

AMENDMENTS FOR MAY/NOV 2020 EXAM

13-03-2020

INCOME TAX

Computation of Total Income and Tax Liability

1. Income Tax Rate

NO CHANGE IN TAX RATE.

2. Surcharge on Income Tax for individuals

Surcharge shall be applicable

- @ 10% provided total income is exceeding ₹ 50 lakhs but it is upto ₹ 100 lakhs.
- @ 15% provided total income is exceeding ₹ 100 lakhs but it is upto ₹ 200 lakh.
- @ 25% provided total income is exceeding ₹ 200 lakhs but it is upto ₹ 500 lakh.
- @ 37% provided total income is exceeding ₹ 500 Lakhs.

Same rate of surcharge shall be applicable in case of HUF/AOP/BOI/Artificial Juridical Person.

Surcharge of 25% or 37% shall be applicable only if total income excluding short term capital gain under section 111A and long term capital gain under section 112A, is exceeding ₹ 200 Crore or ₹ 500 Crores

e.g. Mr. X has total income (Excluding LTCG 112A/STCG 111A) of ₹550,00,000, in this case his tax liability shall be

Total Income	550,00,000.00
Tax at slab rate	1,63,12,500.00
Add: Surcharge @ 37%	60,35,625.00
Tax before health and education cess	2,23,48,125.00
Add: HEC @ 4%	8,93,925.00
Tax Liability	2,32,42,050.00

e.g. Mr. X has total income (Excluding LTCG 112A/STCG 111A) of ₹220,00,000, in this case his tax liability shall be

Total Income	220,00,000.00
Tax at slab rate	64,12,500.00
Add: Surcharge @ 25%	16,03,125.00
Tax before health and education cess	80,15,625.00
Add: HEC @ 4%	3,20,625.00
Tax Liability	83,36,250.00

e.g. Mr. X has total income (Excluding LTCG 112A/STCG 111A) of ₹110,00,000, in this case his tax liability shall be

Total Income	110,00,000.00
Tax at slab rate	31,12,500.00
Add: Surcharge @ 15%	4,66,875.00
Tax before health and education cess	35,79,375.00
Add: HEC @ 4%	1,43,175.00
Tax Liability	37,22,550.00

In case total income includes short term 111A or long term 112A, surcharge on income-tax, in case of Individuals/HUFs/ AOPs/BoIs/Artificial Juridical persons for A.Y.2020-21 would be as follows:

	Particulars	Rate of surcharge on income-tax	Example	
			Components of total income	Applicable rate of surcharge
(i)	Where the total income (including income under section 111A and 112A) > ₹ 50 lakhs but ≤ ₹ 1 crore	10%	<ul style="list-style-type: none"> • STCG u/s 111A ₹ 30 lakhs; • LTCG u/s 112A ₹ 25 lakhs; and • Other income ₹40 lakhs 	Surcharge would be levied @ 10% on income – tax computed on total income of ₹95 lakhs.
(ii)	Where total income (including income under section 111A and 112A) exceeds ₹ 1 crore but does not exceeds ₹ 2 crore	15%	<ul style="list-style-type: none"> • STCG u/s 111A ₹ 60 lakh; • LTCG u/s 112A ₹ 65 lakh; and • Other income ₹50 lakhs 	Surcharge would be levied @ 15% on income –tax computed on total income of ₹1.75 crores
(iii)	Where total income (excluding income under section 111A and 112A) exceeds ₹ 2 crore but does not exceeds ₹ 5 crore The rate of surcharge on the income – tax payable on the portion of income chargeable to tax under section 111A and 112A	25% Not exceeding 15%	<ul style="list-style-type: none"> • STCG u/s 111A ₹ 54 lakhs; • LTCG u/s 112A ₹ 55 lakhs; and • Other income ₹3 crores 	Surcharge would be levied @ 15% on income –tax on: <ul style="list-style-type: none"> • STCG of ₹ 54 lakhs chargeable to tax u/s 111A and • LTCG of ₹55 lakhs chargeable to tax u/s 112A. Surcharge @ 25% would be leviable on income-tax computed on other income of ₹3 crores included in total income
(iv)	Where total income (excluding income under section 111A and 112A) exceeds ₹ 5 crore	37%	<ul style="list-style-type: none"> • STCG u/s 111A ₹ 50 lakhs; • LTCG u/s 112A ₹ 65 lakhs; and • Other income ₹6 crores 	Surcharge would be levied @ 15% on income –tax on: <ul style="list-style-type: none"> • STCG of ₹ 50 lakhs chargeable to tax u/s 111A and • LTCG of ₹ 65 lakhs chargeable to tax u/s 112A. Surcharge @ 37% would be leviable on the income-tax computed on other income of ₹ 6 crores included in total income.
	Rate of surcharge on the income-tax payable on the portion of income chargeable to tax under section 111A and 112A	Not exceeding 15%		
(v)	Where total income (including income under section 111A and 112A) exceeds ₹ 2 crores in cases not covered under (iii) and (iv) above	15%	<ul style="list-style-type: none"> • STCG u/s 111A ₹ 60 lakhs; • LTCG u/s 112A ₹ 55 lakhs; and • Other income ₹1.10 crores 	Surcharge would be levied @ 15% on income –tax computed on total income of ₹2.25 crores

Example 1: Mr. X has income from business ₹ 203 lakhs and short term capital gain under section 111A ₹ 30 lakhs and long term capital gains under section 112A ₹ 41 lakhs, in this case tax liability shall be computed in the manner given below

Solution:

Income under the head business/profession from business		203,00,000
Income under the head capital gains		
Short term capital gains under section 111A		30,00,000
Long term capital gains under section 112A		41,00,000
Gross total income/total income		274,00,000
Tax liability on 203,00,000 at slab rate		
2,50,000	Nil	
2,50,000	12,500	
5,00,000	1,00,000	
193,00,000	57,90,000	
Total		59,02,500
Add: Surcharge @ 25%		14,75,625
Total		73,78,125
Marginal Relief		
Tax on ₹ 203 lakhs at slab rate + surcharge 25%	73,78,125	
Tax on ₹ 200 lakhs at slab rate + surcharge 15%	66,84,375	
Increase in Tax Liability	6,93,750	
Increase in income	3,00,000	
Marginal Relief		(3,93,750)
		69,84,375
Tax on short term capital gain under section 111A 30,00,000 X 15%		4,50,000
Add: Surcharge @ 15%		67,500
Tax on long term capital gain under section 112A (41,00,000 – 1,00,000) X 10%		4,00,000
Add: Surcharge @ 15%		60,000
		79,61,875
Add: HEC @ 4%		3,18,475
Tax liability		82,80,350

Example 2: Mr. X has income from business ₹ 501 lakhs and short term capital gain under section 111A ₹ 30 lakhs and long term capital gains under section 112A ₹ 41 lakhs, in this case tax liability shall be computed in the manner given below

Solution:

Income under the head business/profession from business		501,00,000
Income under the head capital gains		
Short term capital gains under section 111A		30,00,000
Long term capital gains under section 112A		41,00,000
Gross total income/total income		572,00,000

Computation of Tax Liability

Total Income	501,00,000
Tax on ₹501,00,000 at slab rate	1,48,42,500
Add: Surcharge @ 37%	54,91,725
Tax before marginal relief	203,34,225
Less: Marginal Relief	(17,18,600)

Working Note:

Tax + surcharge @37% on income of ₹501,00,000	203,34,225
Tax + surcharge @25% on income of ₹500,00,000	(1,85,15,625)
Increase in tax	18,18,600
Increase in income	1,00,000
Marginal Relief (18,18,600 – 1,00,000)	17,18,600

Tax after marginal relief	186,15,625
Tax on short term capital gain under section 111A 30,00,000 X 15%	4,50,000
Add: Surcharge @ 15%	67,500
Tax on long term capital gain under section 112A (41,00,000 – 1,00,000) X 10%	4,00,000
Add: Surcharge @ 15%	60,000
Tax Liability	195,93,125
Add: HEC @ 4%	7,83,725
Tax Liability	203,76,850

Example 3: Mr. X has income from business ₹ 505 lakhs and short term capital gain under section 111A ₹ 30 lakhs and long term capital gains under section 112A ₹ 41 lakhs, in this case tax liability shall be computed in the manner given below

Solution:

Income under the head business/profession from business	505,00,000
Income under the head capital gains	
Short term capital gains under section 111A	30,00,000
Long term capital gains under section 112A	41,00,000
Gross total income/total income	576,00,000

Computation of Tax Liability

Total Income	505,00,000
Tax on ₹505,00,000 at slab rate	149,62,500
Add: Surcharge @ 37%	55,36,125
Tax before marginal relief	204,98,625
Less: Marginal Relief	(14,83,000)

Working Note:

Tax + surcharge @37% on income of ₹505,00,000	2,04,98,625
Tax + surcharge @25% on income of ₹500,00,000	(1,85,15,625)
Increase in tax	19,83,000
Increase in income	5,00,000
Marginal Relief (19,83,000 – 5,00,000)	14,83,000

Tax after marginal relief	190,15,625
Tax on short term capital gain under section 111A 30,00,000 X 15%	4,50,000
Add: Surcharge @ 15%	67,500
Tax on long term capital gain under section 112A (41,00,000 – 1,00,000) X 10%	4,00,000
Add: Surcharge @ 15%	60,000
Tax liability before HEC	199,93,125
Add: HEC @ 4%	7,99,725
Tax Liability	207,92,850

3. Rebate u/s 87A

- ❖ Rebate shall be allowed only if total income is not exceeding **₹5,00,000** (earlier ₹ 3,50,000)
- ❖ Rebate shall be allowed upto **₹12,500**. (earlier ₹ 2,500)

E.g.

Mr. X has total income of ₹5,00,000, his tax liability shall be

Computation of Tax Liability

Total Income	5,00,000.00
Tax on ₹5,00,000 at slab rate	12,500.00
Less: Rebate u/s 87A	(12,500.00)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

If in the above case total income is ₹4,96,000, tax liability shall be

Computation of Tax Liability

Total Income	4,96,000
Tax on ₹4,96,000 at slab rate	12,300.00
Less: Rebate u/s 87A	(12,300.00)
Tax before health & education cess	Nil
Add: HEC @ 4%	Nil
Tax Liability	Nil

If in the above case total income is ₹5,01,000, tax liability shall be

Computation of Tax Liability

Total Income	5,01,000.00
Tax on ₹5,01,000 at slab rate	12,700.00
Less: Rebate u/s 87A	Nil
Tax before health & education cess	12,700.00
Add: HEC @ 4%	508.00
Tax Liability	13,208.00
Rounded off u/s 288B	13,210.00

4. Companies

1. In case of domestic companies if total turnover or gross receipts in P.Y. 2017-18 does not exceed ₹400 crores (earlier it was ₹250 crores), tax rate shall be 25% instead of 30%

2. As per section 115BAA, In case of domestic companies tax shall be payable @ 22% provided company shall not avail any exemption and deductions. Rate of surcharge shall be 10% irrespective of income. HEC @ 4%

3. As per section 115BAB, In case of domestic companies which has been setup and registered on or after 01.10.2019 and is a manufacturing concern, tax shall be payable @ 15% provided company shall not avail any exemption and deductions. Rate of surcharge shall be 10% irrespective of income. HEC @ 4%

Residential Status. Section 9

If any resident has **gifted any amount or has gifted any property** situated in India to any person outside India, it will be considered to be income accruing/arising from India.

House Property

Earlier benefit of self-occupied property was allowed for **one house** only but now **two house** can be treated as self-occupied but aggregate amount of interest shall not exceed **two lakh rupees**.

Deduction from Gross Total Income

1. Section 80C

Investment by an employee of the Central Government, as a contribution to a specified account of the pension scheme referred to in section 80CCD—

(a) for a fixed period of not less than **three years**; and

(b) which is in accordance with the scheme as may be notified by the Central Government in the Official Gazette for the purposes of this clause.

Explanation.—For the purposes of this clause, “specified account” means an additional account referred to in sub-section (3) of section 20 of the Pension Fund Regulatory and Development Authority Act, 2013.

2. Deduction in respect of interest on loan taken for certain house property. Section 80EEA. (New Section)

Deduction is allowed only to an individual in connection with interest for the loan taken for purchase or construction of a residential house and such loan should have been sanctioned by the financial institution from 1st April 2019 to 31st March 2020. Stamp duty value of such house should not exceed 45 lakhs. The Assessee should not have any residential house property in his name on the date of sanction of loan. Maximum deduction allowed shall be equal to the interest payable on such loan but maximum ₹1,50,000 per year (this is in addition to deduction u/s 24(b)). Loan should have been taken from any financial institution.

Original Text

(1) In computing the total income of an assessee, being an individual, there shall be deducted, in accordance with and subject to the provisions of this section, interest payable on loan taken by him from any financial institution for the purpose of acquisition of a residential house property.

(2) The deduction under sub-section (1) shall not exceed one lakh and fifty thousand rupees and shall be allowed in computing the total income of the individual for the assessment year beginning on the 1st day of April, 2020 and subsequent assessment years.

(3) The deduction under sub-section (1) shall be subject to the following conditions, namely:—

(i) the loan has been sanctioned by the financial institution during the period beginning on the 1st day of April, 2019 and ending on the 31st day of March, 2020;

(ii) the stamp duty value of residential house property does not exceed forty-five lakh rupees;

(iii) the assessee does not own any residential house property on the date of sanction of loan.

(4) Where a deduction under this section is allowed for any interest referred to in sub-section (1), deduction shall not be allowed in respect of such interest under any other provision of this Act for the same or any other assessment year.

(5) For the purposes of this section,—

The expression “stamp duty value” means value adopted or assessed or assessable by any authority of the Central Government or a State Government for the purpose of payment of stamp duty in respect of an immovable property.

3. Deduction in respect of purchase of electric vehicle. Section 80EEB. (New Section)

(1) In computing the total income of an assessee, being an individual, there shall be deducted, in accordance with and subject to the provisions of this section, interest payable on loan taken by him from any financial institution for the purpose of purchase of an electric vehicle.

(2) The deduction under sub-section (1) shall not exceed one lakh and fifty thousand rupees and shall be allowed in computing the total income of the individual for the assessment year beginning on the 1st day of April, 2020 and subsequent assessment years.

(3) The deduction under sub-section (1) shall be subject to the condition that the loan has been sanctioned by the financial institution during the period beginning on the 1st day of April, 2019 and ending on the 31st day of March, 2023.

(4) Where a deduction under this section is allowed for any interest referred to in sub-section (1), deduction shall not be allowed in respect of such interest under any other provision of this Act for the same or any other assessment year.

(5) For the purposes of this section,—

(a) “electric vehicle” means a vehicle which is powered exclusively by an electric motor whose traction energy is supplied exclusively by traction battery installed in the vehicle and has such electric regenerative braking system, which during braking provides for the conversion of vehicle kinetic energy into electrical energy;

(b) “financial institution” means a banking company to which the Banking Regulation Act, 1949 applies, or any bank or banking institution referred to in section 51 of that Act and includes any deposit taking non-banking financial company or a systemically important non-deposit taking non-banking financial company as defined in clauses (e) and (g) of Explanation 4 to section 43B.

Deduction of Tax at Source

1. TDS in case of Interest other than “Interest on Securities” Section 194A

Earlier limit was ₹10,000 for all assessee except senior citizen but now it shall be taken as **₹40,000**.

Example

On 1.10.2019, Mr. Harish made a six-month fixed deposit of ₹ 10 lakh @ 9% p.a. with ABC Co-operative Bank. The fixed deposit matures on 31.3.2020 in this case ABC Co-operative Bank has to deduct tax at source @10% on the interest of ₹ 45,000 ($9\% \times ₹ 10 \text{ lakh} \times \frac{1}{2}$) under section 194A. The tax deductible at source under section 194A from such interest is, therefore, ₹4,500.

If in the above case instead of ₹10 lakh Mr. Harish invested ₹8,00,000 then interest payable shall be ₹36,000 ($9\% \times ₹ 8 \text{ lakh} \times \frac{1}{2}$) in a year which is less than ₹40,000 hence no tds is required to be deducted by ABC Co- operative Bank

2. TDS in case of Rent Section 194I

Earlier limit was ₹1,80,000 but now it shall be taken as **₹2,40,000**.

3. Section 194DA

Earlier in section 194DA, rate of TDS was 1% but now instead of 1% it shall be **5%** on the amount of income.

4. Section 194-IA

“consideration for immovable property” shall include all charges of the nature of club membership fee, car parking fee, electricity or water facility fee, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property;

5. Payment of certain sums by certain individuals or Hindu undivided family Section 194M. (New Section)

(1) Any person, being an individual or a Hindu undivided family (other than those who are required to deduct income-tax as per the provisions of section 194C or section 194J) responsible for paying any sum to any resident for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract or by way of fees for professional services during the financial year, shall, at the time of credit of such sum or at the time of payment of such sum in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct an amount equal to five per cent. of such sum as income -tax thereon:

Provided that no such deduction under this section shall be made if such sum or, as the case may be, aggregate of such sums, credited or paid to a resident during a financial year does not exceed fifty lakh rupees.

(2) The provisions of section 203A shall not apply to a person required to deduct tax in accordance with the provisions of this section.

6. Payment of certain amounts in cash. Section 194N. (New Section)

Every person, being,—

- (i) a banking company to which the Banking Regulation Act, 1949 applies.
- (ii) a co-operative society engaged in carrying on the business of banking; or
- (iii) a post office,

who is responsible for paying any sum, or, as the case may be, aggregate of sums, in cash, in excess of one crore rupees during the previous year, to any person (herein referred to as the recipient) from an account maintained by the recipient with it shall, at the time of payment of such sum, deduct an amount equal to two per cent. of sum exceeding one crore rupees, as income-tax:

Provided that nothing contained in this sub-section shall apply to any payment made to,—

- (i) the Government;
- (ii) any banking company or co-operative society engaged in carrying on the business of banking or a post office;
- (iii) any business correspondent of a banking company or co-operative society engaged in carrying on the business of banking, in accordance with the guidelines issued in this regard by the Reserve Bank of India under the Reserve Bank of India Act, 1934;

(iv) any white label automated teller machine operator of a banking company or co-operative society engaged in carrying on the business of banking, in accordance with the authorisation issued by the Reserve Bank of India under the Payment and Settlement Systems Act, 2007;

(v) such other person or class of persons, which the Central Government may, by notification in the Official Gazette, specify in consultation with the Reserve Bank of India.

- **Clarification as to the applicability of section 194N and manner of computing the threshold limit of ₹ 1 crore thereunder, where cash withdrawals have taken place prior to 1.9.2019 [Press Release dated 30.8.2019]**

The CBDT has, vide Press Release dated 30.8.2019, clarified that section 194N is to come into effect from 1st September, 2019. Hence, any cash withdrawal prior to 1st September, 2019 will not be subjected to the TDS under section 194N. However, since the threshold of ₹ 1 crore is with respect to the previous year 2019-20, calculation of amount of cash withdrawal for triggering deduction under section 194N shall be counted from 1st April, 2019. Hence, if a person has already withdrawn ₹ 1 crore or more in cash upto 31st August, 2019 from one or more accounts maintained with a banking company or a cooperative bank or a post office, TDS@2% shall apply on all subsequent cash withdrawals.

- **No tax is required to be deducted at source under section 194N on cash withdrawals by persons or class of persons as notified by the Central Government [Notification No. 68/2019 dated 18.9.2019, Notification No. 70/2019 dated 20.09.2019 & Notification No. 80/2019, dated 15.10.2019]**

The proviso to section 194N provides that no tax is, however, required to be deducted at source on payments made to inter alia such other person or class of persons as notified, in consultation with the RBI, by the Central Government.

Accordingly, the Central Government has, vide these notifications, after consultation with the Reserve Bank of India (RBI), specified –

- I. **Cash Replenishment Agencies (CRA's) and franchise agents of White Label Automated Teller Machine Operators (WLATMO's)** maintaining a separate bank account from which withdrawal is made only for the purposes of replenishing cash in the Automated Teller Machines (ATM's) operated by such WLATMO's and the WLATMO have furnished a certificate every month to the bank certifying that the bank account of the CRA's and the franchise agents of the WLATMO's have been examined and the amounts being withdrawn from their bank accounts has been reconciled with the amount of cash deposited in the ATM's of the WLATMO's.
- II. **Commission agent or trader, operating under Agriculture Produce Market Committee (APMC), and registered under any Law relating to Agriculture Produce Market** of the concerned State, who has intimated to the banking company or co-operative society or post office his account number through which he wishes to withdraw cash in excess of ₹ 1 crore in the previous year along with his Permanent Account Number (PAN) and the details of the previous year and has certified to the banking company or co-operative society or post office that the withdrawal of cash from the account in excess of ₹ 1 crore during the previous year is for the purpose of making payments to the farmers on account of purchase of agriculture produce and the banking company or co-operative society or post office has ensured that the PAN quoted is correct and the commission agent or trader is registered with the APMC, and for this purpose necessary evidences have been collected and placed on record.
- III. (a) the authorised dealer and its franchise agent and sub-agent; and
(b) **Full-Fledged Money Changer (FFMC)** licensed by the RBI and its franchise agent;

Such persons should maintain a separate bank account from which withdrawal is made only for the purposes of –

- (i) purchase of foreign currency from foreign tourists or non-residents visiting India or from resident Indians on their return to India, in cash as per the directions or guidelines issued by RBI; or
- (ii) disbursement of inward remittances to the recipient beneficiaries in India in cash under Money Transfer Service Scheme (MTSS) of the RBI;

The exemption from the requirement to deduct tax u/s 194N would be available only if a certificate is furnished by the authorised dealers and their franchise agent and subagent, and the Full-Fledged Money Changers (FFMC) and their franchise agent to the bank that withdrawal is only for the purposes specified above and the directions or guidelines issued by the RBI have been adhered to. "Authorised dealer" means any person who is authorised by the RBI as an authorised dealer to deal in foreign exchange [Section 10(1) of the Foreign Exchange Management Act, 1999].

- **Person to whom credit to be given for tax deduction at source and payment thereof under section 194N [Notification No. 74/2019, dated 27.9.19]**

Rule 37BA provides the manner of giving credit for tax deducted and remitted to the Central Government i.e., it specifies the person to whom credit for tax deducted is to be given and also the assessment year for which the credit may be given.

Accordingly, the CBDT has, vide this notification, inserted sub-rule (3A) in Rule 37BA, to provide that, for the purposes of section 194N, credit for tax deducted at source shall be given to the person from whose account tax is deducted and paid to the Central Government account for the assessment year relevant to the previous year in which such tax deduction is made.

Provisions for Filing of Return of Income

1. Section 139 (1)

Earlier Individual, HUF, etc shall be required to file return of income if **Gross total income** is exceeding exemption limit but now gross total income shall **include exemption** u/s 54, 54B, 54D, 54EC, 54F, 54G, 54GA, 54GB, if any availed by the assessee.

2. Following persons shall also be required to file Return of Income , who

- (i) has **deposited** an amount or aggregate of the amounts exceeding **one crore rupees** in one or more **current accounts** maintained with a banking company or a co-operative bank; or
- (ii) has incurred **expenditure** of an amount or aggregate of the amounts exceeding **two lakh rupees** for himself or any other person for **travel to a foreign country**; or
- (iii) has incurred **expenditure** of an amount or aggregate of the amounts exceeding **one lakh rupees** towards consumption of **electricity**; or
- (iv) fulfils such other conditions as may be prescribed.

3. Permanent Account Number Section 139A

CBDT shall notify certain transactions and any persons entering into such transactions shall also be required to apply for allotment of PAN.

Further wheresoever a person was required to quote PAN, now such person is allowed to mention aadhar number or PAN.

4. Quoting of Aadhar Number Section 139AA

Earlier provision were every person who has been allotted permanent account number as on the 1st day of July, 2017, and who is eligible to obtain Aadhaar number, shall intimate his Aadhaar number to such authority in such form and manner as may be prescribed, on or before a date to be notified by the Central Government in the Official Gazette:

Provided that in case of failure to intimate the Aadhaar number, the permanent account number allotted to the person shall be deemed to be invalid and the other provisions of this Act shall apply, as if the person had not applied for allotment of permanent account number.

New Provisions are

Every person who has been allotted permanent account number as on the 1st day of July, 2017, and who is eligible to obtain Aadhaar number, shall intimate his Aadhaar number to such authority in such form and manner as may be prescribed, on or before a date to be notified by the Central Government in the Official Gazette:

Provided that in case of failure to intimate the Aadhaar number, the permanent account number allotted to the person *shall be inoperative after 1st July 2017*.

Manner for allotment of PAN to a person who has not been allotted a PAN but possesses Aadhaar number [Notification No. 59/2019, dated 30.8.2019]

The Finance (No.2) Act, 2019, has inserted sub-section (5E) to section 139A, w.e.f. 1.9.2019, to provide inter alia that every person who is required to furnish or intimate or quote his PAN and who has not been allotted a PAN but possesses the Aadhaar number, may furnish or intimate or quote his Aadhaar Number in lieu of the PAN and such person would be allotted a PAN in such manner as may be prescribed.

Rule 114(4) requires submission of application for allotment of PAN by the applicant in the prescribed form accompanied by the prescribed documents as proof of identity, address and date of birth of such applicant.

The CBDT has, vide this notification, inserted sub-rule (1A) to Rule 114 w.e.f. 1.9.2019 to provide that any person, who has not been allotted a PAN but possesses the Aadhaar number and has furnished or intimated or quoted his Aadhaar number in lieu of the PAN in accordance with section 139A(5E), shall be deemed to have applied for allotment of PAN and he shall not be required to apply or submit any documents under Rule 114.

Further, sub-rule (1B) has also been inserted in Rule 114 to provide that any person, who has not been allotted a PAN but possesses the Aadhaar number may apply for allotment of the PAN under section 139A(1)/(1A)/(3) by intimating his Aadhaar number and he shall not be required to apply or submit any documents under Rule 114.

Date for intimation of Aadhaar number to the prescribed authority extended [Notification No. 75/2019, dated 28th September 2019]

As per section 139AA, every person who has been allotted Permanent Account Number (PAN) as on 1st July, 2017, and who is eligible to obtain Aadhaar Number, shall intimate his Aadhaar Number to prescribed authority on or before a date as may be notified by the Central Government.

Accordingly, the Central Government has, vide Notification No. 31/2019, dated 31.03.2019, notified that every person who has been allotted permanent account number as on 1st July, 2017, and who is eligible to obtain Aadhaar number, shall intimate his Aadhaar number to the Principal DGIT (Systems) or Principal Director of Income-tax (Systems) on or before 30th September, 2019.

The Central Government has, vide this notification extended the date from 30th September, 2019 to 31st December, 2019.

Notwithstanding the last date of intimating/linking of Aadhaar Number with PAN being 31.12.2019, it is clarified that w.e.f. 01.04.2019, it is mandatory to quote and link Aadhaar number while filing the return of income, either manually or electronically, unless specifically exempted.

Capital Gains

1. Cost Inflation Index for Financial Year 2019-20 is 289

2. Capital gains in case of buy back of shares Section 46A

If any company has purchased its securities, in such cases capital gain shall be computed in the hands of the holders in the normal manner. Similarly, if any company other than a domestic company has repurchased its own shares, capital gains shall be computed in the hands of the holders.

As per section 115QA, in case of shares of a domestic company, no capital gains shall be computed in the hands of its holders rather the company has to pay additional income tax @ 20% plus surcharge 12% plus HEC 4% on the amount of distributed income.

Distributed Income means the consideration paid by the company on buy-back of shares as reduced by the amount, which was received by the company for issue of such shares.

3. Section 50CA

The provisions of this section shall not apply to any consideration received or accruing as a result of transfer by such class of persons and subject to such conditions as may be prescribed.

4. Section 54

Earlier only **one house** was allowed but now **two houses** are allowed provided capital gains is upto **₹2 crores**.

further such option is allowed only once in the life time of the assessee i.e. afterwards benefit of only one house shall be allowed.

Business/ Profession

1. Section 40(a)

Where an assessee fails to deduct TDS as a whole or any part on any such sum but is not deemed to be an assessee in default, then, for the purposes of this sub-clause, it shall be deemed that the assessee has deducted and paid the tax on such sum on the date of furnishing of return of income by the payee. (Earlier benefit was given to only resident but now all assessee is covered.)

2. Section 43B

(*da*) any sum payable by the assessee as interest on any loan or borrowing from a deposit taking non-banking financial company or systemically important non-deposit taking non-banking financial company, in accordance with the terms and conditions of the agreement governing such loan or borrowing,

Explanation 3AA.—For the removal of doubts, it is hereby declared that where a deduction in respect of any sum referred to in clause (*da*) is allowed in computing the income referred to in section 28, of the previous year (being a previous year relevant to the assessment year commencing on the 1st day of April, 2019, or any earlier assessment year) in which the liability to pay such sum was incurred by the assessee, the assessee shall not be entitled to any deduction under this section in respect of such sum in computing the income of the previous year in which the sum is actually paid by him

Explanation 3CA.—For the removal of doubts, it is hereby declared that a deduction of any sum, being interest payable under clause (*da*), shall be allowed if such interest has been actually paid and any interest

referred to in that clause which has been converted into a loan or borrowing shall not be deemed to have been actually paid.”

3. Section 35AD/40A/43/43CA/44AD/50C/80JJAA

In all the above sections for the words “bank account”, the words “bank account or through such other electronic mode as may be prescribed” shall be substituted.

4. Increased rate of depreciation in respect of motor vehicles acquired and put to use during the period from 23.8.2019 to 31.3.2020 [Notification 69/2019 dated 20.9.2019]

	Particulars	Depreciation allowable as a % of WDV
(i)	Motor buses, motor lorries and motor taxis used in a business of running them on hire, acquired during the period from 23.8.2019 to 31.3.2020 and put to use on or before 31.3.2020 Note – For motor buses, motor lorries and motor taxis used in a business of running them on hire, except those covered in (i) above, the rate of depreciation would continue to be 30%.	45%
(ii)	Motor cars other than those used in a business of running them on hire, acquired during the period from 23.8.2019 to 31.3.2020 and put to use on or before 31.3.2020 Note – For motor cars, other than those used in a business of running them on hire, acquired or put to use on or after 1.4.1990, except those covered in (ii) above, the rate of depreciation would continue to be 15% .	30%

Salary

1. As per Section 16 (ia), Standard Deduction of **₹50,000** (earlier ₹40,000) or salary whichever is lower shall be allowed from the salary.

2. Section 80CCD

In section 80CCD of the Income-tax Act, in sub-section (2), for the words “does not exceed ten per cent. of his salary in the previous year”, the words, brackets and letters “does not exceed—

(a) **fourteen per cent.**, where such contribution is made by the Central Government;

(b) **ten per cent.**, where such contribution is made by any other employer,

of his salary in the previous year” shall be substituted with effect from the 1st day of April, 2020.

As per section 10(12A), withdrawal from NPS **upto 60%** shall be exempt from income tax (earlier it was 40%)

ALTERNATE MINIMUM TAX

Section 115JC to 115JF

Alternate Minimum Tax provisions shall be applicable in case of all the assesses except a company (in case of company minimum alternate tax is applicable).

Further such provisions shall not be applicable for individual, HUF, AOP, BOI and Artificial Juridical persons if adjusted total income does not exceed 20 lakhs.

"Alternate minimum tax" means the amount of tax computed on adjusted total income at a rate of eighteen and one-half per cent;

"Regular income-tax" means the income-tax payable for a previous year by [a person on his total income] computed in the normal manner.

Adjusted total income shall be the total income as increased by—

- (i) deductions claimed, if any, under any section (other than section 80P) included in Chapter VI-A under the heading "*C.—Deductions in respect of certain incomes*" i.e. 80JJAA, 80QQB, 80RRB etc.
- (ii) deduction claimed, if any, under section 10AA [and]
- (iii) deduction claimed, if any, under section 35AD as reduced by the amount of depreciation allowable in accordance with the provisions of section 32 as if no deduction under section 35AD was allowed in respect of the assets on which the deduction under that section is claimed.

For eg, if total income is ₹30,00,000 after claiming deductions under chapter VI-A under the heading C ₹2,00,000 and deduction u/s 10AA ₹3,00,000 and deduction u/s 35AD ₹3,50,000 (depreciation ₹1,00,000 has not been claimed u/s 32), in this case adjusted total income shall be ₹30,00,000 + ₹2,00,000 + ₹3,00,000 + ₹3,50,000 - ₹1,00,000 = ₹37,50,000.

In order to apply provisions of AMT, income tax shall be computed on the total income of ₹30,00,000 at the normal rates and also tax shall be computed on ₹37,50,000 at a rate of 18.5% and if regular tax is less than AMT, AMT is payable. Tax will include surcharge plus HEC, wherever applicable.

If AMT is payable, tax credit is allowed which is AMT- regular tax and it can be adjusted in the subsequent years whenever regular tax is more than AMT and carry forward is allowed for maximum 15 years starting from the year subsequent to the year to which tax credit relates.

Example: XY partnership firm has total income of ₹18,00,000 after claiming deductions under chapter VI-A under the heading C ₹4,00,000 and deduction u/s 10AA ₹5,00,000 and deduction u/s 35AD ₹6,00,000 (instead of depreciation u/s 32 ₹2,00,000), in this case tax treatment shall be as given below:

Regular income tax (₹18,00,000 x 30%)	5,40,000
Add: HEC @ 4%	21,600
Tax Payable	5,61,600
 Alternate minimum tax	 5,73,500

(₹18,00,000+₹4,00,000+₹5,00,000+₹6,00,000-₹2,00,000) x 18.5%	
Add: HEC @ 4%	22,940
Tax payable	5,96,440

In the given case regular income tax payable is lower than alternate minimum tax payable hence tax shall be payable based on alternate minimum tax.

Alternate minimum tax	5,73,500
(18,00,000+4,00,000+5,00,000+6,00,000-2,00,000) x 18.5%	
Add: HEC @ 4%	22,940
Tax payable	5,96,440

Tax credit allowed 5,96,440-5,61,600 = 34,840

Original Text

Special provisions for payment of tax by certain persons other than a company.

115JC. (1) Notwithstanding anything contained in this Act, where the regular income-tax payable for a previous year by a person, other than a company, is less than the alternate minimum tax payable for such previous year, the adjusted total income shall be deemed to be the total income of that person for such previous year and he shall be liable to pay income-tax on such total income at the rate of eighteen and one-half per cent.

(2) Adjusted total income referred to in sub-section (1) shall be the total income before giving effect to this Chapter as increased by—

(i) deductions claimed, if any, under any section (other than section 80P) included in Chapter VI-A under the heading "*C.—Deductions in respect of certain incomes*" i.e. 80JJAA, 80QQB, 80RRB etc.

(ii) deduction claimed, if any, under section 10AA [and]

(iii) deduction claimed, if any, under section 35AD as reduced by the amount of depreciation allowable in accordance with the provisions of section 32 as if no deduction under section 35AD was allowed in respect of the assets on which the deduction under that section is claimed.

(3) Every person to whom this section applies shall obtain a report, in such form as may be prescribed, from an accountant, certifying that the adjusted total income and the alternate minimum tax have been computed in accordance with the provisions of this Chapter and furnish such report on or before the due date of furnishing of return of income under sub-section (1) of section 139.]

Tax credit for alternate minimum tax. 115JD.

(1) The credit for tax paid by [a person under section 115JC shall be allowed to him] in accordance with the provisions of this section.

(2) The tax credit of an assessment year to be allowed shall be the excess of alternate minimum tax paid over the regular income-tax payable of that year:

(3) No interest shall be payable on tax credit allowed.

(4) The amount of tax credit shall be carried forward and set off but such carry forward shall not be allowed beyond the [*fifteenth*] assessment year immediately succeeding the assessment year for which tax credit becomes allowable.

(5) In any assessment year in which the regular income-tax exceeds the alternate minimum tax, the tax credit shall be allowed to be set off to the extent of the excess of regular income-tax over the alternate minimum tax and the balance of the tax credit, if any, shall be carried forward.

Application of this Chapter to certain persons. 115JEE.

(1) The provisions of this Chapter shall apply to a person who has claimed any deduction under—

(a) any section (other than section 80P) included in Chapter VI-A under the heading "*C.—Deductions in respect of certain incomes*"; i.e. 80JJAA, 80QQB, 80RRB etc.

(b) section 10AA; or

(c) section 35AD.

(2) The provisions of this Chapter shall not apply to an individual or a Hindu undivided family or an association of persons or a body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2, if the adjusted total income of such person does not exceed twenty lakh rupees.

Section 115JF

"Alternate minimum tax" means the amount of tax computed on adjusted total income at a rate of eighteen and one-half per cent;

"Regular income-tax" means the income-tax payable for a previous year by [a person on his total income] computed in the normal manner.