# Amendments and Changes in Income Tax for A Y 19-20

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## Exemptions

a) Sec 10(12A) : This exemption is available to those assesses who withdraw 40% of total amount on closure of such account or opting out from the NPS. Earlier the exemption was available only to employees. Now the scope is widened to include "assessee."

b) Sec 10(12B) : A newly added exemption. Employees making partial withdrawal of their investment in NPS, subject to maximum of 25% of their contribution. Withdrawal must be as per terms & conditions specified by PFRDA (Pension Fund Regulatory & Development Authority)

c) Sec 10(38) : Blanket exemption available to long term capital gains on transfer of shares / repurchase of units, both subject to STT, is withdrawn. It is now covered by Sec 112A.

The exemption is available to those equity shares which were subject to STT at the time of acquisition.

## Charitable Trusts

Explanation 2 to Sec 11(1) : As per sec 11(1) a charitable trust must apply at least 85% of its income to the objects of the trust. In counting this 85%, the disallowances u/ss 40(ai), 40A(3) and (3A) shall be included.

For example, the gross receipts of s 12A registered charitable trust is Rs 100 lakhs. So far, we used to ensure that 85% i.e. 85 lakhs were applied/spent on the objects of the trust. In this 85% expenses, there might be some expenses, say Rs 10 lakhs on which TDS was not deducted. Now 85% application will be calculated on 100 + 10 = 110 lakhs i.e. 93.5 lakhs must be utilized on the objects of the trust.

## Income from Salaries

a) A standard deduction u/s 16, which was withdrawn in A Y 2006-07, is reintroduced for salary earners from A Y 2019-20. The amount of deduction is Rs 40,000/- being increased to Rs 50,000/- from A Y 2020-21.

Simultaneously, it has withdrawn transport allowance of Rs 19,200/- available u/s 10(14) and reimbursement of medical expenses to the extent of Rs 15,000/- provided by sec 17(2)(v).

This standard deduction is also available to pension receipts also.

However, it is not available to persons receiving family pension, as separate deduction is provided u/s 57 (iia) for Rs 15,000/-.

**Income from House Property**

Sec 23(5) :Unsold flats of builders/developers, unless actually let out, the notional rental income will be chargeable to tax under the head income from house property. However, this clause is not applicable for one year from the end of the financial year in which completion certificate in respect of that property is issued by competent authority.

By Finance Act 2019, the period of one year is extended to two years.

**Income from Business/Profession**

a) Sec 28(via) : Conversion of stock in trade into capital asset, the fair market value determined in the prescribed manner shall be chargeable to tax.

   Sec 2(47) applies only to capital gains head. Therefore, it covers conversion of capital asset into stock in trade as transfer. Reverse transaction was not covered.

   Depreciation u/s 32 will be available on the fair market value being the actual cost of such converted inventory into capital asset. [Explanation 1A to sec 43(1)]

   The period of holding to determine the long term capital asset shall be reckoned from the date of such conversion. [Clause (ba) to Explanation 1 of sec 2(42A)]

b) Sec 28(ii)(e) : Any compensation or other payment due to or received by a person, by whatever name called, at or in connection with the termination or the modification of the terms and conditions, of any contract relating to his business.

c) Proviso to Sec 43CA(1) : Variation of 5% of the consideration is now permissible.

d) Sec 43CA(4) : Where according to sec 43CA(3), the date of agreement is before the date of registration, the stamp duty value as on the date of agreement shall be adopted. According to amended sec 43CA(4), the consideration or part thereof has been received by way of account payee cheque/bank draft or through electronic clearing from a bank account. The underlined words were substituted for "any mode other than cash".

e) Sec 43CB : New Section.

Construction and Service Contracts : Percentage completion method as per ICDS notified u/s 145(2).

However, in case of service contract requiring duration not more than 90 days shall be determined on project completion basis. In case of service contract involving indeterminate number of acts over a specific period of time, shall be determined on the basis of straight-line method.

Contract revenue to include retention money and contract costs shall not be reduced by any incidental income in the nature of interest, dividends or capital gains.

f) Sec 44AE : Presumptive Taxation i.r.o. transporters

Rs 7,500/- per vehicle per month ---- Existing provision

For heavy goods vehicle --- Rs 1,000/- per ton of gross vehicle weight > 12000kg
For other vehicles --- Rs 7,500/- per month per vehicle.

**Capital Gains**

a) Sec 50C(1) (third proviso) : Variation of 5% of the consideration is now permissible.

b) Sec 54EC : Investment in REC /NHAI Bonds was permissible upto Rs 50.00 lakhs in respect of capital gains arising from the transfer of any asset. Transfer after 01/04/2018, investment in bonds is permissible for long term capital asset being land or building or both. Period of investment increased from 3 years to 5 years.

c) No indexation in case of capital gains on sale of equity shares / units of equity oriented mutual funds or a unit of a business trust for sale effected after 01/04/2018. However, in this case, the cost of acquisition of such asset acquired before 01st February 2018, shall be higher of :

(i) The cost of acquisition of such asset; and

(ii) Lower of –

(A) The fair market value of such asset, and

(B) The full value of consideration received or accruing as a result of the transfer of the capital asset.

Fair Market Value : In case of such asset is listed on any recognized stock exchange, the highest price quoted of such asset on 31st January 2018. If no quotation available on 31st January 2018, then the quotation available on a date immediately preceding such date.

If units are not listed on a stock exchange, then its NAV as on 31st January 2018.

A separate annexure is given in the end to illustrate various situations.

**Income from Other Sources**

a) Sec 56(2)(x)(b)(B) : Variation of 5% of the consideration is now permissible.

b) Sec 56(2)(xi) : Any compensation or other payment, due to or received by any person, by whatever name called, in connection with the termination of his employment or the modifications of the terms and conditions of relating thereto.

Same provision already exists in sec 17(3)(i).

**Chapter VIA**

a) Sec 80 D : Present limit of Rs 30,000/- increased to Rs 50,000/-.

b) Sec 80DDB : Actual expenses for medical treatment.

Present limit applicable to senior citizen increased from Rs 60,000 to Rs 1.00 lakh. Surprisingly, for very senior citizen the limit is Rs 80,000/-.

c) Sec 80PA : New section.

i) Producer Company
ii) Eligible business being marketing of agricultural produce or purchase and sale to members of producer company of seeds, livestock or other articles intended for agriculture.
iii) Deduction of 100% of profits and gains attributable to eligible business.
iv) From AY 19-20 to AY 24-25.

d) Sec 80TTB : New section.

i) Senior citizen
ii) Bank interest including interest on savings / term / recurring deposit with a bank.
iii) Limit Rs 50,000/-.
iv) Sec 80TTA benefit will not now be available to senior citizens.

**Tax Rates**

a) Surcharge for income exceeding Rs 50 lakhs but below 100 lakhs -- 10%
Surcharge for income exceeding Rs 100 lakhs -- 12%

b) Sec 112A : New Section.

i) Long term capital gains arising from transfer of equity shares in a company, units of equity oriented mutual funds and units of a business trust.
ii) STT is paid at the time of acquisition (if acquired after 01/04/2004) as well as transfer of such equity shares and in other cases STT is paid on transfer of such units.
iii) LTCG less than Rs 1.00 lakhs -- No tax.
LTCG more than Rs 1.00 lakhs – at the rate of 10% in excess of Rs 1.00 lakh.
iv) Chapter VIA deduction not available from such LTCG.
v) Basic exemption limit is also available if not exhausted by other income.
vi) Sec 87A rebate will be available for other income.

c) Sec 115BBE : Income taxed u/s 68 or 69 or 69A or 69B or 69C or 69D – Rate of Tax 60%. No deduction for any expenditure or allowance or set off of any loss shall be allowed.

d) Sec 115O : Tax rate on dividends covered by sec 2(22)(e) shall be 30% payable by the payer i.e. company. Obviously, such dividend is not taxable in the hands of receiver.

**Substantive & Procedural Changes**

a) Sec 143(1) No adjustment u/s 143(1) on account of mismatch with Form 262AS.

b) 145A : New Section. – Valuation of inventories – Lower of cost or net realizable value in accordance with ICDS.

c) Sec 145B : New Section. – Taxability of certain incomes like compensation / enhanced compensation, subsidy / grant on receipt basis.

Taxability in respect of escalation in contract price, export incentives as income of the previous year in which reasonable certainty of its realization is achieved.

d) Sec 194A : For senior citizens, present limit of Rs 10,000/- increased to Rs 50,000/-.

e) Sec 194IB : Payment of rent exceeding Rs 50,000 per month by individual/HUF. TDS rate 5% of rent paid/payable.

**Other Amendments**

a) Sec 79 : Section 79 will not be applicable to change in shareholding pursuant to resolution plan approved under Insolvency & Bankruptcy Code 2016. Opportunity to be given to jurisdictional commissioner/principal commissioner.

b) Sec 115JB : Where corporate insolvency resolution process has been admitted by the Adjudicating Authority u/s 7 of IBC 2016, aggregate of unabsorbed depreciation and brought forward loss shall be deducted.

In case of other companies, at present, (book) loss or unabsorbed depreciation as per books whichever is less is to be deducted.

## Capital Gains on Listed Equity Shares / MF Units

| Particulars | | I | II | III | IV |
|---|---|---|---|---|---|
| Original cost | **A** | 100 | 100 | 100 | 100 |
| Sale Consideration | **B** | 200 | 200 | 110 | 80 |
| Quotation on 31/01/2018 | **C** | 220 | 180 | 150 | 70 |
| Lower of B & C | **D** | 200 | 180 | 110 | 70 |
| Higher of A & D | **E** | 200 | 180 | 110 | 100 |
| Capital Gains B - E | **F** | NIL | 20 | NIL | (20) |

## Tax Returns

### ITR 1

***Who can file ITR 1***

- Income from Salary/Pension;
- Income from One House Property;
- Income from Other Sources (only positive income);
- All aggregating up to Rs. 50,00,000/-;

- Agricultural Income up to Rs. 5000/-

***Who cannot file ITR 1***

- Having Dividend Income exceeding Rs. 10,00,000/- (Section 115BBDA);
- Unexplained Tax Credit or Investment taxable @ 60% (Section 115BBE);
- Agriculture Income exceeding Rs. 5,000/-;
- Relief Claimed for Foreign Tax Credit;
- Having Assets/Bank Accounts out of India;
- Claiming Brought Forward Loss from earlier years;
- Individual holding Directorship in any Company;
- Individual who has Invested in Unlisted Equity Share Capital;
- Individual who has claimed deduction under Section 57 other than clause (iia);
- Individual who is assessable for whole or any part of the income on which TDS has been deducted in the hands of a person other than the assessee.

**ITR 2**

- For Individuals or HUF not having income from business or profession under any proprietorship and who are not eligible to file ITR-1;
- Partners of partnership firm cannot use ITR-2

**ITR 3**

- For Individuals & HUF having income from a proprietary business or profession.

**ITR 4**

- Individual & Resident and Not Ordinary Resident HUF and Firm Only.
  For Presumptive Income business or profession. Separate columns available for computation of profits @ 8% and 6%;
- Should not have any assets/income from foreign country, No Income from Salary or Capital Gains; should not hold Directorship in any Company, should not hold equity shares in unlisted company at any time during year 2018-19, should not have income from more than one house property
- Aggregate Income should not exceed Rs. 50 Lakhs;
- Individual who is assessable for whole or any part of the income on which TDS has been deducted in the hands of a person other than the assessee.

**ITR 5**

- Person other than Individual, HUF, company and person filing Form ITR-7

**ITR 6**

- For Companies other than companies claiming exemption under section 11

**ITR 7**

- Charitable Trust & Associations claiming benefit of exemption under Section 11;

- Political Parties
- Persons including companies required to furnish return under sections 139(4A) or 139(4B) or 139(4C) or 139(4D) or 139(4E) or 139(4F).

## Changes in Tax Returns

**Changes in ITR-2 / ITR-3**

*Schedule Part – A General Changes*

In case of Representative assessee, the Form now seeks ‘Capacity of the Representative.

***Directorship details*** :

Whether you were Director in a company at any time during the previous year?

If yes, to furnish Name of Company PAN, Whether its shares are listed or unlisted, Director Identification Number.

Unlisted equity shares holding details to be submitted are :

1. Name of the company
2. PAN
3. Opening balance [No. of shares & cost of acquisition
4. Shares acquired during the year
   a. No. of shares
   b. Date of subscription/purchase
   c. Face value per share
   d. Issue price per share in case of fresh issue
   e. Purchase price per share in case of purchase from existing shareholder
5. Shares transferred during the year [No. of shares and sale consideration]
6. Closing balance [No. of shares & Cost of acquisition]

***Income from Salary*** : Employer details [TAN is now mandatory if tax is deducted ]

***Income from house property*** : Furnishing of PAN of tenant is mandatory, if tax is deducted under section 194-IB, Furnishing of TAN of tenant is mandatory, if tax is deducted under section 194-I.

Income details from business trust or investment fund as per section 115UA, 115UB to be considered while computing house property income, capital gains and income from other sources.

***Capital Gains*** : Schedule amended to give effect to Finance Act, 2018 amendment. Consequential amendment in Capital gains schedule while adopting stamp duty value u/s. 50C to bring it in light with Finance Act, 2018 amendment.

***Foreign Asssets*** :

| | |
|---|---|
| Details of Foreign Assets and Income from any source outside India<br><br>In case of an individual, not being an Indian citizen, who is in India on a business, employment or student visa, an asset acquired during any previous year in which he was non-resident is not mandatory to be reported in this schedule if no income is derived from that asset during the current previous year | Apart from details of foreign accounts, financial interest, capital asset, immovable property, etc, the new form additionally seeks the following :<br><br>1. Details of Foreign Depository Accounts held (including any beneficial interest) at any time during the relevant accounting period.<br>2. Details of Foreign Custodial Accounts held (including any beneficial interest) at any time during the relevant accounting period.<br>3. Details of Foreign Equity and Debt Interest held (including any beneficial interest) in any entity at any time during the relevant accounting period<br>4. Details of Foreign Cash Value Insurance Contract or Annuity Contract held (including any beneficial interest) at any time during the relevant accounting period |
| Donation entitled for deduction u/s. 80G / 80GGA | Bifurcation between donation given in cash and by other mode. |
| Exempt Income Schedule | In case the net agricultural income for the year exceeds Rs.5 lakh, the form seeks further detailing as regards, measurement of agricultural land, name of district in which agricultural land is located etc. |

***Additional information for ITR 3***

| | |
|---|---|
| New Schedule on GST | : Seeks information regarding turnover / gross receipts for each GSTIN No. separately |
| Disclosure Scope Expanded where books of accounts are not maintained | Gross Receipts through Digital Mode & Others break up to be given. |