

LATEST INCOME TAX AMENDMENTS

CA P T Joy, B.com, LLB, FCA, DISA

STATEMENT OF FINANCIAL TRANSACTIONS (SFT)



Statement of financial transactions (SFT)-Sec 285BA

What is statement of financial transactions?

SFT is a report of specified financial transactions by specified persons including prescribed reporting financial institution. Such specified persons who register, maintain or record such specified financial transaction are under a mandate to submit SFT to the income tax authority or such other specified authority or agency.

- » Statement of **‘high value financial transactions’** is required to be furnished under **section 285BA** of the Income-tax Act, 1961 by **‘specified persons’** in respect of **‘specified transactions’** registered or recorded by them during the financial year.
- » The **‘specified persons’** and the **‘specified transactions’** are listed in **new Rule 114E** of the Income-tax Rules, 1962.

Section 285BA : Obligation to furnish statement of financial transactions or reportable account.

(1) Any person, being:

- a) an assessee; or
- b) the prescribed person in the case of an office of Government; or
- c) a local authority or other public body or association; or
- d) the Registrar or Sub-Registrar appointed under section 6 of the Registration Act, 1908 (16 of 1908); or

- e) the registering authority empowered to register motor vehicles under Chapter IV of the Motor Vehicles Act, 1988 (59 of 1988) ; or
- f) the Post Master General as referred to in clause (j) of section 2 of the Indian Post Office Act, 1898 (6 of 1898) ;
or
- g) the Collector referred to in clause (g) of section 3 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (30 of 2013) ; or

- h) the recognised stock exchange referred to in clause (f) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) ; or
- i) an officer of the Reserve Bank of India, constituted under section 3 of the Reserve Bank of India Act, 1934 (2 of 1934) ; or
- j) a depository referred to in clause (e) of sub-section (1) of section 2 of the Depositories Act, 1996 (22 of 1996) ; or

k) a prescribed reporting financial institution,

l) a person, other than those referred to in clauses (a) to (k), as may be prescribed. (as per the Finance (No.2) Bill applicable w.e.f 1st day of September, 2019)

who is responsible for registering, or, maintaining books of account or other document containing a record of any specified financial transactions or any reportable account as may be prescribed under any law for the time being in force, shall furnish a statement in respect of such specified financial transactions or

such reportable account which is registered or recorded or maintained by him and information relating to which is relevant and required for the purposes of this Act, to the income-tax authority or such other authority or agency as may be prescribed.

(2) The statement referred to in sub-section (1) shall be furnished for such period, within such time and in the form and manner, as may be prescribed.

(3) For the purpose of sub section (1) of Sec 285BA, “specified financial transaction” means any

- (a) transaction of purchase, sale or exchange of goods or property or right or interest in a property; or
- (b) transaction for rendering any service; or
- (c) transaction under a works contract; or
- (d) transaction by way of an investment made or an expenditure incurred; or
- (e) transaction for taking or accepting any loan or deposit, which may be prescribed

Provided that,

the Board may prescribe different values for different transactions in respect of different persons having regard to the nature of such transaction:

Provided further that,

the value or, as the case may be, the aggregate value of such transactions during a financial year so prescribed shall not be less than **fifty thousand rupees.**

(4) Where the prescribed income-tax authority considers that the statement furnished under sub-section (1) is defective, he may intimate the defect to the person who has furnished such statement and give him an opportunity of rectifying the defect within a period of thirty (30) days from the date of such intimation or within such further period which, on an application made in this behalf, the said income-tax authority may, in his discretion, allow; and

if the defect is not rectified within the said period of thirty days or, as the case may be, the further period so allowed, then, notwithstanding anything contained in any other provision of this Act, **such statement shall be treated as an invalid statement and the provisions of this Act shall apply as if such person had failed to furnish the statement.**

(This is amended in Finance (No.2) Bill- See Slide No 17)

Amendment as per Finance (No.2) Bill applicable with effect from the 1st day of September, 2019

In order to enable pre-filing of return of income, it is proposed to obtain information by widening the scope of furnishing of statement of financial transactions by mandating furnishing of statement by **certain prescribed persons** other than those who are currently furnishing the same.

It is also **proposed to remove the current threshold of rupees fifty thousand on aggregate value of transactions during a financial year, for furnishing of information,** with a view to ensure pre-filling of information relating to small amount of transactions as well and in order to ensure proper compliance.

It is also proposed to amend the provisions of sub-section (4) of aforesaid section so as to provide that if the defect in the statement is not rectified within the time specified therein, **the provisions of this Act shall apply as if such person had furnished inaccurate information in the statement.**

Consequently, it is also proposed to amend the penalty provisions contained in **section 271FAA** so as to ensure correct furnishing of information in the SFT and widen the scope of penalty to cover all the reporting entities under section 285BA.

271FAA. If a person referred to in sub-section (1) of section 285BA, who is required to furnish a statement under that section, provides inaccurate information in the statement, and where—

- (a) the inaccuracy is due to a failure to comply with the due diligence requirement prescribed under sub-section (7) of section 285BA or is deliberate on the part of that person; or

(b) the person knows of the inaccuracy at the time of furnishing the statement of financial transaction or reportable account, but does not inform the prescribed income-tax authority or such other authority or agency; or

(c) the person discovers the inaccuracy after the statement of financial transaction or reportable account is furnished and fails to inform and furnish correct information within the time specified under sub-section (6) of section 285BA,

then, the prescribed income-tax authority may direct that such person shall pay, by way of penalty, a sum of **fifty thousand rupees**.

Section 271 FA- Penalty for failure to furnish statement of financial transaction or reportable account.

If a person who is required to furnish a statement of financial transaction or reportable account under sub-section (1) of section 285BA, fails to furnish such statement within the time prescribed under sub-section (2) thereof, the income-tax authority prescribed under said sub-section (1) may direct that such person shall pay, by way of penalty, a sum of **five hundred rupees** for every day during which such failure continues:

Provided that where such person fails to furnish the statement within the period specified in the notice issued under sub-section (5) of section 285BA, he shall pay, by way of penalty, a sum of **one thousand rupees** for every day during which the failure continues, beginning from the day immediately following the day on which the time specified in such notice for furnishing the statement expires.

Rule 114E of income tax Rules

| Sl No | Nature and value of Specified Transactions | Class of Person |
|-------|---|--|
| 1 | Payment of cash aggregating Rs. 10,00,000 or more in a year for purchase of DD, Pay Orders, Bankers Cheque. | <ul style="list-style-type: none"> • A Banking Company, • Co-operative Bank |
| 2 | Payment made in cash aggregating to Rs.10,00,000 or more in a year for purchase of pre-paid instruments issued by RBI u/s 18 of Payments and Settlement Systems Act 2007 | <ul style="list-style-type: none"> • A Banking Company, • Co-operative Bank |
| 3 | A cash deposit aggregating to Rs. 10,00,000 or more in a year in one or more bank accounts (other than current account or time deposit) | <ul style="list-style-type: none"> • A Banking Company, • Co-operative Bank, • Post Master General of Post office |
| 4 | A Cash deposit or withdrawal aggregating to Rs. 50,00,000 or more in a year in one or more current account of a person | <ul style="list-style-type: none"> • A Banking Company, • Co-operative Bank |

| Sl No | Nature and value of Specified Transactions | Class of Person |
|-------|---|---|
| 5 | One or more time deposit (other than renewal) aggregating to Rs. 10,00,000 or more of a person | <ul style="list-style-type: none"> • A Banking Company, • Co-operative Bank, • Post Master General of Post office, • Nidhi referred to in sec 406 of the Companies Act 2013 |
| 6 | Credit card payment made by any person aggregating to Rs. 1,00,000 or more in a year in cash or Rs. 10,00,000 or more by any other mode | <ul style="list-style-type: none"> • A Banking Company, • Co-operative Bank, • Any Institution issuing Credit Card |
| 7 | Receipt from any person of an amount aggregating to Rs.10,00,000 or more for acquiring bonds or debentures issued. | <ul style="list-style-type: none"> • Company or Institution issuing bonds or debentures |

| Sl No | Nature and value of Specified Transactions | Class of Person |
|-------|--|---|
| 8 | Receipt from any person of an amount aggregating to Rs. 10,00,000 or more in a year for acquiring shares issued by the company (including share application money) | <ul style="list-style-type: none"> • Company issuing shares |
| 9 | Buy back of shares from any person (other than the shares bought in the open market) for an amount or value aggregating to Rs. 10,00,000 or more in a year. | <ul style="list-style-type: none"> • A company listed on a recognised stock exchange |
| 10 | Receipt of an amount aggregating to Rs. 10,00,000 or more for acquiring units of one or more schemes of a Mutual Fund. (other than switching of funds from one scheme to another) | <ul style="list-style-type: none"> • Trustee of a Mutual Fund |

| Sl No | Nature and value of Specified Transactions | Class of Person |
|-------|---|--|
| 11 | Receipt from any person for sale of foreign currency or expense in such currency through a debit or credit card or through issue of travellers cheque or draft or any other instrument of an amount aggregating to Rs. 10,00,000 or more in a year | Authorized Dealer, Money Changer, Off-shore Banking Unit or any other person defined in FEMA, 1999 |
| 12 | Purchase or sale by any person of immovable property for an amount of Rs. 30,00,000 or more or valued by the stamp valuation authority referred to in section 50C of the Act at Rs. 30,00,000 or more. | Inspector-General or Sub-Registrar appointed under Registration Act, 1908 |
| 13 | Receipt of cash payment exceeding Rs. 2,00,000 for sale of goods or providing services of any nature other than those specified above | Any person who is liable for audit under section 44AB of the Act |

What is Form 61A?

As per rule 114E of the IT rules 1962, a Reporting Entity is required to file statement of financial transaction in form 61A. A Reporting Entity has to report specified SFT reportable transaction of the nature specified in this rule for the relevant financial year on or before 31st of May immediately following the financial year.

What is Form 61B?

Requirement of filing form 61B arises for implementation of FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standard). For this purpose rule 114F, 114G and 114H are to be referred. Briefly, these rules provide for due diligence procedure for identification of reportable accounts. Once a Reporting Entity identifies reportable accounts, information about such accounts is to be filed in form 61B for the calendar year by 31st of May following the end of the calendar year

Due date of furnishing SFT

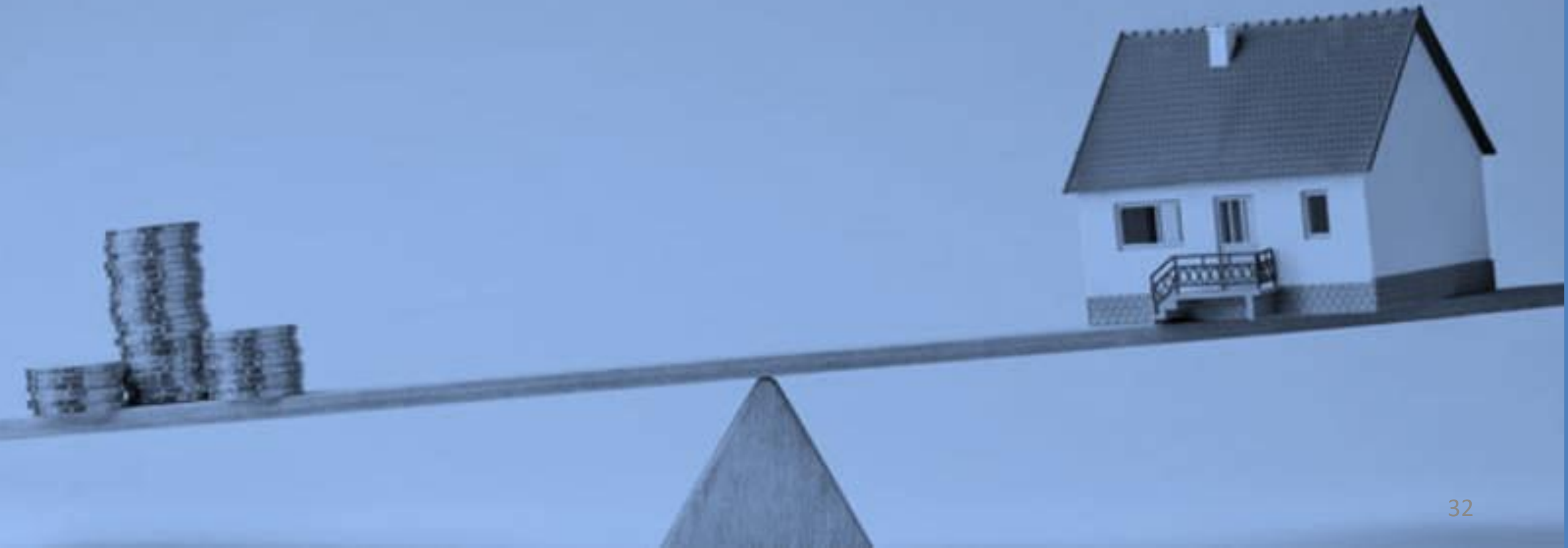
SFT shall be submitted either in Form 61A (**statement of financial transactions** by other reporting entities) or in Form 61B (**statement of reportable account** by a prescribed reporting financial institution).

SFT in Form 61A shall be submitted on or before 31 May of the FY, immediately following the FY in which the transaction is recorded or registered. In case of financial transactions recorded or registered in FY 2018-19, the due date for furnishing SFT was 31 May 2019.

Statement of reportable account in Form 61B shall be submitted by prescribed reporting financial institution for every calendar year on or before 31 May of next year.

Section 23(5)

Income from property held as stock in trade



Section 23(5) – Income from property held as stock in trade

Existing provisions

The annual value of property consisting of any land or building will be taken as **NIL**, for the period of **one year** from the end of financial year in which completion certificate is obtained.

Provided that the property is held as stock in trade and has not been let out during the whole or any part of previous year.

Proposed provision as per interim budget dtd 01-02-2019 (applicable w.e.f 01.04.2020)-

As per the proposed provision the period of **ONE** year for which the annual value of the property can be taken as NIL has been amended to **TWO** years.

Property held as stock in trade & Not let out - Annual Value
NIL



For ONE Year



Amended w.e,f
01.04.2020



For TWO years

SECTION
24



Section 24(b) – Deduction under House Property income

Existing Provision for section 24(b) deduction of interest

24(b): Provided that in respect of property referred to in sub-section (2) of section 23, the amount of deduction shall not exceed thirty thousand rupees

Amendment as per interim budget (applicable w.e.f 1-04-2020)

Provided that in respect of property referred to in sub-section (2) of section 23, the amount of deduction **[or, as the case may be, the aggregate of the amount of deduction]** shall not exceed thirty thousand rupees.

Following proviso shall be inserted after the Explanation to the third proviso of section 24 (Interim Budget w.e.f 1-04-2020)

Provided also that the aggregate of the amounts of deduction under the first and second provisos shall **not exceed two lakh rupees.**

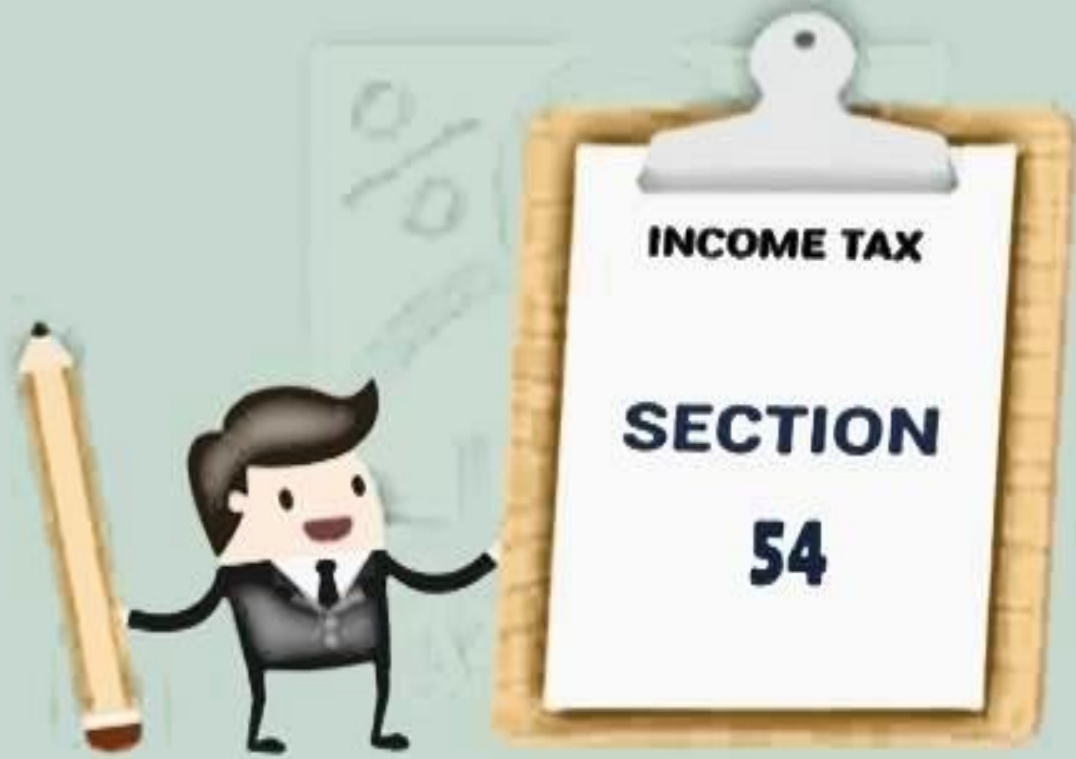
Amendment of section 24 which deals with the deduction of interest on housing loan, has been amended to include the words “**aggregate**” in order to specify the inclusion of two residential houses now permissible. The deduction limit remains the same as Rs.2,00,000/-, however it shall now be extended to owning of up to **2 houses**.

| Particulars | No of Houses (Self Occupied) | Amount of deduction | |
|--|---------------------------------|---|---|
| Existing | ONE | a) Capital borrowed on or after 01.04.1999 and | |
| Proposed (w.e.f 01.04.2020) | TWO | a) acquisition or construction completed within 5 years from the end of FY in which capital is borrowed | Actual interest or Rs .2,00,000/- whichever is less |
| | | In any other case | |

Section 54 of Income Tax

Act:

Capital Gain Exemption



Section 54 – Investment of CG in Residential House

Amended section 54 deals with the exemption on capital gain. Here the investment has to be made in a residential house to avail the capital gain exemption when a residential house is sold, the limit was restricted to **ONE** residential house . This has been revised to include **TWO** residential houses.

Proposed as per Interim Budget, 2019, w.e.f 01-04-2020

In section 54 of the Income-tax Act, in sub-section (1), after clause (ii), the following **provisos** shall be **inserted** with effect from the 1st day of April, 2020, namely:—

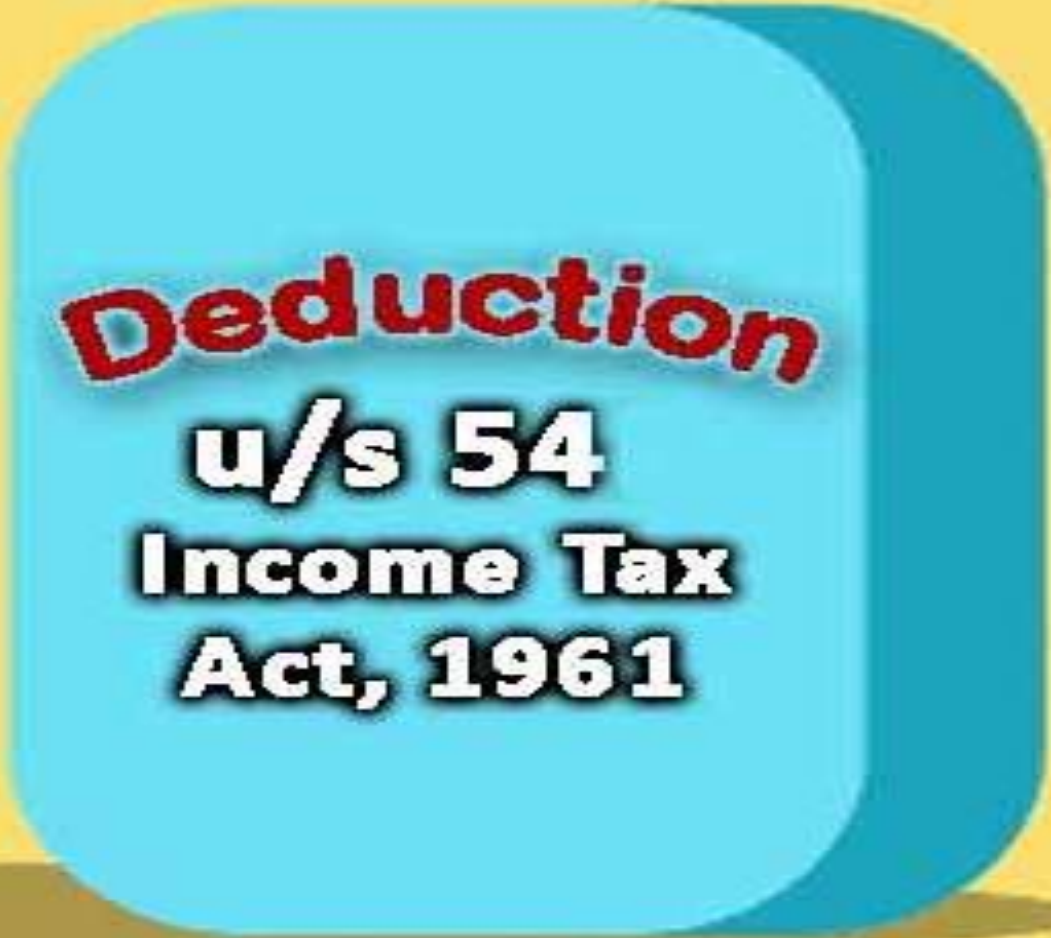
'Provided that where the **amount of the capital gain does not exceed two crore rupees**, the assessee, may at his option, purchase or construct **TWO** residential houses in India, and where such an option has been exercised,—

- (a) the provisions of this sub-section shall have effect as if for the words “one residential house in India”, the words “two residential houses in India” have been substituted;
- (b) any reference in this sub-section and sub-section (2) to “new asset” shall be construed as a reference to the two residential houses in India:

Provided further that where during any assessment year, the assessee has exercised the option referred to in the first proviso, he shall not be subsequently entitled to exercise the option for the same or any other assessment year.’.

| Particulars | Conditions | Provided : | Eligible deduction |
|--|---|--|--|
| Existing | The income from transfer of residential house shall be invested in ONE residential house in India | (a) Purchase within 1 year before or 2 years after the date of transfer or | (a) Cost of new residential house or (b) Capital gain Whichever is lower |
| Proposed (w.e.f 01.04.2020) | The income from transfer of residential house shall be invested in TWO residential houses in India PROVIDED the amount of capital gain should not exceed Rs 2 crore. | (b) Construction within a period of 3 years after the date of transfer | (a) Cost of new residential house or (b) Capital gain Whichever is lower |

Let us see some examples and practical Scenarios on section 54 – profit on sale of property used for residence



Deduction
u/s 54
Income Tax
Act, 1961

House property sold and 2 house properties bought

| Particulars | Amount (Rs) |
|---------------------------------------|-------------|
| Sale proceeds from old house property | 2,50,00,000 |
| Less: Indexed cost | 1,00,00,000 |
| LTCCG on old House property sold | 1,50,00,000 |
| Cost of new house 1 | 70,00,000 |
| Cost of new house 2 | 60,00,000 |

| Particulars | Before Budget | After Budget |
|----------------------------|---------------|--------------|
| LTCCG | 1,50,00,000 | 1,50,00,000 |
| Tax exemption under Sec 54 | | |
| - House 1 | 70,00,000 | 70,00,000 |
| - House 2 | Not allowed | 60,00,000 |
| Less: Total exemption | 70,00,000 | 1,30,00,000 |
| Taxable amount | 80,00,000 | 20,00,000 |

Practical Scenarios:

➤ *Scenario 1*

Mr. A purchased a residential house in the year 2005-06 for Rs 2 crore. This house property was sold for Rs 10 crore in the year 2019-20. He invested the gain in the two house properties worth Rs 4 crore each.

| Particulars | Amt in crores |
|--|------------------|
| Full value of consideration | 10 |
| Less: Cost of acquisition (ignoring the benefit of indexation) | (2) |
| Long term Capital Gains | 8 |
| Less: Section 54 exemption (one house) | (4) |
| Taxable long term Capital Gain | 4 |

The option to claim capital gains exemption under Section 54, in respect of two houses, shall not be available as the amount of capital gains exceeds Rs 2 crore.

Thus, he is eligible to claim the exemption only in respect of one residential house property.

➤ Scenario 2

Mr. A purchased a residential house in the year 2005-06 for Rs 9 crore. This house property was sold for Rs 10 crores in the year 2019-20. He invested the gain in the two house properties worth Rs 50 lakh each.

| Particulars | Amt in crores |
|---|---------------|
| Full value of consideration | 10 |
| Less: Cost of acquisition (ignoring the benefit of indexation) | (9) |
| Long term Capital Gains Less: Section 54 exemption (two houses) | 1 (1) |
| Taxable long term Capital Gain | NIL |

The option to claim capital gain exemption under Section 54, in respect of two houses, shall be available as the amount of capital gains does not exceed Rs 2 crore.

Thus, he is eligible to claim the exemption in respect of investment made in both the residential house properties.

➤ Scenario 3

Mr. A purchased gold in the year 2005-06 for Rs 9 crore. This gold was sold for Rs 10 crore in the year 2019-20. He invested the gain in two house properties worth Rs 50 lakh each.

| Particulars | Amt in crores |
|--|---------------|
| Full value of consideration | 10 |
| Less: Cost of acquisition (ignoring the benefit of indexation) | (9) |
| Long term Capital Gains | 1 |
| Less: Section 54F exemption (in proportion to sales consideration invested in one house, i.e, $1 * 0.5 / 10$) | (0.05) |
| Taxable long term Capital Gain | 0.95 |

Mr. A can claim the exemption under Section 54F only in respect of one house. Mr. A cannot opt to claim the exemption in respect of both the houses even if his capital gains is less than Rs 2 crore as the option given to invest in two houses properties is proposed only u/s 54.

Further, Mr. A will get proportionate exemption under Section 54F as the entire capital gain was not invested for purchase of a new house property.



Section 139

Return of income

Section 139 – Return of income

As per the finance (No.2) bill a new Proviso has been inserted to section 139 applicable from the 1st day of April, 2020.

As per the new proviso furnishing of return of income shall be mandatory under Section 139 if an individual:



- a) Has deposited an amount or aggregate of the amounts exceeding **one crore rupees** in one or more current accounts

- b) 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
- c) has incurred expenditure of an amount or aggregate of the amounts exceeding **one lakh rupees** towards consumption of electricity; or
- d) fulfils such other conditions as may be prescribed,

Section 139(9) Defective Return Notice



Various reasons for notice for defective return Under Section 139(9)

- a) When return is not submitted in the prescribed form with all annexure and statement duly filled.
- b) Return should be accompanied by proof of tax, if any claimed to have been deducted or collected at source and the advance tax and self assessment tax, if any claimed.

- c) In case the entity is maintaining regular books of accounts, it should be ensured that copies of Trading , Profit & Loss account , Income and expenditure account , Personal account of the partners(Partnership firms), Personal Accounts (Proprietary concern) along with Balance sheet are should be submitted.
- d) All the entities who are required to get there books of accounts audited the it should be ensured that Audited Profit & Loss account along with Balance sheet are submitted

- e) Where there is no regular books of accounts are maintained due to the non requirement in the Income tax Act or any other Act, then in that case statement showing amount of Gross turnover, Gross receipts , Gross profit, Expenses and net profit of the business or profession and the basis on which such amount have been computed and also disclosing the amount of:-
- i. Total Sundry Debtors
 - ii. Sundry Creditors
 - iii. Stock in Trade
 - iv. Cash and bank Balance

There have been instances where department has issued notice for not filling details in the case of the entities who are not required to maintain books of accounts. In those cases the above point (e) should be followed.

- f) Details of taxes paid have been furnished but assessee have not provided income details.
- g) (h) A notice for defective return is sent when TDS has been claimed as a refund, but no income details are provided in the return.
- h) (l) Mismatch in the details provided in the return with the PAN card (Name and Date of birth).

Defective notice for presumptive tax payers

There are various sections in the Income Tax Act, 1961 Act e.g., 44AD, 44AE, 44ADA etc., (popularly known as Presumptive Income sections) according to which, the profits and gains from eligible / prescribed businesses / professions carried on by the prescribed categories of assessee are required to be computed for taxation, at least at the minimum rates prescribed in these sections. However, the assessee can voluntarily offer higher amount of profit / gain for taxation.

In cases where the profits and gains from such business / profession are computed and offered for taxation at the minimum prescribed rate or at any higher amount, there is no liability to mandatorily keep and maintain the regular books of accounts as per the provisions of Section 44AA of the Act. Thus, in such cases the assessee may not have balance sheet and profit and loss account.

Despite that it is often seen that even in presumptive income cases, notice / Intimation U/s. 139(9) is sent by the Income Tax Department to many assesses mentioning therein that their Return has been considered as defective due to non-filing of Balance Sheet and Profit and Loss account in the Return (despite having no legal requirement).

The notice / intimation for above defect contains error description such as *“Taxpayer having income under the head “Profits and gains of Business or Profession” but has not filled Balance Sheet and Profit and Loss Account as required in explanation (d) under section 139(9) read with section 44AA”*

The probable reason for occurrence of the above error may be incomplete / improper filing of information in the Return. Due to that the departmental computer system may not be recognizing the presumptive income as such and may be treating the same as income from non-presumptive business etc. The provisions of Section 44AA are applicable to non-presumptive businesses which requires to mandatorily keep and maintain books of account when the income, turnover etc. of non-presumptive business exceeds the prescribed limit. They are not applicable to presumptive business.

However, since the departmental computer system may be considering the income from presumptive business as income from non-presumptive business (due to improper information in return) it may, consequently be asking for Balance Sheet and Profit and Loss Account in cases where the presumptive business income, turnover etc. is over limits prescribed U/s. 44AA for mandatory keeping of books of accounts (by wrongly treating the same as non-presumptive business).

It is to be mentioned here that in presumptive income business etc., though there is no liability U/s. 44AA to mandatorily keep and maintain regular books of accounts, but there is mandatory requirement under the provisions of Explanation (f) of Section 139(9) that where the books of account are not maintained, at least the amount of turnover / gross receipt, gross profit, expenses and net profit of the business or profession and the basis on which such amounts have been computed, and also disclosing the amounts of total sundry debtors, sundry creditors, stock-in-trade and cash balance as at the end of the previous year, are to be given in the return.

In many cases, the statements of Gross Receipts etc. are not filled in the Return and the presumptive income is directly inserted in the Schedule BP against the concerned place for relevant presumptive income section 44AD, 44AE etc. This is not correct. In such cases the Return may be treated as defective due to non-filling of the statement of Gross Receipts etc.

Some steps to avoid errors due to which the Return may become defective:

STEP-1: Before computing and offering income under presumptive income sections, ensure eligibility for the same as per the concerned section.

STEP-2 : Fill the correct Return form (e.g., if there is only presumptive business income then fill form ITR-4). This will eliminate chances of errors.

STEP-3 : Where an assessee opting presumptive income also having income from capital gain, ITR-3 is used. Then in PART-A General, mention that there is no liability for maintaining books of account.

(Note : In cases where there are both presumptive and non presumptive business income, fill the information on the basis of liability U/s. 44AA in respect of non presumptive income business.)

Assessee info.

| | |
|--|---------------------|
| STD code | |
| Telephone number | |
| Country code (for Assessee's Mobile No.) | 91 |
| e-Mail ID (Assessee) | |
| CA/ TRP - Mobile No. (optional) | 9447238045 |
| - Country code (for Mobile No.) | 91 |
| - e-Mail ID (optional) | joyptca@yahoo.co.in |
| Aadhaar No. / Enrolment ID | |
| Liable to maintain accounts as per Sec.44AA? | |

Ok Delete

Having Foreign assets and Income or Signing authority in Foreign a/c?

[Include all items held (including any beneficial interest) at any time during the year.]

Having Assets and Liabilities? (if total income >Rs. 50 lakh)

STEP-4 : If there is only presumptive income and the regular books of accounts are kept voluntarily and Balance Sheet is available then it may be filled voluntarily. If Balance Sheet is not filled voluntarily, then mandatorily fill Statement of Total Sundry Debtors etc.

It is possible in some cases that the assessee may not have any debtor, creditor, cash, stock as at the end of the year. Therefore, in such cases “Nil” or “0” may be validly mentioned in all points in this part of return.

Rebate u/s 87A



Section 87A - Rebate

Existing provision

As per the existing provision the assessee whose total income does not exceed **Rs.350000/-** can avail tax rebate up to **Rs.2500/-** or 100% of tax liability whichever is lower.

Proposed Provision as per Interim Budget (applicable w.e.f 01.04.2020)

As per the proposed provision the assessee whose total income does not exceed **Rs.500000/-** can avail tax rebate up to **Rs.12,500/-** or 100% of tax liability whichever is lower.

Some examples:

| Total Income | Tax payable before cess | Rebate u/s 87A –FY 2018-19 | Tax Payable + 4% Cess (FY 2018-19) | Rebate u/s 87A- FY 2019-20 | Tax Payable + 4% Cess (FY 2019-20) |
|--------------|-------------------------|----------------------------|-------------------------------------|----------------------------|-------------------------------------|
| 270000 | 1000 | 1000 | 0 | 1000 | 0 |
| 360000 | 5500 | 0 | 5720 | 5500 | 0 |
| 490000 | 12000 | 0 | 12480 | 12000 | 0 |
| 560000 | 24500 | 0 | 25480 | 0 | 25480 |

This rebate is applied on the total tax before adding the Education Cess @4% .

The rebate can be availed by an assessee, **provided** the assessee should file the income tax return.

TDS

on **salary**
Section 192



Section 16 (ia) – standard deduction on salary

| Financial Year | Amount of standard deduction Section 16 (ia) |
|-------------------------------|---|
| Up to FY 2005-06 | Salary below 5Lakhs – a) 40% of salary or b) Rs.30000/- whichever is less |
| | Salary Above 5 Lakhs Rs. 20000/- |
| From 2006-07 to FY 2017-18 | No standard deduction on salary |
| FY 2018-19 | Rs. 40000/- |
| FY 2019-20 (w.e.f 01.04.2020) | Rs. 50000/- |

| Particulars | Until AY 2018-19 | From AY 2019-20 | From AY 2020-21 |
|-------------------------|-------------------------|------------------------|------------------------|
| Gross Salary (in Rs.) | 8,00,000 | 8,00,000 | 8,00,000 |
| (-) Transport Allowance | 19,200 | Not Applicable | Not Applicable |
| (-) Medical Allowance | 15,000 | Not Applicable | Not Applicable |
| (-) Standard Deduction | Not Applicable | 40,000 | 50,000 |
| Net Salary | 7,65,800 | 7,60,000 | 7,50,000 |

LOANS

Section 194A

TDS on Interest



FIXED DE
90

Section 194A - TDS from Interest other than Interest on Securities

Monetary Limit for TDS existing provisions

TDS on Interest under Section 194A shall be deducted at source only for payments exceeding Rs.5,000/-. But in case of payments made by banking company, cooperative society engaged in banking business or post office in respect of notified schemes, tax shall be deducted at source @ 10% only if interest **exceeds Rs.10,000/-**.

W.e.f. 1st April, 2018, in case of payee being a senior citizen, tax shall be deducted at source only if interest exceeds Rs.50,000/-.

Proposed provision as per (Interim Budget) applicable w.e.f 01.04.2019

The threshold limit of earnings has been increased to **Rs.40000/-** w.e.f 01.04.2019

Section 194A sub-section (3) sub-clause (viiia)

The provisions of sub section (1) shall not apply to:-
such income credited or paid in respect of,—

- (a) deposits with a primary agricultural credit society or a primary credit society or a co-operative land mortgage bank or a co-operative land development bank;
- (b) deposits (other than time deposits made on or after the 1st day of July, 1995) with a co-operative society, other than a co-operative society or bank referred to in sub-clause (a), engaged in carrying on the business of banking;

| Payer | Threshold limit (Rs.) Up to FY 2018-19 | Threshold limit (Rs.) (FY 2019-20) | Threshold limit (Rs.) for Senior Citizen w.e.f 01.04.2018 |
|--|---|---------------------------------------|---|
| Banking company (on time deposit) | Rs.10,000/- | Rs. 40,000/- | Rs. 50,000/- |
| Co-operative society carrying on banking business (on time deposit) | Rs.10,000/- | Rs. 40,000/- | Rs. 50,000/- |
| Post office (on SCSS) | Rs.10,000/- | Rs. 40,000/- | Rs. 50,000/- |
| Any other person | Rs. 5,000/- | Rs. 5,000/- | Rs. 5,000/- |

Section 194 DA

TDS on Insurance Policy Payments



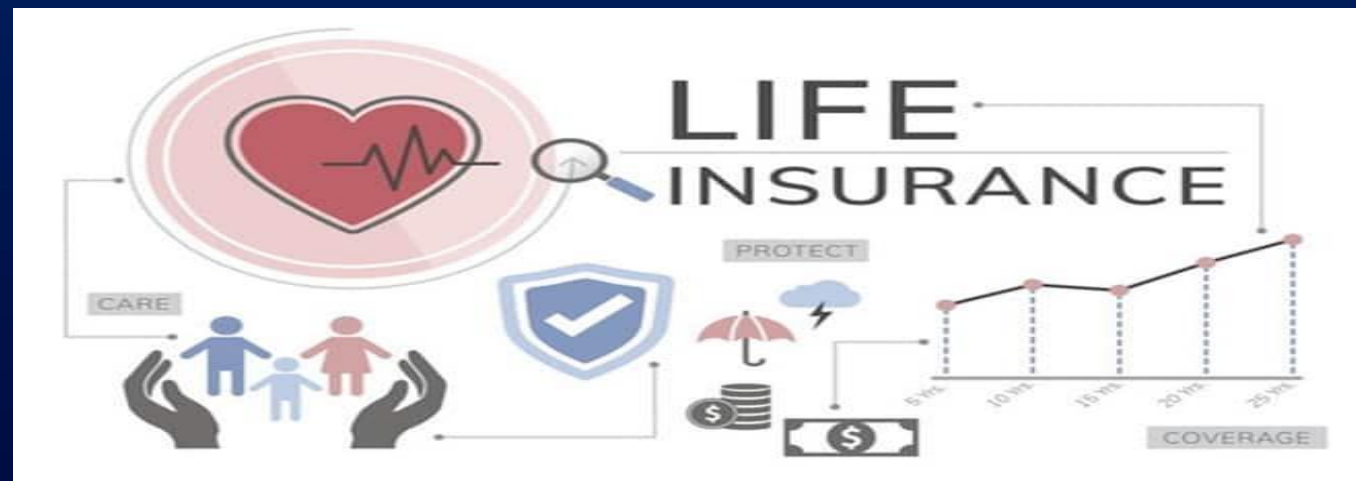
194 DA – Payment in respect of Life Insurance Policy

Under section 194DA of the Act, a person is obliged to deduct tax at source, if he pays any sum to a resident under a life insurance policy, which is not exempt under section 10 (10D).

LIFE INSURANCE POLICIES



Maturity of life insurance policy attract **1% TDS** deduction on the **gross proceeds** in case conditions relating to exemption were not satisfied. However, the budget, 2019 proposes TDS deduction at **5%** on the **income component** and not the gross maturity value



Under section 10 (10D) :- Policy amount, including the sum allocated by way bonus under a life insurance policy is exempt from tax other than:-

(a) any sum received under sub-section (3) of section 80DD or sub-section (3) of section 80DDA; or

(b) any sum received under a Keyman insurance policy; or

(c) any sum received under an insurance policy issued on or after the 1st day of April, 2003 but on or before the 31st day of March, 2012 in respect of which the premium payable for any of the years during the term of the policy exceeds twenty per cent of the actual capital sum assured; or

(d) any sum received under an insurance policy issued on or after the 1st day of April, 2012 in respect of which the premium payable for any of the years during the term of the policy exceeds ten per cent of the actual capital sum assured:

Provided that the provisions of sub-clauses (c) and (d) shall not apply to any sum received on the death of a person:

Existing Provision

Any person responsible for paying to a resident any sum under a life insurance policy, including the sum allocated by way of bonus on such policy, other than the amount not includible in the total income under clause (10D) of section 10, shall, at the time of payment thereof, deduct income-tax thereon at the rate **of 1 %**

Proposed provision as per finance bill (no.2) applicable (W.e.f 01-09-2019)

Any person responsible for paying to a resident any sum under a life insurance policy, including the sum allocated by way of bonus on such policy, other than the amount not includible in the total income under clause (10D) of section 10, shall, at the time of payment thereof, deduct income-tax thereon at the rate of **5 % on the amount of income comprised therein.**

Provided also that where the policy, issued on or after the 1st day of April, 2013, is for insurance on life of any person, who is—

(i) a person with disability or a person with severe disability as referred to in section 80U; or

(ii) suffering from disease or ailment as specified in the rules made under section 80DDB,

the provisions of this sub-clause shall have effect as if for the words "ten per cent", the words "fifteen per cent" had been substituted.

Provided that no deduction under this section shall be made where the amount of such payment or, as the case may be, the aggregate amount of such payments to the payee during the financial year is less than **1 Lakh rupees**.



Section 194I

TDS on Rent



RENTED

194-I – TDS on Rent

| Particulars | Limit | Rate of deduction amended as per finance bill (no.1) applicable w.e.f 01-04-2019 |
|---|-------|--|
| Machinery or plant or equipment | 2% | Rs. 2,40,000/- |
| land or building or land appurtenant to a building or furniture or fittings | 10% | Rs. 2,40,000/- |

No deduction shall be made under this section where the income by way of rent is credited or paid to a business trust, being a real estate investment trust, in respect of any real estate asset, referred to in clause (23FCA) of section 10, owned directly by such business trust.

Section 194 IA

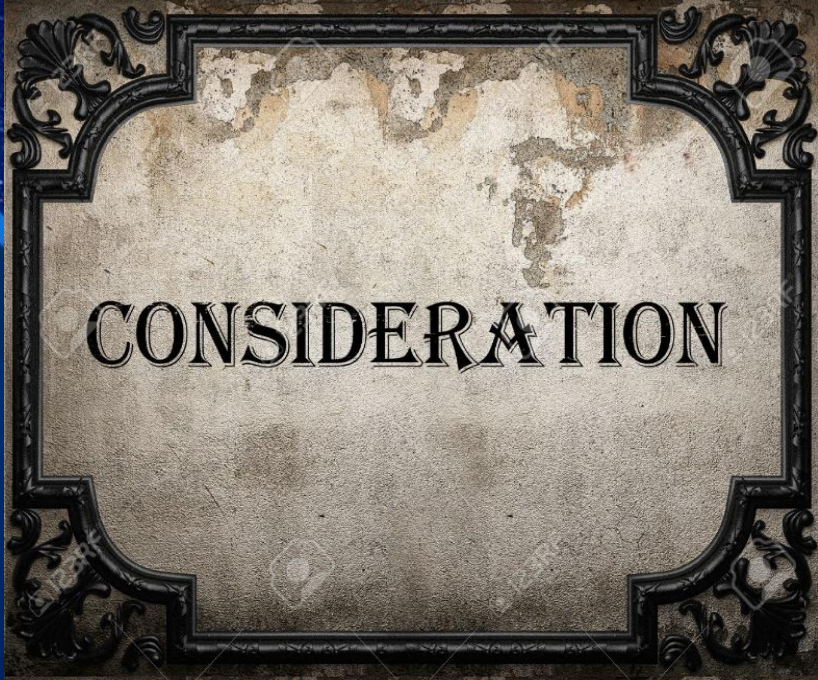
Tax on Transfer of Immovable Property



194 IA - TDS on transfer of immovable property other than agricultural land

As per Section 194-IA, any person (buyer) who is responsible for making payment of sales consideration in respect of purchase of an immovable property shall deduct tax therefrom. Tax is deductible under this provision if amount of '**consideration**' paid or payable for transfer of immovable property is Rs. 50 lakhs or more.





The term '**Consideration For Immovable Property**' is presently not defined for the purposes of this section. Accordingly, it is proposed to **amend in the finance bill (no.2) with effect from 1st September, 2019.** that in explanation after clause a the following clause (aa) shall be inserted:

(aa) “consideration for immovable property” shall include all charges of the nature of club membership fee, car parking fee, electricity and water facility fees, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property needs to **deduct TDS at 1%.** This amendment will take **effect from 1st September, 2019.**

Section 194M

Payment of certain sums by certain individuals or Hindu Undivided family.



New Section - 194M Payment To Contractors or Professionals



As per Finance Bill (no.2),2019 it is proposed to make it mandatory for individuals and HUFs to deduct tax at source (TDS) on any payment exceeding **Rs. 50 lakhs** per annum to contractors and professionals not required to deduct tax at source under section 194C and 194J of the Act.

This would mean that if the total of payments to any single contractor for wedding functions, house renovation or to a single professional during a financial

year exceeds **Rs 50 lakhs** then **TDS @ 5%** would be deductible by the payer.



194M (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 percentage (5%) 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.**

194M (2)

The provisions of section 203A shall not apply to a person required to deduct tax in accordance with the provisions of this section i.e no TAN required for these cases.

As per the existing provisions of Section 194C and Section 194J, an individual or HUF, who are not liable to tax audit under Section 44AB(a)/44AB(b), shall not be required to deduct tax under these provisions.



Thus, no tax is required to be deducted by an individual or HUF from payment made to contractor or professional in the following cases :

a) Payment made for services received exclusively for personal purposes.

Personal



b) Payment made for services received for business or profession if payer is not subjected to tax audit u/s 44AB(a)/(b).

Due to this exemption, substantial amount by way of payments made by individuals or HUFs in respect of contractual work or for professional service is escaping the levy of TDS, leaving a loophole for possible tax evasion.



*194 N -Payment
of certain
amounts in cash.*



Section 194 N – Payment of certain amounts in cash.



In order to further discourage cash transactions and move towards less cash economy, it is proposed to insert a new section 194N in the Act to provide for levy of TDS at the rate of **2 %** on cash payments **in**

excess of one crore rupees in aggregate made during the year, by a banking company or cooperative bank or post office, to any person from an account maintained by the recipient.

194N. Every person, being,—

- (i) a banking company to which the Banking Regulation Act, 1949 applies (including any bank or banking institution referred to in section 51 of that Act); 10 of 1949.
- (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,

Banking Correspondents (or Business Correspondent of banking company) (BCs) are individuals/entities engaged by a bank in India (commercial banks, Regional Rural Banks (RRBs) and Local Area Banks (LABs)) for providing banking services in unbanked / under-banked geographical territories.

A banking correspondent works as an agent of the bank and substitutes for the brick and mortar branch of the bank.

(iv) any white label automated teller machine operator of a banking company or co-operative society engaged in carrying on the business of banking

(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.’



Understanding

Form 15G

Form 15H

Form 15G and Form 15H

Form 15G and Form 15H are forms which can be submitted to prevent TDS deduction on income. For that the conditions mentioned below should be satisfied. Some banks allow to submit these forms online through the bank's website. These forms are valid only for one Financial Year, so the assessee has to submit the form every year at the beginning of the FY.

Form 15H is for senior citizens, those who are 60 years or older; while Form 15G is for everybody else.

Conditions to submit Form – 15G

- » PAN is compulsory.
- » You are an individual or HUF or trust or any other assessee but not a company or a firm
- » Only Resident Indians can apply
- » You should be less than 60 years old
- » Tax calculated on your Total Income is NIL
- » The total interest income for the year is less than the basic exemption limit of that year, which is Rs.2.5 lakh for financial year 2019-20 (AY 2020-21)

Conditions to submit Form – 15H

- » PAN is compulsory
- » You are an individual and resident Indian
- » You're a senior citizen or will be 60 during the year for which you are submitting the form
- » Tax calculated on your Total Income is *nil*

Section 269SU: Landmark Change by the Union Budget – 2019





New Section - 269 SU

Acceptance of payment through prescribed electronic modes.

Insertion of section 269SU as per Finance (No.2) Bill applicable with effect from 1st day of November, 2019,

Every person, carrying on business, shall provide facility for accepting payment through prescribed electronic modes, in addition to the facility for other electronic modes, of payment, if any, being provided by such person, if his total sales, turnover or gross receipts, as the case may be, in business exceeds **fifty crore rupees** during the immediately preceding previous year.

New section 271DB

Insertion of section 269SU as per Finance (No.2) Bill applicable with effect from 1st day of November, 2019,

Penalty for failure to comply with provisions of section 269SU.

If a person who is required to provide facility for accepting payment through the prescribed electronic modes of payment referred to in section 269SU, fails to provide such facility, he shall be liable to pay, by way of penalty, a sum of **five thousand rupees**, for every day during which such failure continues:



Section 276CC

**Prosecution for non
– filing of income
tax return**



Section 276CC – Failure to Furnish Return of Income

As per section 276CC ,if a person wilfully fails to furnish the return of income or return of fringe benefits as per the Act, he shall be punishable with imprisonment and fine as specified.

| Particulars | Punishment |
|---------------------------------------|--|
| Amount of tax exceeds Rs. 25,00,000/- | Rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years and with fine |
| In any other cases | Imprisonment for a term which shall not be less than three months but which may extend to two years and with fine |

Provided this section will not be applicable :-

- (i)** for any assessment year commencing prior to the 1st day of April, 1975; or
- (ii)** for any assessment year commencing on or after the 1st day of April, 1975, if—
 - (a)** the return is furnished by him before the expiry of the assessment year; or

(b) The tax payable by such person, not being a company, on the total income determined on regular assessment, as reduced by the advance tax, if any, paid, and any tax deducted at source, does not exceed **“Three Thousand Rupees”**.

Amendment (w.e.f 01-04-2020) as per finance bill (no.2) amended to :-

(b) The tax payable by such person, not being a company, on the total income determined on regular assessment, as reduced by the advance tax or self-assessment tax, if any, paid before the expiry of the assessment year, and any tax deducted or collected at source, does not exceed **“Ten Thousand Rupees”**.
