** in respect of the sums received by it for scientific research, reflect therein the amounts used for carrying out research, get such books audited by an accountant as defined in the explanation to sub-section (2) of section 288 of the said Act and furnish the report of such audit duly signed and verified by such accountant to the Commissioner of Income-tax or the Director of Income-tax having jurisdiction over the case, by the due date of furnishing the return of income under sub-section (1) of section 139 of the said Act; (iv) Approved units of ADT shall maintain a **separate statement of donations** received and amounts applied for scientific research, such donations shall be used exclusively for core scientific research and a copy of such statement duly certified by the auditor shall accompany the report of audit referred to above. (v) Approved units of ADT shall, by the due date of furnishing the return of income under sub-section (1) of section 139, furnish a statement to the Commissioner of Income-tax or Director of Income-tax containing: • a detailed note on the research work undertaken by it during the previous year; • a summary of research articles published in national or international journals during the year; • any patent or other similar rights applied for or registered during the year; • programme of research projects to be undertaken during the forthcoming year and the financial allocation for such	**Lesson 1**

	programme. The Central Government shall withdraw the approval if the approved organization: (a) fails to maintain **separate books of accounts** referred to in sub-paragraph (iii) of paragraph 1; or (b) fails to furnish its audit report referred to in sub-paragraph (iii) of paragraph 1; or (c) fails to furnish its statement of the donations received and sums applied for scientific research referred to in sub-paragraph (iv) of paragraph 1; or (d) Ceases to carry on its research activities or its research activities are not found to be genuine; or (e) Ceases to conform to and comply with the provisions of clause (ii) of sub-section (1) of section 35 of the said Act read with rules 5C and 5E of the said Rules. For details: https://www.incometaxindia.gov.in/communications/notification/notification_14_2019.pdf	
21.	**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. For details: https://www.incometaxindia.gov.in/communications/notification/notification_16_2019.pdf	**Lesson 1**
22.	**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. For details: https://www.incometaxindia.gov.in/communications/notification/notification27_2019.pdf	**Lesson 1**
23.	**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	**Lesson 1**

	Rules, 1962 (said Rules), from Assessment year 2015-16 and onwards in the category of 'University, College or other Institution', subject to the following conditions, namely:- (i) The sums paid to the approved organization shall be used to undertake scientific research; (ii) The approved organization shall carry out scientific research through its faculty members or enrolled students; (iii) The approved organization shall maintain separate books of accounts in respect of the sums received by it for scientific research, reflect therein the amounts used for carrying out research, get such books audited by an accountant as defined in the explanation to sub-section (2) of section 288 of the said Act and furnish the report of such audit duly signed and verified by such accountant to the Commissioner of Income-tax or the Director of Income-tax having jurisdiction over the case, by the due date of furnishing the return of income under sub-section (1) of section 139 of the said Act; (iv) The approved organization shall maintain a separate statement of donations received and amounts applied for scientific research, such donations shall be used exclusively for core scientific research and a copy of such statement duly certified by the auditor shall accompany the report of audit referred to above. (v) Donations being received by the approved organization under clause (ii) of sub-section (1) of section 35 of the Act, shall be used exclusively for core scientific research only and not for hospital activities, activities related to treatment of patients, general educational activities (other than research), clinical trial activities or any other object of the organization. (vi) The approved organization shall, by the due date of furnishing the return of income under sub-section (1) of section 139, furnish a statement to the Commissioner of Income-tax or Director of Income-tax containing- • a detailed note on the research work undertaken by it during the previous year; • a summary of research articles published in national or international journals during the year; • any patent or other similar rights applied for or registered during the year; • Programme of research projects to be undertaken during the forthcoming year and the financial allocation for such programme. The Central Government shall withdraw the approval if the approved organization:- (a) fails to maintain separate books of accounts referred to in sub-paragraph (iii) of paragraph 1; or (b) fails to furnish its audit report referred to in sub-paragraph (iii) of paragraph 1; or (c) fails to furnish its statement of the donations received and sums applied for scientific research referred to in subparagraph (iv) of	

	paragraph 1; or (d) ceases to carry on its research activities or its research activities are not found to be genuine; or (e) ceases to conform to and comply with the provisions of clause (ii) of sub-section (1) of section 35 of the said Act read with rules 5C and 5E of the said Rules. For details: https://www.incometaxindia.gov.in/communications/notification/notification_48_2019.pdf	
24.	**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. **Further details:** https://www.incometaxindia.gov.in/communications/notification/notification_63_2019.pdf	**Lesson 1**
25.	**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 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. **Further details:** https://www.incometaxindia.gov.in/communications/notification/notification_64_2019.pdf	**Lesson 2**
26.	**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**	**Lesson 2**

	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 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." **For Details:** https://www.incometaxindia.gov.in/communications/notification/notification_76_2016.pdf	
27.	**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. **For Details:** https://www.incometaxindia.gov.in/communications/notification/notification_88_2019.pdf	**Lesson 1**
28.	**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 being adversely affected by giving retrospective effect to this notification.	**Lesson 1**

	For Details: https://www.incometaxindia.gov.in/communications/notification/notification_93_2019.pdf	
29.	**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. **For Details:** https://www.incometaxindia.gov.in/communications/notification/notification_94_2019.pdf	**Lesson 1**
30.	**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 unauthorised colonies and includes their legal heirs but does not include tenant, licensee or permissive user;	**Lesson 1**

	(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.’. **For Details:** https://www.incometaxindia.gov.in/communications/notification/notification_96_2019.pdf	
31.	**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. **For Details:** https://www.incometaxindia.gov.in/communications/notification/notification_no_99_2019. pdf	**Lesson 1**
32.	**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. **For Details:** https://www.incometaxindia.gov.in/communications/notification/notification_no_100_2019.pdf	**Lesson 1**
33.	**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 gross receipts, as the case may be, in business exceeds fifty crore rupees during the immediately	**Lesson 1**

	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), **For Details:** https://www.incometaxindia.gov.in/communications/notification/notification_105_2019.pdf	
34.	**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	**Lesson 1**
35.	**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, 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.	**Lesson 1**

	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. https://www.incometaxindia.gov.in/communications/notification/notification_10_2020.pdf	
37.	**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	**Lesson 1**
38.	**Notification No. 32/2020 [Dated June 12, 2020]** **Financial Year** | **Cost Inflation Index** 2020-210 | 301 This notification shall come into force with effect from 1st day of April, 2021 and shall accordingly apply to the assessment year 2021-22 and subsequent years. https://www.incometaxindia.gov.in/communications/notification/notification_32_2020.pdf	**Lesson 1**
39.	**Income-tax (14th Amendment) Rules, 2020 [Notification No. 40/2020 Dated June 29, 2020]** 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. https://www.incometaxindia.gov.in/communications/notification/notification_40_2020.pdf	**Lesson 1**

40.	**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_2020.pdf	**Lesson 1**
41.	**Income-tax (15th Amendment) Rules, 2020 [Notification No. 42/2020 Dated June 30, 2020]** The 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_2020.pdf	**Lesson 1**

TAX RATES FY 2019-20, AY 2020-21

TAX RATES FOR FY 2019-20 i.e. AY 2020-21

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, 2020 would be

treated as having attained the age of 60 years/80 years in the P. Yr. 2019-20.

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 2020-21***
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 last previous year 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.

Cess

The Rate of Health and Education Cess for FY 2019-20 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.

AMENDMENTS MADE BY FINANCE ACT, 2018

The amendments under the Income tax Act, 1961 ("the Act") are as under:

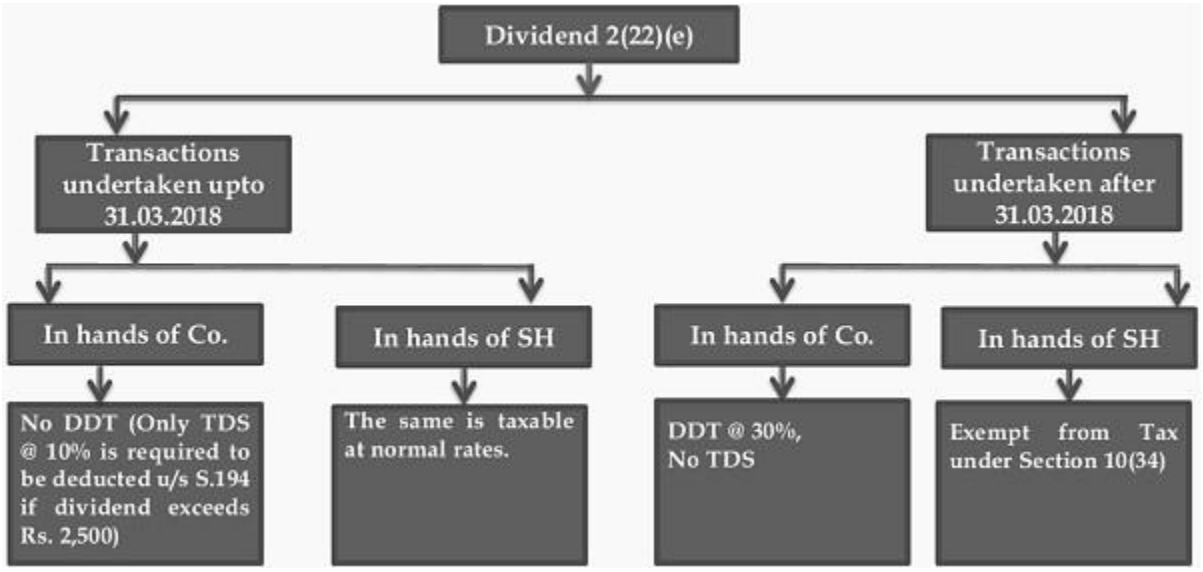
- Amendments relating to Corporates
- Amendments relating to Individuals
- Amendments relating to Trusts
- Amendments relating to ICDS
- Amendments having impact on Foreign Currency Inflows
- Common Amendments

AMENDMENTS RELATING TO CORPORATES

1) APPLICATION OF DDT TO DEEMED DIVIDENDS

Section 115-O and related sections have been amended in order to provide that dividends referred to in Section 2(22)(e) of the Act are also part of Section 115-O and chargeable to DDT @ 30% (instead of 20.5553%). However, no change has been made in Section 115BBDA and Section 10(34) of the Act.

Post Amendment, It can be inferred that, Deemed Dividend u/s 2(22)(e) is chargeable to DDT @ 30% in hands of closely held company. Since Section 115BBDA of the Act do not cover above dividend, hence the same is wholly exempt from tax under Section 10(34) of the Act even exceeds Rs. 10 lakhs. Further, TDS under Section 194 of the Act is not required to be deducted since such dividend is now covered under Section 115-O of the Act.



2. PLUGGING OF LACUNA IN CASE OF AMALGAMATION

The same can be understood with the help of following example:

Now, Suppose Amalgamated Company say "A Ltd." has taken over Amalgamating Company say "B Ltd" in the scheme of Amalgamation.

Since, B Ltd. is a profit making Company and hence, there will arise "Goodwill" (in most situation) to A Ltd. post amalgamation (assuming in the nature of purchase). Now, while reducing of capital by A Ltd., Section 2(22)(d) do not arise since A Ltd. is having losses even after amalgamating B Ltd.

Before amendment, the shareholders of A Ltd. enjoy cash by reduction of capital without implying Section 2(22)(d) of the Act.

Finance Act, 2018 has made the amendment and provided that at the time of reduction of capital by amalgamated company, accumulated profits of amalgamating company on amalgamation date will also be included.

3. 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.

4. 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 accrue or arise 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.

5. 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. DDT on dividend paid by MF on Equity Oriented Units: Section 115R of the Income tax Act, 1961 provides that a Mutual Fund is required to pay DDT on dividend distributed by it to the unit holders at the rate of 38.83% (25% plus Surcharge plus Cess after grossing up)on Income distributed to Individual or HUF and 49.92% (30% plus Surcharge plus Cess after grossing up) on Income distributed to any other person.

Section further provides that no DDT is required to be paid in respect of amounts paid to holders of units of equity oriented funds.

Finance Act, 2018 has made an amendment under the Act in order to provide that the amount paid to holders of units of equity oriented funds shall be chargeable to DDT @ 12.94%. (i.e. 10% plus Surcharge plus cess after grossing up).

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

9. 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.

iii. 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.

iv. 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.

v. 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.