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## **INCOME TAX READY RECKONER FOR F. Y. 2017-18 (A.Y. 2018-19)**

**A quick review (Limited Information) of the applicable provisions under the income tax act after incorporating selective amendments proposed by the Budget of 2017 are given below for ready reference and information of our clients:-**

### **(A) RATE OF INCME TAX FOR F. Y. 2016-17 (A.Y. 2017-18)**

#### **(I) INDIVIDUALS / HUF / AOP / BOI**

##### **(i) Tax Calculator (General Category & Women):-**

SLAB	TOTAL INCOME	Rate of Tax	TAX CALCULATOR	COMMENTS
I	Upto Rs. 2,50,000/-	0 %	NIL	No Change
II	Rs. 2,50,001/- to Rs. 3,50,000/-	5 %	$(\text{Total Income} - 2,50,000) \times 5\% - 2500$	1. Tax Rate Reduced from 10% to 5% 2. Rebate u/s 87A reduced from 5000/- to 2500/-
III	Rs. 3,50,001/- to Rs. 5,00,000/-	5%	$5000 + (\text{Total Income} - 3,50,000) \times 5\%$	Rebate u/s 87A not available
IV	Rs. 5,00,001/- to Rs. 10,00,000/-	20 %	$12500 + (\text{T.I.} - 500000) \times 20\%$	A reduction of Rs. 12500/- in the Tax Liability
V	Above Rs. 10,00,000/-	30 %	$112500 + (\text{T.I.} - 10,00,000) \times 30\%$	A reduction of Rs. 12500/- in the Tax Liability

##### **(ii) Tax Calculator (Senior Citizen – Age 60 Years):-**

SLAB	TOTAL INCOME	Rate of Tax	TAX CALCULATOR	COMMENTS
I	Upto Rs. 3,00,000/-	0 %	NIL	No Change
II	Rs. 3,00,001/- to Rs. 3,50,000/-	5 %	NIL	Tax adjusted against the Rebate u/s 87A of Rs. 2500/-
III	Rs. 3,50,001/- to Rs. 5,00,000/-	5%	$2500 + (\text{Total Income} - 3,50,000) \times 5\%$	Rebate u/s 87A not available
IV	Rs. 5,00,001/- to Rs. 10,00,000/-	20 %	$10000 + (\text{T.I.} - 500000) \times 20\%$	A reduction of Rs. 12500/- in the Tax Liability
V	Above Rs. 10,00,000/-	30 %	$110000 + (\text{T.I.} - 10,00,000) \times 30\%$	A reduction of Rs. 12500/- in the Tax Liability

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**(iii) Tax Calculator (Very Senior Citizen – Age 80 Years):-**

SLAB	TOTAL INCOME	Rate of Tax	TAX CALCULATOR	COMMENTS
I	Upto Rs. 5,00,000/-	0 %	NIL	No Change
II	Rs. 5,00,001/- to Rs. 10,00,000/-	20 %	(T.I. – 5,00,000)*20 %	No Change
III	Above Rs. 10,00,000/-	30 %	1,00,000+(T.I.–10,00,000)*30 %	No Change

**Surcharge** – Total Income upto Rs. 50 Lakhs – NIL  
**Total Income > 50 Lakhs < 1 Crore – 10% [New]**  
 Total Income > 1 Crore – 15% [No Change]

**Education Cess** – 3% of the Income Tax & Surcharge

**(II) PARTNERSHIP FIRMS**

**(i) Rate of Income Tax @ 30 % of Total Income**

**Surcharge** – Total Income upto 1 Crore – NIL  
**Total Income > 1 Crore – 12%**  
**Education Cess** – 3% of the Income Tax & Surcharge

(ii) Remuneration to Partners (if provided in the Partnership Deed) may be paid out of Total Income before computation of Tax, with a maximum ceiling as follows:

On the first Rs. 3,00,000/- of the Book Profits or in case of Loss	Rs. 1,50,000/- or @ 90 % of Book Profits, whichever is Higher
On balance of the Book Profits	@ 60% of Book Profit

(iii) Interest on Partners Capital (if provided in the Partnership Deed) is allowed upto a Maximum of 12 % p.a.

**(III) COMPANIES**

**(i) Rate of Income Tax:-**

Category of Company	Rate of Tax
Domestic Companies with Turnover of upto Rs. 50 Crores during the F. Y. 2015-2016	<b>25%</b>
Start-ups Registered from 01-04-2016 to 31-03-2019 [Section 80 IAC]	0% -For 3 out of <b>7 years</b> [MAT applicable under 115JB]
Other Domestic Companies	30%

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#### OTHER NON-DOMESTIC COMPANIES

(1) on so much of the total income as consists of,—

(a)	royalties received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976; or	<b>50%</b>
(b)	fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976, and where such agreement has, in either case, been approved by the Central Government	

(2) on the balance, if any, of the total income – **40 %**

#### **Surcharge –**

##### **a. Domestic company**

Total Income upto 1 Crore – NIL

Total Income > 1 Crore and upto 10 Crores – 7 %

Total Income > 10 Crores – 12 %

##### **b. Other Companies**

Total Income upto 1 Crore – NIL

Total Income > 1 Crore and upto 10 Crores – 2 %

Total Income > 10 Crores – 5 %

**Education Cess – 3% of the Income Tax & Surcharge**

(ii) **Minimum Alternate Tax (M.A.T.)** - The rate of MAT payable by a company is **18.50%** u/s 115 JB.

a) The period allowed to carry forward the **tax credit under MAT** is further extended to **15 (Fifteen) years**.

#### **(B) RATES OF DEPRECIATION UNDER INCOME TAX ACT**

ASSET	RATE OF DEPRECIATION
Plant & Machinery	15 %
Computers including Software	60 %
Motor Cars	15 %
Furniture & Fixtures	10 %
Building	5 %

#### **(C) LIMIT FOR AUDIT UNDER INCOME TAX ACT**

CATEGORY OF ASSESSEE	LIMIT OF GROSS RECEIPTS/ TOTAL SALES/ TURNOVER
A person carrying on Business	Exceeding <b>Rs. 2 Crore</b> during the year
A person carrying on Profession	Exceeding <b>Rs. 50 Lakhs</b> during the year

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## **(D) PRESUMPTIVE COMPUTATION PROFIT**

### **(i) FOR SMALL BUSINESSES (Section 44 AD)**

Turnover upto Rs. 200 Lakhs  
Deemed Profit –

- a) **6% of Gross Receipts** received by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account during the previous year or before the due date specified in sub-section (1) of section 139 in respect of that previous year;
- b) **8% of Gross Receipts** other than those covered in para (a) above.

### **(ii) FOR SMALL PROFESSIONAL (Section 44 ADA)**

Gross Receipt upto Rs. 50 Lakhs  
Deemed Profit – 50% of Gross Receipts

## **NOTES**

1. The Partnership Firms were previously eligible to claim deduction of Partners Remuneration and Interest paid to partners out of the Deemed Profit declared under this section, however w.e.f. A.Y. 2017-18 Proviso to Sub-Section 2 to Section 44 AD has been omitted and hence it is presumed that the Partners Remuneration and Interest have already been deducted before calculating the Deemed Profit.

2. Where an eligible assessee u/s 44 AD, declares profit for any previous year in accordance with the provisions of this section and he declares profit for any of the five assessment years relevant to the previous year succeeding such previous year not in accordance with the provisions of sub-section (1), he shall not be eligible to claim the benefit of the provisions of this section for five assessment years subsequent to the assessment year relevant to the previous year in which the profit has not been declared in accordance with the provisions of sub-section (1). Provision of Audit shall be mandatory in case of income exceeding maximum amount not chargeable to tax.

## **BENEFITS**

- 1. Exemption from the compliance burden of maintaining books of accounts.
- 2. Exempted from advance tax and allowed to pay their entire tax liability before the due date of filing the return or actual date of filing their return whichever is earlier.

## **FOR CLAIMING PROFIT LOWER THAN DEEMED PROFIT**

Audit of the Books of Account are prescribed, for Claiming Profits lower than the presumptive (deemed) profits prescribed under the deeming provisions noted above.

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**(E) TAXATION ON CAPITAL GAINS:-**

**TAX ON CAPITAL GAIN (PROFIT) FROM SALE OF EQUITIES (SHARES)**

(i) Short Term Capital Gain on Sale of Equities & EO MFs, : Tax @ 15 %  
on a Recognised Stock Exchange in India

(ii) Long Term Capital Gain on Sale of of Equities & EO MFs, : NIL  
on a Recognised Stock Exchange in India

**[NOTE – To claim exemption u/s 10 (38) for shares acquired after 01-10-2004, it will be mandatory that the STT must have been paid at the time of Purchase.]**

(iii) Shares of Unlisted companies if sold after 2 years, shall be treated as Long Term Capital Gain

**(iv) Additional Income Tax @ 10% of Gross Amount of Dividend will be payable by a recipient receiving dividend in excess of Rs. 10 Lakhs during a year.**

**(F) RESTRICTION ON CASH TRANSACTION**

In order to promote the digital economy, following restrictions have been imposed on Cash Transactions:-

<b>NATURE OF EXPENDITURE</b>	<b>I. T. SECTION</b>	<b>EXISTING LIMIT</b>	<b>NEW LIMIT</b>	<b>IN CASE OF VIOLATION</b>
CAPITAL – Purchase of Fixed Assets	43	No Limit	10000/- per day per asset	The expenditure shall not be included in the cost of asset. No Depreciation benefit.
REVENUE – Expenditure on Specified Business	35AD	No Limit	10000/- per day per asset	No deduction shall be allowed in respect of such expenditure.
REVENUE – General Expenditure	40 A (3)	20000/- per day to a person	10000/- per day to a person	No deduction shall be allowed in respect of such expenditure.
Any Payment received:- (a) in aggregate from a person in a day; (b) in respect of a single transaction; or (c) in respect of transactions relating to one event or occasion from a person,	269ST	No Limit	3,00,000/-	Penalty u/s 271DA equal to the amount of such payment received by a person.



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**(G) TAX ON DIVIDENDS – ABOVE Rs. 10 LAKHS IN A YEAR:-**

Under the existing provisions of section 115BBDA, income by way of dividend in excess of Rs. 10 lakh is chargeable to **tax at the rate of 10%** on gross basis in case of a resident individual, Hindu undivided family or firm.

With a view to ensure horizontal equity among all categories of tax payers deriving income from dividend, it is proposed to amend section 115BBDA so as to provide that the provisions of said section shall be applicable to all resident assessee except domestic company and certain funds, trusts, institutions, etc.

**(F) KEY DEDUCTIONS AND BENEFITS UNDER INCOME TAX FOR INDIVIDUALS**

Section	Nature	Deduction Limit	Comments
24 (b)	Interest on Housing Loan (Self Occupied)	Upto Rs. 2 Lakhs	No Change
80 C	Investments in Life Insurance Premium, PF, PPF, NSC, ULIP, Tax Benefit Mutual Funds, Tution Fees (2 Child), Home Loan Principal Repayment, Notified Bonds, 5 Yr FDs etc	Upto Rs. 1.50 Lakhs	No Change
80 CCD	Investment in Pension Scheme	Upto Rs. 0.50 Lakhs	For individuals other than employee - limit of investment in NPS increased to 20% of GTI
80 D	Mediclaim Insurance	Sr. Citizen : Rs. 30000/- Others : Rs. 25000/-	No Change
		Very Senior Citizen : Rs. 30000/-	Including Premium and Medical Expenditure
80 EE	Continued Deduction from previous year - for Interest on Loan taken for Residential House Property	Rs. 50000/-	Conditions:- 1. First time House Purchase 2. Home Loan sanctioned in 2016-2017 3. House Cost upto Rs. 50 Lakhs or Less 4. Loan Amount upto 35 Lakhs or Less 5. When the deduction is allowed for Interest under this section, deduction shall not be allowed in respect of such interest under any other provision of this act.
80 GG	Rent Paid	Lower of Following: 1. Rs. 5000 p.m. 2. 25% of Total Income; 3. Rent Paid – 10% of Total Income	Lower Limit increased from Rs. 24000/- p.a. to Rs. 60000/- p.a.



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80 JJA	Deduction in respect of Employment of new employees	30% of Additional Employee Cost  (Conditions of Additional Employee Cost are separately discussed)	Conditions:- 1. Section 44AB should be applicable; 2. Gross Total Income includes Profits & Gains of Business; 3. Accountant Report is submitted in Prescribed Format.  No Deduction in Following cases:- 1. The business is formed by splitting up, or the reconstruction, of an existing business; 2. The business is acquired by the assessee by way of transfer from any other person or as a result of any business reorganization;
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## **OTHER MAJOR AMENDMENTS IN INCOME TAX ACT, 1961**

### **1. Rationalisation of Provisions of Section 80-IBA to promote Affordable Housing**

The existing provisions of section 80-IBA provides for 100% deduction in respect of the profits and gains derived from developing and building certain housing projects subject to specified conditions. The conditions specified, *inter alia*, include the limit of 30 square meters for the built-up area of residential unit in respect of project located in the Chennai, Delhi, Kolkata and Mumbai or within 25 kms from the municipal limits of these four cities. Further, it is also provided that in order to be eligible to claim deductions, the project shall be completed within a period of three years.

In order to promote the development of affordable housing sector, it is proposed to amend section 80-IBA so as to provide the following relaxations:—

(i) The size of residential unit shall be measured by taking into account the "carpet area" as defined in Real Estate (Regulation and Development) Act, 2016 and not the "built-up area".

(ii) The restriction of 30 square meters on the size of residential units shall not apply to the place located within a distance of 25 kms from the municipal limits of the Chennai, Delhi, Kolkata or Mumbai.

(iii) The condition of period of completion of project for claiming deduction under this section shall be increased from existing three years to five years.

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent years.

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## **2. Special provisions for computation of capital gains in case of joint development agreement**

Under the existing provisions of section 45, capital gain is chargeable to tax in the year in which transfer takes place except in certain cases. The definition of 'transfer', *inter alia*, includes any arrangement or transaction where any rights are handed over in execution of part performance of contract, even though the legal title has not been transferred. In such a scenario, execution of Joint Development Agreement between the owner of immovable property and the developer triggers the capital gains tax liability in the hands of the owner in the year in which the possession of immovable property is handed over to the developer for development of a project.

With a view to minimise the genuine hardship which the owner of land may face in paying capital gains tax in the year of transfer, it is proposed to insert a new sub-section (5A) in section 45 so as to provide that in case of an assessee being individual or Hindu undivided family, who enters into a specified agreement for development of a project, the capital gains shall be chargeable to income-tax as income of the previous year in which the certificate of completion for the whole or part of the project is issued by the competent authority.

It is further proposed to provide that the stamp duty value of his share, being land or building or both, in the project on the date of issuing of said certificate of completion as increased by any monetary consideration received, if any, shall be deemed to be the full value of the consideration received or accruing as a result of the transfer of the capital asset.

It is also proposed to provide that benefit of this proposed regime shall not apply to an assessee who transfers his share in the project to any other person on or before the date of issue of said certificate of completion. It is also proposed to provide that in such a situation, the capital gains as determined under general provisions of the Act shall be deemed to be the income of the previous year in which such transfer took place and shall be computed as per provisions of the Act without taking into account this proposed provisions.

It is also proposed to define the following expressions "competent authority", "specified agreement" and "stamp duty value" for this purpose.

It is also proposed to make consequential amendment in section 49 so as to provide that the cost of acquisition of the share in the project being land or building or both, in the hands of the land owner shall be the amount which is deemed as full value of consideration under the said proposed provision.

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent years.

It is also proposed to insert a new section 194-IC in the Act so as to provide that in case any monetary consideration is payable under the specified agreement, tax at the rate of ten per cent shall be deductible from such payment.

This amendment will take effect from 1st April, 2017.

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### **3. Shifting base year from 1981 to 2001 for computation of capital gains**

The existing provisions of section 55 provide that for computation of capital gains, an assessee shall be allowed deduction for cost of acquisition of the asset and also cost of improvement, if any. However, for computing capital gains in respect of an asset acquired before 01.04.1981, the assessee has been allowed an option of either to take the fair market value of the asset as on 01.04.1981 or the actual cost of the asset as cost of acquisition. The assessee is also allowed to claim deduction for cost of improvement incurred after 01.04.1981, if any.

As the base year for computation of capital gains has become more than three decades old, assessee are facing genuine difficulties in computing the capital gains in respect of a capital asset, especially immovable property acquired before 01.04.1981 due to non-availability of relevant information for computation of fair market value of such asset as on 01.04.1981.

In order to revise the base year for computation of capital gains, it is proposed to amend section 55 of the Act so as to provide that the cost of acquisition of an asset acquired before 01.04.2001 shall be allowed to be taken as fair market value as on 1st April, 2001 and the cost of improvement shall include only those capital expenses which are incurred after 01.04.2001.

Consequential amendment is also proposed in section 48 so as to align the provisions relating to cost inflation index to the proposed base year.

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent years.

### **4. Expanding the scope of long term bonds under 54EC**

The existing provision of section 54EC provides that capital gain to the extent of Rs. 50 lakhs arising from the transfer of a long-term capital asset shall be exempt if the assessee invests the whole or any part of capital gains in certain specified bonds, within the specified time. Currently, investment in bond issued by the National Highways Authority of India or by the Rural Electrification Corporation Limited is eligible for exemption under this section.

In order to widen the scope of the section for sectors which may raise fund by issue of bonds eligible for exemption under section 54EC, it is proposed to amend section 54EC so as to provide that investment in any bond redeemable after three years which has been notified by the Central Government in this behalf shall also be eligible for exemption.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent years.

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## **5. No notional income for house property held as stock-in-trade**

Section 23 of the Act provides for the manner of determination of annual value of house property.

Considering the business exigencies in case of real estate developers, it is proposed to amend the said section so as to provide that where the house property consisting of any building and land appurtenant thereto is held as stock-in-trade and the property or any part of the property is not let during the whole or any part of the previous year, the annual value of such property or part of the property, for the period upto one year from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority, shall be taken to be nil.

This amendment will take effect from 1st April, 2018 and will, accordingly apply in relation to assessment year 2018-19 and subsequent years.

## **6. Carry forward and set off of loss in case of certain companies.**

The existing provisions of section 79 of the Act, *inter-alia* provides that where a change in shareholding has taken place in a previous year in the case of a company, not being a company in which the public are substantially interested, no loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year unless on the last day of the previous year the shares of the company carrying not less than fifty-one per cent of the voting power were beneficially held by person who beneficially held shares of the company carrying not less than fifty-one per cent of the voting power on the last day of the year or years in which the loss was incurred.

In order to facilitate ease of doing business and to promote start up India, it is proposed to amend section 79 of the Act to provide that where a change in shareholding has taken place in a previous year in the case of a company, not being a company in which the public are substantially interested and being an eligible start-up as referred to in section 80 -IAC of this Act, loss shall be carried forward and set off against the income of the previous year, if all the shareholders of such company which held shares carrying voting power on the last day of the year or years in which the loss was incurred, being the loss incurred during the period of seven years beginning from the year in which such company is incorporated, continue to hold those shares on the last day of such previous year.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent years.

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## **7. Increasing the threshold limit for maintenance of books of accounts in case of Individuals and Hindu undivided family**

The existing provisions of clause (i) and clause (ii) of sub-section (2) of section 44AA of the Act cast an obligation on every person carrying on business or profession [other than those mentioned in sub-section (1) such as legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or any other profession as is notified by the Board in the Official Gazette] to maintain such books of accounts and documents in the previous year to enable the Assessing Officer to compute his total income in accordance with the provisions of Act, provided that the income and total sales or turn over or gross receipts, etc specified in said clauses exceeds rupees one lakh twenty thousand and rupees ten lakh, respectively.

In order to reduce the compliance burden, it is proposed to amend the provisions of section 44AA to increase monetary limits of income and total sales or turn over or gross receipts, etc specified in said clauses for maintenance of books of accounts **from one lakh twenty thousand rupees to two lakh fifty thousand rupees** and **from ten lakh rupees to twenty-five lakh rupees**, respectively in the case of Individuals and Hindu undivided family carrying on business or profession.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent years.

## **8. Scope of section 92BA of the Income-tax Act relating to Specified Domestic Transactions**

The existing provisions of section 92BA of the Act, *inter-alia* provide that any expenditure in respect of which payment has been made by the assessee to certain "specified persons" under section 40A(2)(b) are covered within the ambit of specified domestic transactions.

As a matter of compliance and reporting, taxpayers need to obtain the chartered accountant's certificate in Form 3CEB providing the details such as list of related parties, nature and value of specified domestic transactions (SDTs), method used to determine the arm's length price for SDTs, positions taken with regard to certain transactions not considered as SDTs, etc. This has considerably increased the compliance burden of the taxpayers.

In order to reduce the compliance burden of taxpayers, it is proposed to provide that expenditure in respect of which payment has been made by the assessee to a person referred to in under section 40A(2)(b) are to be excluded from the scope of section 92BA of the Act. Accordingly, it is also proposed to make a consequential amendment in section 40(A)(2)(b) of the Act.

These amendments will take effect from 1st April, 2017 and will, accordingly, apply in relation to the assessment year 2017-18 and subsequent years.

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**9. Restriction on exemption in case of corpus donation by exempt entities to other exempt entities**

As per the existing provisions of the Act, donations made by a trust to any other trust or institution registered under section 12AA or to any fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10, except those made out of accumulated income, is considered as application of income for the purposes of its objects.

Similarly, donations made by entities exempted under sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10 to any trust or institution registered under section 12AA, except those made out of accumulated income, is also considered as application of income for the purposes of its objects.

However, donation given by these exempt entities to another exempt entity, with specific direction that it shall form part of corpus, is though considered application of income in the hands of donor trust but is not considered as income of the recipient trust. Trusts, thus, engage in giving corpus donations without actual applications.

Therefore, it is proposed to insert a new Explanation to section 11 of the Act to provide that any amount credited or paid, out of income referred to in clause (a) or clause (b) of sub-section (1) of section 11, being contributions with specific direction that they shall form part of the corpus of the trust or institution, shall not be treated as application of income.

It is also proposed to insert a proviso in clause (23C) of section 10 so as to provide similar restriction as above on the entities exempt under sub-clauses (iv), (v), (vi) or (via) of said clause in respect of any amount credited or paid out of their income.

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-19 and subsequent years.

**10. Fee for delayed filing of return**

In view of the non-intrusive information-driven approach for improving tax compliance and effective utilization of information in tax administration, it is important that the returns are filed within the due dates specified in section 139(1). Further, the reduced time limits proposed for making of assessment are also based on pre-requisite that returns are filed on time.

In order to ensure that return is filed within due date, it is proposed to insert a new section 234F in the Act to provide that a fee for delay in furnishing of return shall be levied for assessment year 2018-19 and onwards in a case where the return is not filed within the due dates specified for filing of return under sub-section (1) of section 139. The proposed fee structure is as follows:-

- (i) a fee of five thousand rupees shall be payable, if the return is furnished after the due date but on or before the 31st day of December of the assessment year;
- (ii) a fee of ten thousand rupees shall be payable in any other case.

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However, in a case where the total income does not exceed five lakh rupees, it is proposed that the fee amount shall not exceed one thousand rupees.

In view of above, it is proposed to make consequential amendment in section 140A to include that in case of delay in furnishing of return of income, alongwith the tax and interest payable, fee for delay in furnishing of return of income shall also be payable.

It is also proposed to make consequential amendment in sub-section (1) of section 143, to provide that in computation of amount payable or refund due, as the case may be, on account of processing of return under the said sub-section, the fee payable under section 234F shall also be taken into account.

Consequently, it is also proposed that the provisions of section 271F in respect of penalty for failure to furnish return of income shall not apply in respect of assessment year 2018-19 and onwards.

These amendments will take effect from 1st April, 2018 and will, accordingly apply in relation to assessment year 2018-19 and subsequent years.

#### **11. Penalty on professionals for furnishing incorrect information in statutory report or certificate**

The thrust of the Government in recent past is on voluntary compliance. Certification of various reports and certificates by a qualified professional has been provided in the Act to ensure that the information furnished by an assessee under the provisions of the Act is correct. Various provisions exist under the Act to penalise the defaulting assessee in case of furnishing incorrect information. However, there exist no penal provision for levy of penalty for furnishing incorrect information by the person who is responsible for certifying the same.

In order to ensure that the person furnishing report or certificate undertakes due diligence before making such certification, it is proposed to insert a new section 271J so as to provide that if an accountant or a merchant banker or a registered valuer, furnishes incorrect information in a report or certificate under any provisions of the Act or the rules made thereunder, the Assessing Officer or the Commissioner (Appeals) may direct him to pay a sum of ten thousand rupees for each such report or certificate by way of penalty.

It is further proposed to define the expressions "accountant", "merchant banker" and "registered valuer". It is also proposed to provide through amendment of section 273B that if the person proves that there was reasonable cause for the failure referred to in the said section, then penalty shall not be imposable in respect of the proposed section 271J.

These amendments will take effect from 1st April, 2017.

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**12. Clarity of procedure in respect of change or modifications of object and filing of return of income in case of entities exempt under sections 11 and 12**

The existing provisions of section 12A of the Act provide for conditions for applicability of sections 11 and 12 in relation to the benefit of exemption in respect of income of any trust or institution.

Further, the provisions of section 12AA of the Act provide for registration of the trust or institution which entitles them to the benefit of sections 11 and 12. It also provides the circumstances under which registration can be cancelled, one such circumstance being satisfaction of the Principal Commissioner or Commissioner that its activities are not genuine or are not being carried out in accordance with its objects subsequent to grant of registration. However, at present there is no explicit provision in the Act which mandates said trust or institution to approach for fresh registration in the event of adoption or undertaking modifications of the objects after the registration has been granted.

Therefore, it is proposed to amend section 12A so as to provide that where a trust or an institution has been granted registration under section 12AA or has obtained registration at any time under section 12A [as it stood before its amendment by the Finance (No. 2) Act, 1996] and, subsequently, it has adopted or undertaken modifications of the objects which do not conform to the conditions of registration, it shall be required to obtain fresh registration by making an application within a period of thirty days from the date of such adoption or modifications of the objects in the prescribed form and manner.

Further, as per the existing provisions of said section, the entities registered under section 12AA are required to file return of income under sub-section (4A) of section 139, if the total income without giving effect to the provisions of sections 11 and 12 exceeds the maximum amount which is not chargeable to income-tax. However, there is no clarity as to whether the said return of income is to be filed within time allowed u/s 139 of the Act or otherwise.

In order to provide clarity in this regard, it is proposed to further amend section 12A so as to provide for further condition that the person in receipt of the income chargeable to income-tax shall furnish the return of income within the time allowed under section 139 of the Act.

These amendments are clarificatory in nature.

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to assessment year 2018-19 and subsequent years

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