



— PARLIAMENT OF INDIA —



Clause wise analysis of amendments proposed
in Income Tax Act in Union Budget 2019



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1. Income tax rates

A. Individual, HUF, AOP, BOI, every artificial juridical person

The Income tax slab has not been changed for the FY 2019-20 and it has remained intact as it is for the FY 2018-19. Although the surcharge on the individuals, HUF, AOP, BOI, every artificial juridical person have been increased. The income tax slab rates are as follows:-

- ❖ For resident individuals, who is of the age less than 60 years, HUF, AOP, BOI, every artificial juridical person

Income (Rs.)	Proposed rate of tax (FY 2019-20)
Upto Rs. 2,50,000	Nil
Rs. 2,50,000 – Rs. 5,00,000	5 percent
Rs. 5,00,000 – Rs. 10,00,000	20 percent
Above Rs. 10,00,000	30 percent

- ❖ For resident individuals, who is of the age more than 60 years but less than 80 years

Income (Rs.)	Proposed rate of tax (FY 2019-20)
Upto Rs. 3,00,000	Nil
Rs. 3,00,000 – Rs. 5,00,000	5 percent
Rs. 5,00,000 – Rs. 10,00,000	20 percent
Above Rs. 10,00,000	30 percent

- ❖ For resident individuals, who is of the age more than 80 years

Income (Rs.)	Proposed rate of tax (FY 2019-20)
Upto Rs. 5,00,000	Nil
Rs. 5,00,000 – Rs. 10,00,000	20 percent
Above Rs. 10,00,000	30 percent

Rebate u/s. 87A – The rebate on the income tax shall remain the same as proposed in the Finance Act, 2019 which stands for Rs. 12,500/- of having income of less than Rs. 5,00,000/-

Surcharge to be added

Income (Rs.)	Proposed rate of surcharge (FY 2019-20)
Upto Rs. 50 Lakhs	Nil
Rs. 50 Lakhs – Rs. 1 Crore	10%
Rs. 1 Crore – Rs. 2 Crore	15%
Rs. 2 Crore – Rs. 5 Crore	25%
Above Rs. 5 Crore	37%

Health and education cess shall be leviable @ 4% on the income tax and surcharge, if any.

B. Co-operative societies

Income (Rs.)	Rate of Tax
Upto Rs. 10,000	Nil
Rs. 10,000 – Rs. 20,000	Rs. 1,000 plus 20% of total income in excess of Rs. 10,000
Above Rs. 20,000	Rs. 3,000 plus 30% of total income in excess of Rs. 20,000

Surcharge @ 12% of income tax if net income exceeds Rs. 1 crore. Health and education cess @ 4% shall be levied on the income tax and surcharge, if any.

C. Firms

The income tax rate of Firms is 30% on the Net income. On the total income above Rs. 1 Crore, 12% of surcharge shall be applicable. Additionally, health and education cess @ 4% shall be levied on the income tax and surcharge, if any.

D. Companies

In case of Domestic Companies having total turnover / receipts does not exceed Rs. 400 Crore

Income	Rate of tax	Surcharge
Less than Rs. 1 Crore	25%	Nil
More than Rs. 1 Crore but less than Rs. 10 Crores	25%	5%
More than Rs. 10 Crores	25%	12%

In case of Domestic Companies having total turnover / receipts exceed Rs. 400 Crore

Income	Rate of tax	Surcharge
Less than Rs. 1 Crore	30%	Nil
More than Rs. 1 Crore but less than Rs. 10 Crores	30%	5%
More than Rs. 10 Crores	30%	12%

In case of Non - Domestic Companies

Income	Rate of tax	Surcharge
Less than Rs. 1 Crore	40%	Nil
More than Rs. 1 Crore but less than Rs. 10 Crores	40%	2%
More than Rs. 10 Crores	40%	5%

Health and education cess shall be levied @ 4% on over and above the taxes.

2. Insertion of Section 194M – TDS on payment by individual / HUF for contractual / professional services

- ❖ A new section 194M has been inserted effective from 1st September 2019
- ❖ As per the section, the individuals or HUF are liable to deduct TDS @ 5%

- ❖ On the sum or aggregate of sums, paid or credited in a year
- ❖ On account of contractual work or professional fee
- ❖ If the sum exceeds Rs. 50 Lakhs
- ❖ For deducting TDS, there is no need to obtain TAN.
- ❖ TDS shall be deposited by using the PAN of the deductor.

3. Amendment in Section 194IA - TDS at the time of purchase of immovable property

- ❖ Presently, TDS @ 1% is deducted on the amount of consideration paid or credited for transfer of such property.
- ❖ At present, the term “consideration for immovable property” has not been defined in the Act. And while making the payment for the purchase of immovable property, a number of other payments have to be made for other amenities like club membership fee, car parking charges, etc.
- ❖ In order to cover these payment within the ambit of TDS, the Govt. has proposed to amend the definition of “consideration for the purchase of immovable property” and include all these payments within the ambit of the TDS.
- ❖ This amendment will be applicable from 1st September 2019 onwards.

4. Deemed accrual of Gift made to a person outside India

- ❖ With effect from AY 2020-21, income of the nature as specified in sub clause (xviiia) of clause 24 of section 2, arising from any sum of money paid, or any property situated in India, transferred by a person resident in India to a person who is non-resident in India shall be deemed to accrue or arise in India for the transfers made on or after 5th July 2019.
- ❖ However, the gifting provisions as specified in clause (x) of sub section 2 of section 56 will continue to remain apply for the said transfers.
- ❖ In a treaty situation, the relevant article of the DTAA provisions shall apply for the gifts.

5. Mandatorily filing of Income tax returns for Individuals doing certain types of transactions

- ❖ With effect from AY 2020-21, the following persons are required to compulsorily file their income tax returns if the following transactions have been undertaken by them:-
 - Deposited an amount or aggregate of amount exceeding Rs. 1 Crore in one or more current accounts maintained with a banking company or co-operative bank;
 - Incurred expenditure of an amount or an aggregate of an amount exceeding Rs. 2 Lakhs for himself or any other person on foreign trips;
 - Incurred electricity expense of exceeding Rs. 1 Lakh as an aggregate amount during the previous year;
- ❖ Amendment to sixth proviso to section 139 which says that if the total income is more than the threshold limit before claiming the benefits of section 54, 54B, 54D, 54EC, 54F, 54G, 54GA and 54GB of the Income tax, then that person shall be mandatorily require to file the Income tax return.

6. Strengthening the AADHAR in the Income tax Act and mentioning of PAN in certain transactions

- ❖ Insertion of sub clause (vii) in the sub section 1 of section 139 to provide for quoting PAN into high value transactions like purchase of foreign currency, huge withdrawal from banks. This step will ensure that the Govt. has sufficient audit trail in respect of these kind of transactions.

- ❖ Amendment in the provisions of section 139A to provide the AADHAR number can be interchangeably used in lieu of PAN in all the cases where the PAN has to be used or quoted.
- ❖ Insertion of sub section 6(A) and 6(B) in section 139A to provide and casting the duty upon the persons giving and receiving such prescribed documents to quote PAN on the same.
- ❖ In order to ensure compliance of quoting of PAN and authentication of PAN or AADHAR, the penalty u/s. 272B shall be leviable.
- ❖ In case the person fails to link his AADHAR with the PAN, the PAN shall be made inoperative in the prescribed manner.
- ❖ The said amendments will be applicable from 1st September 2019 onwards.

7. Widening the scope of Statement of Financial Transactions (SFT)

- ❖ The scope of Statement of Financial Transactions (SFT) shall be widened by enabling pre filing of return of income to obtain information from the persons other than the person who are currently filing the return for the financial transactions.
- ❖ It is proposed to remove the current threshold limit of Rs. 50,000/- on aggregate value of transactions for furnishing in return to enable the reporting of even the small value of transactions.
- ❖ It is proposed that if the defect in the statement is not rectified within the time specified therein, the provisions of the Act shall apply as if the person has furnished the inaccurate information in the statement.
- ❖ Amendments will take effect from 1st September 2019 onwards.

8. Prescribing electronic mode of payment

- ❖ To promote the digital payment and encourage other electronic mode of payment, it is proposed to amend the relevant sections so as to include other mode of electronic payment, in addition to the already existing permissible modes of payment / receipt in the form of account payee cheque or account payee bank draft or the electronic clearing system through a bank account.
- ❖ Currently, the following sections in the Income tax act prohibit cash transactions and allow/encourage payment or receipt only through account payee cheque or account payee draft or ECS from a bank account.

Section	Description
Section 13A	A political party shall receive donation of an amount exceeding Rs. 2 thousand only through account payee cheque or account payee draft or ECS through a bank account, for the purpose of exemption of such donation.
Section 35AD	The term "any expenditure of capital nature" shall not include any expenditure incurred by eligible assessee for an amount exceeding Rs. 10 thousand in a mode other than account payee cheque or account payee draft or ECS from a bank account.
Section 40A	Disallowance of any expenditure of an amount exceeding Rs. 10 thousand in a day through any mode other than account payee cheque or account payee draft or ECS from a bank account
Section 43(1)	In the definition of Actual cost, if any amount has been incurred exceeding Rs. 10 thousand in a day to a person through any mode other than account payee cheque or account payee draft or ECS from a bank account, then the said amount shall not be included in the Actual cost.

Section 43CA	The said provisions prescribe the full value of consideration for the transfer of asset provided the consideration has been received through account payee cheque or account payee draft or ECS from a bank account.
Section 44AD	Prescribes that the eligible assessee can opt for presumptive taxation and declares the profit at 6% or higher of the amount received through account payee cheque or account payee draft or ECS from a bank account.
Section 80JJAA	Prescribes that the deduction of 30% of cost incurred on additional employee for 3 years in which additional employment is provided, shall not be available if the emoluments are paid otherwise than by an account payee cheque or account payee draft or ECS from a bank account.
Section 269SS	Prohibits a person from taking or accepting from a depositor any loan or deposit or any specified sum equal to Rs. 20,000 or more otherwise than by an account payee cheque or account payee draft or ECS from a bank.
269ST	Prohibits a person from receiving an amount of Rs. 2 Lakhs or more in aggregate from a person in a day in respect of transaction relating to one event or occasion otherwise than by an account payee cheque or account payee draft or ECS from a bank.
Section 269T	Prohibits a banking company or a co-operative bank and any other company and firm or other person from paying any loan for any amount exceeding Rs. 20 thousand or more otherwise than by an account payee cheque or account payee draft or ECS from a bank account.

- ❖ The proposed amendments in sections 13A, 35AD, 40A, 43(1), 43CA, 44AD and 80JJAA shall be effective from AY 2020-21.
- ❖ The proposed amendments in sections 269SS, 269ST and 269T shall remain effective from 1st September 2019 onwards.

9. Insertion of Section 194N – TDS on cash withdrawal

- ❖ With effect from 1st September 2019, TDS @ 2% shall be levied on the person on account from cash withdrawals of amount in excess of Rs. 1 Crore during the year from a banking company or co-operative bank or post office .
- ❖ However, the following persons shall be outside the ambit of the said provisions:-
 - Government
 - Banking company
 - Co-operative society engaged in carrying on the business of banking, post office, banking correspondent and white label ATM operator that are handling high amount of cash as a part of their business operation

10. Insertion of Section 269SU and 271DB – Mandating acceptance of payments through prescribed electronic modes

- ❖ A new section 269SU is proposed to be inserted which provides that every person, carrying on business having turnover, sales or gross receipt in business, exceed Rs. 50 Crores, shall provide facility for accepting payment through the prescribed electronic modes in addition to the facility for other electronic modes of payment.
- ❖ Section 271DB is proposed to be inserted which provides that the failure to provide facility for electronic mode of payments prescribed under section 269SU shall attract a penalty of Rs. 5000 per day during which such failure continues.

- ❖ The said provisions shall be effective from 1st November 2019.

11. Incentives to International Financial Services Centre (IFSC)

In order to promote the International Financial Services Centre, the following amendments have been proposed:-

- ❖ It is proposed to amend section 47 of the Income tax act to provide that any transfer of a capital asset specified in the said clause by Category III Alternative Investment Fund (AIF) located in the IFSC of which all the unit holders are non-resident, are not regarded as transfer subject to fulfilment of certain conditions. The said amendment shall be effective from AY 2020-21 onwards.
- ❖ It is proposed to amend section 10 of the Act to provide that any income by way of interest payable to a non-resident by a unit located in IFSC in respect of money borrowed by it on or after 1st day of September 2019 shall be exempt. The said amendment shall be effective from AY 2020-21 onwards.
- ❖ With effect from 1st September 2019, an amendment is proposed in section 115-O which provides that any dividend paid out of accumulated income derived from operations in IFSC, after 1st April 2017 shall not be liable for tax on distributed profits. The said amendment shall be effective from 1st September 2019.
- ❖ With effect from 1st September 2019, an amendment is proposed in section 115-R which provides that no additional income tax shall be chargeable in respect of any amount of income distributed on or after the 1st day of September 2019 by a mutual fund of which all the unit holders are non-residents and which fulfils certain other specified conditions.
- ❖ With effect from AY 2020-21, the deduction available to IFSC shall be 100% of the income for any 10 consecutive years out of 15 years beginning with the year in which the necessary permission was obtained.
- ❖ With effect from AY 2020-21, an amendment is proposed under which the IFSC will be allowed to avail the deduction under section 80LA.

12. Amendments in Sections 43D and 43B of the Income tax act

- ❖ With effect from AY 2020-21, the deposit taking NBFCs and systematically important non-deposit taking NBFCs shall be taxed on the interest income in relation to certain categories of bad or doubtful debts in the previous year in which it is credited to profit and loss account or actually received whichever is earlier.
- ❖ Consequentially, section 43B shall be amended to provide that any sum payable by the assessee as interest on any loan or advances from a deposit taking NBFC and systematically important non-deposit taking NBFCs shall be allowed as deduction if it is actually paid on or before the due date of furnishing of return of income of the relevant previous year.

13. Amendments in Section 9A – Relaxation for Offshore funds

- ❖ With effect from AY 2020-21, certain amendments are proposed in the clauses of section 9A(3) which provides for the eligibility for Offshore funds.
- ❖ The amendments are as follows:-
 - The corpus of the fund shall not be less than Rs. 100 Crores at the end of a period of 6 months from the end of the month of its establishment or incorporation or at the end of such previous year, whichever is later; and

- The remuneration paid by the fund to an eligible fund manager in respect of fund management activity undertaken by him on its behalf is not less than the amount calculated in such manner as may be prescribed.

14. Insertion of Section 80EEB – Tax incentive for electric vehicles

- ❖ From AY 2020-21, a new section 80EEB shall be inserted which provides that deduction of Rs. 1.5 Lakhs in respect of interest on loan taken for the purchase of an electric vehicle from any financial institution shall be available subject to the following conditions:-
 - The loan has been sanctioned by a financial institution including a non-banking financial company during the period beginning on the 1st April 2019 to 31st March 2023;
 - The assessee does not own any other electric vehicle on the date of sanction of loan
- ❖ Where the deduction under this section is allowed, no other deduction for interest shall be taken under any other provisions of the act.

15. Amendment to Section 194LC – Exemption of interest income of a non-resident arising from borrowings by way of issue of Rupee denominated bonds

- ❖ Providing exemption to income payable by way of interest to a non-resident by the specified company in respect of amount borrowed from a source outside India by way of issue of rupee denominated bond as referred to in section 194LC.
- ❖ The said amendment shall take effect from AY 2019-20.

16. Insertion of Section 80EEA – Deduction in respect of loan taken for residential house property

- ❖ With effect from AY 2020-21, a deduction of Rs. 1.5 Lakhs on interest on loan taken for residential house property shall be available if the following conditions are satisfied:-
 - Loan has been sanctioned by a financial institution during the period beginning on the 1st April 2019 to 31st March 2020.
 - The stamp duty value of house property does not exceed Rs. 45 Lakhs
 - Assessee does not own any residential house property on the date of sanction of loan
- ❖ Where the assessee has claimed the deduction under this section, then he shall not be able to claim the deduction under any other provisions of the Act.
- ❖ The said amendment shall take effect from AY 2020-21.

17. Amendment to Section 80IBA – Deduction in respect of Affordable housing projects

- ❖ The certain eligibility conditions shall be modified for the housing projects approved on or after 1st September 2019, which are as follows:-
 - In respect of a housing project, if a residential unit in the housing project have carpet area not exceeding 60 sq. mtrs. In metropolitan cities or 90 sq. mtrs. In cities or towns other than metropolitan cities of Bengaluru, Chennai, Delhi, NCR, Hyderabad, Kolkata, and Mumbai (whole of Mumbai metropolitan region), and
 - The stamp duty value of such residential unit in the housing project shall not exceed Rs. 45 Lakhs.
- ❖ The said amendments shall be effective from AY 2020-21.

18. Amendments in respect of National Pension System subscribers

- ❖ Amendment proposed in Section 10 to increase the payment from NPS trust to an assessee on closure of the NPS account or on his opting out of the pension scheme, to the extent of 60% of the total amount shall be exempt from tax.
- ❖ Amendment proposed in Section 80CCD so as to increase the limit of contribution from CG or any other employer, from 10 % to 14% of his salary in the account of its employee.
- ❖ Amendment proposed in Section 80C so as to allow any amount paid or deposited by a Central Government employee as a contribution to his Tier – II account of the pension scheme for deduction.
- ❖ The aforesaid amendments shall be effective from AY 2020-21 onwards.

19. Amendment in Section 79 – Incentive to start-ups

- ❖ Amendment is proposed in Section 79 so as to enable the start-up companies in which the public is not substantially interested, to carry forward and set off the past year losses against the income of the previous year on satisfaction of either of the 2 conditions specified in section 79.

20. Amendment in Section 54GB – Investment in start-up companies

- ❖ Amendments are proposed in section 54GB to provide incentive investment in eligible start-ups.
- ❖ The amendments are as follows:-
 - Extension of transfer date of residential house property for investment in eligible start-ups from 31st March 2019 to 31st March 2021.
 - Relaxing the condition of shareholding from 51% of share capital or voting rights to 25%
 - Relaxing the condition of transferring the new asset being computer or computer software from the current 5 years to 3 years.
- ❖ The said amendments shall be effective from AY 2020-21 onwards.

21. Amendment in Section 56 – Incentives for Category II Alternative Investment Fund (AIF)

- ❖ The amendment provides for exemption to the Venture capital undertakings from receiving investments from Category II AIF as well.

22. Amendment in Section 79 and 115JB – Measures for resolution of distressed companies

In a major relief to the Distressed companies where the resolution plan has taken place pursuant to the provisions of Insolvency and Bankruptcy Code, 2016, the exemption have been provided to the distressed companies from section 79 subject to the following conditions:-

- ❖ Where the National Company Law Tribunal (NCLT) on a petition moved by the Central Government (CG) under section 241 of the Companies Act, 2013 has suspended the Board of Directors and has appointed new directors, nominated by the CG, under section 242 of the Companies Act, 2013; and
- ❖ A change in the shareholding of such company, and its subsidiaries and the subsidiary of such subsidiary has taken place in a previous year pursuant to a resolution plan approved by NCLT under section 242 of the Companies Act, 2013 after affording a reasonable opportunity of being heard to the jurisdictional Principal Commissioner or Commissioner.

In case of the distressed companies, the amendment has been proposed to allow the reduction of unabsorbed depreciation and loss (excluding depreciation) while calculating the book profit under section 115JB.

The said amendment shall take place with effect from AY 2020-21 and onwards.

23. Amendment in Section 56(2)(x) and 50CA – Regarding exemption from deeming of fair market value of shares for certain transactions

- ❖ With effect from AY 2020-21 onwards, it is proposed to amend these sections to empower the Board to prescribe transactions undertaken by certain class of persons to which the provisions of section 56(2)(X) and 50CA shall not be applicable.

24. Amendment to Section 195 – Online filing of application seeking determination of tax to be deducted at source on payment to non-residents

- ❖ To provide for the fast processing of application to Assessing officer for lower or nil withholding tax, it is proposed to make the application online as the current process is manual.
- ❖ In this regards, it is proposed to amend the provisions of this section to allow for prescribing the form and manner of application to the Assessing officer and also the form of determination of appropriate portion of sum chargeable to tax by the Assessing officer.
- ❖ The said amendment will take effect from 1st November 2019.

25. Amendment to Section 206A – Electronic filing of transactions on which tax has not been deducted

- ❖ The amendment proposed to file the electronic filing of transactions related to payment of income by way of interest to residents where no tax has been deducted at source.
- ❖ In this regard, the amendment provides for filing of statement in prescribed form in the prescribed manner.
- ❖ The said amendment will take effect from 1st September 2019.

26. Amendment to Section 115QA – Tax on buy back of shares of listed companies

- ❖ With effect from 5th July 2019, the provisions of Section 115QA shall also be applicable to the listed companies as to cover the buyback of shares from the shareholders by the listed companies within the tax net.

27. Amendment to Section 12AA – Cancellation of registration of the Trust or Institution

- ❖ With effect from 1st September 2019, it is proposed to amend the following conditions with regards to the cancellation of registration:-
 - At the time of granting of registration to a trust or institution, the Principal Commissioner or the Commissioner shall inter alia satisfy himself about the compliance of the trust or institution to requirements of any other law which is material for the purpose of achieving it objectives.
 - Where a trust or an institution has been granted registration under clause (b) of sub-section (1) or has obtained registration at any time under section 12A and subsequently it is noticed that the trust or institution has violated requirements of any other law which was material for

the purpose of achieving its objects, and the order, direction or decree, by whatever name called, holding that such violation has occurred, has either not been disputed or has attained finality, the Principal Commissioner or Commissioner may, by an order in writing, cancel the registration of such trust or institution after affording a reasonable opportunity of being heard.

28. Amendment to Section 2 – Facilitating demerger of Ind AS compliant companies

- ❖ With effect from AY 2020-21, the requirement of recording the property and liabilities at book value by the resulting company shall not be applicable in a case where the property and liabilities of the undertaking received by it are recorded at a value different from the value appearing in the books of accounts of the demerged company immediately before the demerger in compliance to the Indian Accounting Standards specified in Annexure to the Companies (Indian Accounting Standard) Rules, 2015.

29. Amendments in Section 201 and 40 – TDS deduction in case of non-resident

- ❖ With effect from 1st September 2019, amendment has been proposed to give the relief to the deductor to be declared as assessee in default in case the deductor fails to deduct the TDS on the payment made to non-resident and the non-resident has filed the return of income and paid the due taxes on the same within the due date by amending the proviso to sub section (1) of section 201.
- ❖ With effect from AY 2020-21, where the assessee has failed to deduct the TDS on the payments made to Non-resident but is not deemed to be an assessee in default by virtue of the amendment in proviso to section 201(1), then it shall be deemed that the assessee has deducted the TDS on the same and there shall be no disallowance on the same.

30. Transfer pricing – Amendments to Section 92CD – Power of Assessing Officer in respect of modified return of income filed in pursuance to signing of Advance Pricing Agreement (APA)

- ❖ With effect from 1st September 2019, amendment has been proposed that the Assessing officer shall pass an order modifying the total income of the relevant assessment year determined in such assessment or reassessment, having regard to and in accordance with the APA, in the cases where assessment or reassessment has already been completed and modified return of income has been filed by the taxpayer.

31. Transfer pricing – Amendment to Section 92CE – Clarification with regard to provisions of secondary adjustment and giving an option to assessee to make one-time payment

- ❖ It is proposed to amend the provisions of section 92CE which provides that:-
 - The condition of threshold of one crore rupees and of the primary adjustment made upto AY 2016-17 are alternate conditions;
 - The assessee shall be required to calculate interest on the excess money or part thereof ;
 - The provision of this section shall apply to the agreements which have been signed on or after 1st April 2017, however, no refund of taxes already paid till date under the pre amended section would be allowed;
 - The excess money may be repatriated from any of the associated enterprises of the assessee which is not resident in India;

- In a case where the excess money or part thereof has not been repatriated in time, the assessee will have the option to pay additional income-tax at the rate of eighteen per cent on such excess money or part thereof in addition to the existing requirement of calculation of interest till the date of payment of this additional tax. The additional tax is proposed to be increased by a surcharge of twelve per cent;
- the tax so paid shall be the final payment of tax and no credit shall be allowed in respect of the amount of tax so paid;
- the deduction in respect of the amount on which such tax has been paid, shall not be allowed under any other provision of this Act; and
- If the assessee pays the additional income-tax, he will not be required to make secondary adjustment or compute interest from the date of payment of such tax.

The amendments proposed from point (I) to (IV) shall be applicable from AY 2018-19 onwards and the points (V) to (VIII) shall be applicable from 1st September 2019 onwards.

32. Amendment to Section 111A – Concessional rate of STCG tax to certain equity oriented fund of funds

- ❖ With effect from AY 2020-21 onwards, section 111A shall be amended to extend the concessional rate of tax for short term capital gains in respect of transfer of units of equity oriented fund of funds.

33. Amendment to Section 115UB – Pass through of losses in cases of Category I and Category II Alternative Investment Fund (AIF)

- ❖ Certain amendments have been proposed in section 115UB with regards to pass through of losses in case of Category I and Category II AIFs which are as follows:-
 - The business loss of the investment fund, if any, shall be allowed to be carried forward and it shall be set-off by it in accordance with the provisions of Chapter VI and it shall not be passed onto the unit holder;
 - The loss other than business loss, if any, shall also be ignored for the purposes of pass through to its unit holders, if such loss has arisen in respect of a unit which has not been held by the unit holder for a period of at least twelve months;
 - The loss other than business loss, if any, accumulated at the level of investment fund as on 31st March, 2019, shall be deemed to be the loss of a unit holder who held the unit on 31st March, 2019 in respect of the investments made by him in the investment fund and allowed to be carried forward by him for the remaining period calculated from the year in which the loss had occurred for the first time taking that year as the first year and it shall be set-off by him in accordance with the provisions of Chapter VI;
 - The loss so deemed in the hands of unit holders shall not be available to the investment fund for the purposes of chapter VI.
- ❖ The said amendments shall be effective from AY 2020-21 onwards.

34. Amendment to sections 140A, 234A, 234B and 234C – Provision of credit of relief under section 89

- ❖ With retrospective effect from AY 2007-08 onwards, the computation of tax liability under sections 140A, 234A, 234B and 234C shall be made after giving the credit of relief under section 89.

35. Amendment to Section 194DA – TDS to be deducted on the income component of considerations from life insurance pay outs

- ❖ With effect from 1st September 2019, TDS @ 5% is proposed on the income portion of the consideration from life insurance pay outs i.e. the TDS shall be deducted on the net income which is after deducting the amount of insurance premium paid by him from the total sum received

36. Amendment to Section 286 – Clarification regarding Accounting year in case of Alternate Reporting Entity (ARE)

- ❖ With retrospective effect from AY 2017-18, it is proposed to amend section 286 so as to provide that the Accounting year in case of ARE of an international group, the parent entity of which is not resident in India, the reporting accounting year shall be the one applicable to the parent entity.

37. Amendment to Section 92D – Maintenance, keeping and furnishing of information and documents by certain persons

- ❖ With effect from AY 2020-21, it is proposed that the information and document to be kept and maintained by a constituent entity of an international group, and filing of required form, shall be applicable even when there is no international transaction undertaken by such constituent entity.

38. Amendment to Section 56(2)(viib) – Chargeability of income in case of non-compliance of conditions

- ❖ In the Act, certain conditions have been notified subject to which the consideration exceeding the fair market value of shares shall be exempt from tax.
- ❖ It is proposed that if the Company fails to comply with the conditions, then the consideration received for issue of shares which exceeds the face value of such shares shall be deemed to be the income of the company in the previous year in which the failure to comply with the conditions take place.
- ❖ The said amendments shall be applicable with effect from AY 2020-21.

39. Amendment to Section 56 – Consequential amendment to section 56

- ❖ To give effect to the amendments made in the section 145A and 145B, the subsequent amendments have been proposed to be implemented in section 56 in which the reference to section 145B(1) shall be given in place of section 145A(b).
- ❖ The said amendment shall be effective retrospectively from AY 2017-18 onwards.

40. Amendment to Section 270A – Rationalisation of penalty provisions relating to under-reported income

- ❖ With retrospective effect from AY 2017-18, it is proposed to cover the cases where the person has under reported income and furnished his return for the first time under section 148 within the ambit of section 270A.

41. Amendment to Section 276CC – Rationalisation of the provisions of section 276CC

- ❖ With effect from the AY 2020-21, the following amendments have been proposed:-
 - The word “Rs. 3 thousand” shall be substituted with the word “Rs. 10 thousand” on deciding for the eligibility of the provisions of section 276CC.
 - While calculating the tax payable, the credits of self-assessment tax and tax collection at source shall be taken into account.

42. Amendment to Section 228A – Recovery of tax in pursuance of agreement with foreign countries

- ❖ With effect from 1st September 2019, the following amendments have been proposed in section 228A:-
 - To provide for tax recovery where details of property of the persons are not available but the said person is a resident in India.
 - To provide for tax recovery, where details of property of an assessee in default under the Act is not available but the said assessee is a resident in a foreign country.

43. Amendment to Section 239 – Provisions relating to claim of refund

- ❖ With effect from 1st September 2019, the provisions of claim of refund shall be simplified by providing that every claim for refund under chapter XIX of the Act shall be made by furnishing return in accordance with the provisions of section 139 of the Act.

44. Amendment to rule 68B – Enhancing time limit for sale of attached property

- ❖ In order to ensure speedy recovery of tax, penalty etc. through the sale of attached immovable property, the time limit of 3 years have been extended to 7 years. Further, a new proviso shall be inserted to empower the Board to extend the aforesaid period of limitation by a further period of 3 years, after providing the reasons to be recorded in writing.

45. Rationalisation of provisions relating to STT

- ❖ With effect from 1st September 2019, it is proposed to amend that the value of taxable securities transaction in respect of sale of an option in securities, where the option is exercised, shall be the difference between the strike price and the settlement price.