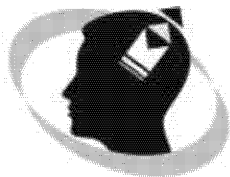


AMENDMENTS IN INCOME TAX - APPLICABLE TO NOV 2020 ATTEMPT (SAME MATERIAL WILL APPLY FOR THE STUDENTS OF IPCC & CA INTER)



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Dear Students,

All latest amendments applicable to Nov 2020 attempt are included in this material. For the convenience of students, we have included the amendments applicable to May 2020 attempt, in this material itself. Such content is provided as italics.

1. INTRODUCTION TO INCOME TAX

1. Surcharge w.e.f A.Y. 2020-21 (Individual/HUF/AOP/BOI/AJP):

Total Income	Surcharge
T.I > Rs.50 Lakhs ≤ Rs. 1 Crore	10%
T.I > Rs. Rs. 1 Crore ≤ Rs. 2 Crore	15%
T.I Rs. 2 Crore ≤ Rs. 5 Crore	25%
T.I > Rs. 5 Crore	37%

Note: Marginal Relief shall be available

Surcharge In case of LTCG u/s 112A and STCG u/s 111A: Surcharge @ 25% & 37% is not applicable on capital gains u/s 111A and 112A (As per press release on 24/08/2019). There are some examples dealt as follows:

S.NO	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) > Rs 50 lakhs but ≤ Rs. 1 crore	10%	<ul style="list-style-type: none"> STCG u/s 111A Rs. 30 lakhs; LTCG u/s 112A Rs. 25 lakhs; Other income Rs. 40 lakhs 	Surcharge would be levied @ 10% on income-tax computed on total income of Rs. 95 lakhs.
ii)	Where total income (including income under section 111A and 112A) exceeds Rs. 1 Crore but does not exceed Rs. 2 crore	15%	<ul style="list-style-type: none"> STCG u/s 111A Rs. 60 lakhs; LTCG u/s 112A Rs. 65 lakhs; and Other income Rs. 50 lakhs 	Surcharge would be levied @ 15% on income-tax computed on total income of Rs. 1.75 crores

MRP: Rs.150

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

Example: Mr. A age 45 years earns the following incomes in P. Y 2019-20:

STCG u/s 111A Rs. 1 crore

Other income Rs. 6 crores

Compute tax liability including surcharge?

Answer:

STCG u/s 111A	1,00,00,000
Other Income	6,00,00,000
Total Income	7,00,00,000
Tax on total Income	1,93,12,500
Add: Surcharge (15 lakhs x 15%)	2,25,000
(1,93,12,500 - 15 lakhs) x 37%	65,90,625
Total tax including surcharge	2,61,28,125
Add: Health & Education Cess @ 4%	10,45,125
	2,71,73,250

2. Tax Rates for Domestic Company:

Particulars	Tax Rate
Total Turnover or Gross Receipts of P. Y 2017-18 up to Rs.400 Crore	25%
Otherwise	30%

3. **Rebate u/s 87A:** W.e.f. A. Y 2020-21 is applicable for a resident individual whose total income does not exceed Rs. 5 Lakhs. **Rebate = Rs. 12,500 or 100% of Tax payable**, whichever is Lower.

Note: Rebate under section 87A is, however, not available in respect of tax payable @10% on long-term capital gains taxable under section 112A.

2. RESIDENTIAL STATUS - I & II

Income Deemed to accrue / arise in India (Sec.9): Income arising outside India, being any sum of money paid, without consideration, by a Indian resident person to a non-corporate non-resident or foreign company on or after 05.07.2019 would be deemed to accrue or arise in India if the same is chargeable to tax under section 56(2)(x) i.e., if the aggregate of such sums received by a non-corporate non-resident or foreign company exceeds Rs. 50,000.

3. INCOME FROM HOUSE PROPERTY

1. The benefit of "Nil" Annual Value is available only for up to two self-occupied or unoccupied house properties i.e. for either **one house property or two-house properties**.

2. **Section 23(5):**

- In some cases, property consisting of any buildings or lands appurtenant thereto may be held as stock-in-trade, and the whole or any part of the property may not be let out during the whole or any part of the previous year.
- In such cases, the annual value of such property or part of the property shall be Nil.
- This benefit would be available for the period upto two years from the end of the financial year in which certificate of completion of construction of the property is obtained from the competent authority.

3. **Section 24: (Not an Amendment, it's a clarification)**

Note:

a) **Conditions for Interest on Housing Loan up to a maximum of Rs. 2,00,000:**

- Loan taken for acquisition or construction of House Property,
- On or after 01-04-1999.
- Acquisition or construction should be completed within 5 years from the end of the financial year in which capital was borrowed.

b) **Interest on House Loan up to a maximum of Rs. 30,000, if -**

- Any of the above conditions in (a) is not satisfied or
- Loan is taken for repair, renovation or reconstruction at any point of time.

However, the total interest deduction under (a) and (b) cannot exceed Rs. 2,00,000

Particulars	Property I (Self-Occupied)	Property II (Self-Occupied)	Aggregate Deduction u/s 24 (b) for both Properties
Interest on Loan taken after 01-04-1999	2,23,000	1,26,000	Restricted to 2,00,000
Interest on Loan taken after 01-04-1999	1,75,000	67,000 (Repairs)	Restricted to 2,00,000
Interest on Loan taken after 01-04-1999	1,60,000	40,000 (Repairs)	Restricted to 1,90,000
Interest on Loan taken after 01-04-1999	36,000 (Repairs)	38,000 (Repairs)	Restricted to 30,000

Example: Ganesh has three houses, all of which are self-occupied. The particulars of the houses for the P.Y. 2019-20 are as under:

Particulars	House I	House II	House III
Municipal valuation p.a.	Rs. 3,00,000	Rs. 3,60,000	Rs. 3,30,000

Fair rent p.a.	Rs. 3,75,000	Rs. 2,75,000	Rs. 3,80,000
Standard rent p.a.	Rs. 3,50,000	Rs. 3,70,000	Rs. 3,75,000
Date of completion/purchase	31.03.1999	31.03.2001	01.04.2014
Municipal taxes paid during the year	12%	8%	6%
Interest on money borrowed for repair of property during the current year	-	55,000	
Interest for current year on money borrowed in July 2013 for purchase of property	1,75,000		

Compute Ganesh's income from house property for A.Y.2020-21 and suggest which houses should be opted by Ganesh to be assessed as self-occupied so that his tax liability is minimum.

SOLUTION:

Let us first calculate the income from each house property assuming that they are deemed to be let out.

Computation of income from house property of Ganesh for the A.Y. 2020-21

Particulars	Amount in Rs.		
	House I	House II	House III
Gross Annual Value (GAV)			
ER is the GAV of house property			
ER = Higher of MV and FR, but restricted to SR	3,50,000	3,60,000	3,75,000
Less: Municipal taxes (paid by the owner during the previous year)	36,000	28,800	19,800
Net Annual Value (NAV)	3,14,000	3,31,200	3,55,200
Less: Deductions under section 24			
a) 30% of NAV	94,200	99,360	1,06,560
b) Interest on borrowed capital	-	55,000	1,75,000
Income from house property	2,19,800	1,76,840	73,640

Ganesh can opt to treat any two of the above house properties as self-occupied.

OPTION 1 (House I and II - self-occupied and House III - deemed to be let out)

If House I and II are opted to be self-occupied, the income from house property shall be -

Particulars	Amount (Rs.)
House I (Self-occupied)	Nil
House II (Self-occupied) (interest deduction restricted to Rs. 30,000)	(30,000)
House III (Deemed to be let-out)	73,640
Income from house property	43,640

OPTION 2 (House I and III - self-occupied and House II - deemed to be let out)

If House I and III are opted to be self-occupied, the income from house property shall be -

Particulars	Amount (Rs.)
House I (Self-occupied)	Nil
House II (Deemed to be let-out)	1,76,840
House III (Self-occupied)	<u>(1,75,000)</u>
Income from house property	<u>1,840</u>

OPTION 3 (House II and III - self-occupied and House I - deemed to be let out)

If House II and III are opted to be self-occupied, the income from house property shall be -

Particulars	Amount (Rs.)
House I (Deemed to be let-out)	2,19,800
House II (Self-occupied) (Interest deduction restricted to Rs. 30,000) (30,000)	
House III (Self-occupied) (1,75,000)	
(Total interest deduction restricted to Rs. 2,00,000)	(2,00,000)
Income from house property	19,800

Since Option 2 is most beneficial, Ganesh should opt to treat House I and III as self-occupied and House II as deemed to be let out. His income from house property would be Rs. 1,840 for the A. Y. 2020-21.

Co-owned property [Section 26]

Self-occupied property	Let-out property
The annual value of the property of each co-owner will be Nil and each co-owner shall be entitled to a deduction of Rs. 30,000/ Rs. 2,00,000, as the case may be, on account of interest on borrowed capital. However, if the co-owner owns another self-occupied / unoccupied property, the aggregate interest from the co-owned property and the other self-occupied property cannot exceed Rs. 30,000/ Rs. 2,00,000, as the case may be.	The income from such property shall be computed as if the property is owned by one owner and thereafter the income so computed shall be apportioned amongst each co-owner as per their specific share.

Example: Ms. Aparna co-owns a residential house property in Calcutta along with her sister Ms. Dimple, where her sister's family resides. Both of them have equal share in the property and the same is used by them for self-occupation. Interest is payable in respect of loan of Rs. 50,00,000@10% taken on 1.4.2018 for acquisition of such property. In addition, Ms. Aparna owns a flat in Pune in which she and her parents reside. She has taken a loan of Rs. 3,00,000@12% on 1.10.2018 for repairs of this flat. Compute the deduction which would be available to Ms. Aparna and Ms. Dimple under section 24(b) for A. Y.2020-21.

SOLUTION:

Computation of deduction u/s 24(b) available to Ms. Aparna for A.Y.2020-21

Particulars	Amount (Rs.)
I. Interest on loan taken for acquisition of residential house property at Calcutta	
Rs. 50,00,000 x 10% = Rs. 5,00,000	
Ms. Aparna's share = 50% of Rs. 5,00,000 = Rs. 2,50,000	
Restricted to Rs. 2,00,000	2,00,000
II. Interest on loan taken for repair of flat at Pune	
Rs. 3,00,000 x 12% = Rs. 36,000	
Restricted to Rs. 30,000	30,000
Total interest	2,30,000
Deduction under section 24(b) in respect of (I) and (II) above to be restricted to	2,00,000

Computation of deduction u/s 24(b) available to Ms. Dimple for A.Y.2020-21

Particulars	Amount (Rs.)
Interest on loan taken for acquisition of residential house property at Calcutta	
Rs. 50,00,000 x 10% = Rs. 5,00,000	
Ms. Dimple's share = 50% of Rs. 5,00,000 = Rs. 2,50,000	

Restricted to Rs. 2,00,000	2,00,000
Deduction under section 24(b)	2,00,000

Business of Letting out properties: The income earned by an assessee engaged in the business of letting out of properties on rent would be taxable as business income. (Supreme Court ruling in Rayala Corporation (P) Ltd. v. Asst. CIT (2016) 386 ITR 500)

4. CAPITAL GAINS

1. **Section 50C:** Normally SDV considered on date of registration is considered but u/s 50C if date of agreement and registration are not the same, then assessee can take SDV on the date of agreement if he received consideration or part there of upto the date of agreement in A/c payee cheque/DD, use of electronic clearing system through a bank account or **any other electronic modes as may be considered.**

2. **EXEMPTIONS FROM CAPITAL GAINS:**

Section 54: Capital Gains on sale of Residential House

Eligible assessee: Individual & HUF

Conditions to be fulfilled:

- i) There should be a transfer of residential house (buildings or lands appurtenant thereto)
- ii) It must be a long-term capital asset
- iii) Income from such house should be chargeable under the head "Income from house property"

Where the amount of capital gains exceeds Rs. 2 crores

Where the amount of capital gain exceeds Rs. 2 crore, one residential house in India should be -

- Purchased within 1 year before or 2 years after the date of transfer (or)
- Constructed within a period of 3 years after the date of transfer.

Where the amount of capital gains does not exceed Rs. 2 Crore

Where the amount of capital gains does not exceed Rs. 2 Crore, the assessee i.e., individual or HUF, may at his option,

- Purchase two residential houses in India within 1 year before or 2 years after the date of transfer
- Construct two residential houses in India within a period of 3 years after the date of transfer

Where during any assessment year, the assessee has exercised the option to purchase or construct two residential houses in India, he shall not be subsequently entitled to exercise the option for the same or any other assessment year. (Available once in life time)

Quantum of Exemption:

- If cost of new residential house or houses, as the case may be \geq long term capital gains, entire long term capital gains is exempt.
- If cost of new residential house or houses, as the case may be $<$ long term capital gains, long term capital gains to the extent of cost of new residential house is exempt.

Example: Mr. Pranav, a Resident Individual aged 55 years, had purchased a Plot of Land at a cost of Rs. 9,00,000 in June, 2007. He constructed a House for his residence on that Land at a cost of Rs. 15,00,000 in August, 2009. He sold that house in May, 2019 at Rs. 1,50,00,000 and purchased Two Residential Houses in June, 2019 for Rs. 75,00,000 and in September, 2019 for Rs. 20,00,000.

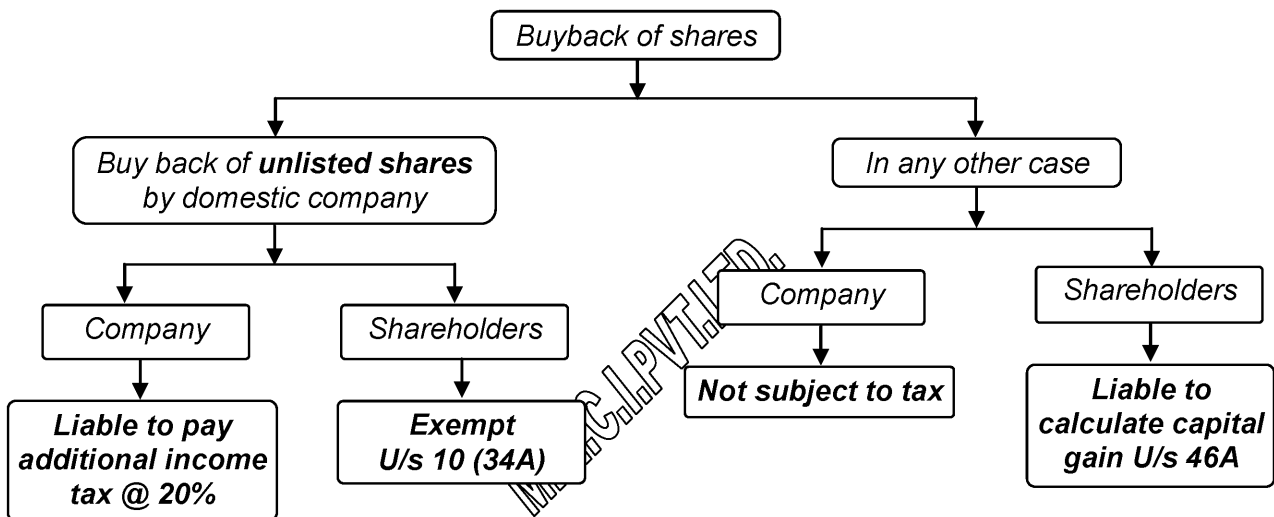
CII for Financial Year 2007-2008, 2009-2010 and 2019-2020 are 129, 148, and 289 respectively. You are required to compute Capital Gain for the AY 2020-2021.

Answer:

Computation of Taxable Income and Tax Payable by Mr. Pranav for A.Y. 2020-21

Particulars	Rs	Rs.
A. Income from Capital Gains		
Full Value of Consideration		1,50,00,000
Less: Indexed Cost of Acquisition of Land $\left(\text{Rs.}9,00,000 \times \frac{289}{129} \right)$	20,16,280	
Indexed Cost of Construction of House $\left(\text{Rs.}15,00,000 \times \frac{289}{148} \right)$	29,29,054	(49,45,334)
Less: Deduction u/s 54 –		(95,00,000)
Cost of New Residential House in June 2019	(75,00,000)	
Cost of New Residential House in September 2019	(20,00,000)	
Long Term Capital Gains		5,54,666

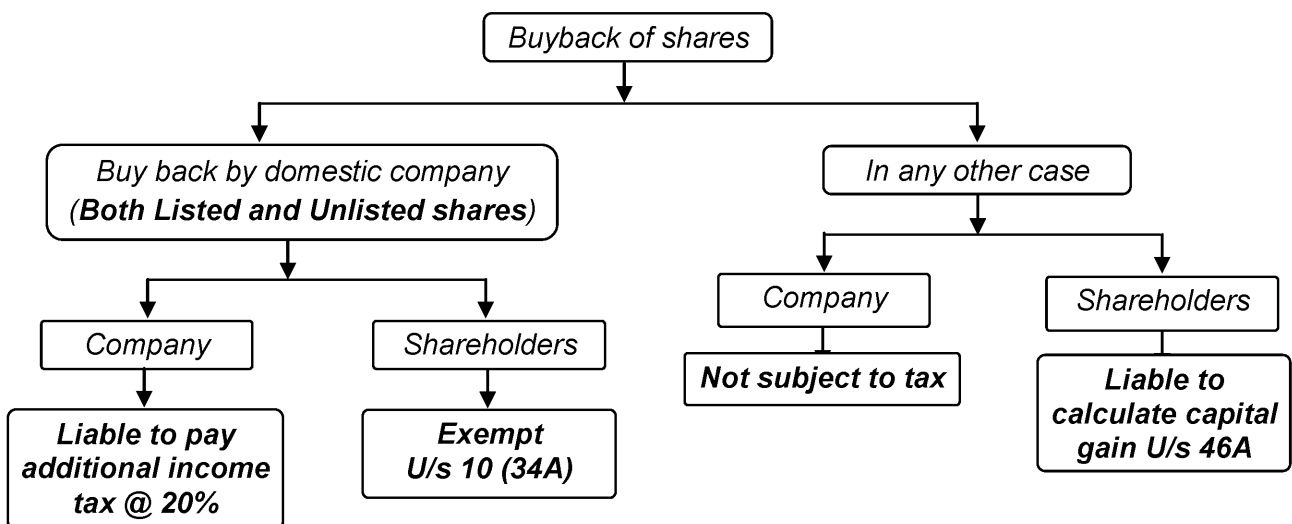
3. Section 10 (34A): (Prior to 05/07/2019)



Other points:

- a) Indexation facility is available (if shares are LTCA).
- b) Year of chargeability: In the year in which the shares are purchased by the Co.
- c) Amount on which the co. is liable to pay tax (@ 20% + S.C 12% + H.C 4%): Amount distributed at the time of buyback - amount received at the time of issue of such shares.

With effect from 05/07/2019:



Other points:

- a) **Indexation facility** is available (if shares are LTCA).
- b) **Year of chargeability:** In the year in which the shares are purchased by the Company
- c) **Amount on which the co. is liable to pay tax (@ 20%+ S.C 12%+ H.C 4%):** Amount distributed at the time of buyback - amount received at the time of issue of such shares.

4. **Sec.50CA:** Where the transfer of Share other than Quoted Share is less than FMV, then Full Value of consideration shall be FMV determined in prescribed manner.

Exceptions: [w.e.f. A.Y. 2020-21] The provisions of this section would not, however, be applicable 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.

5. Cost Inflation Index for the financial year 2019-20 is 289

5. PROFITS & GAINS OF BUSINESS OR PROFESSION

1. **Section 35AD:**

Payment Method: Any expenditure in respect of which payment or aggregate of payment made to a person of an amount exceeding Rs.10,000 in a day otherwise than by an account payee cheque drawn on bank or an account payee bank draft or use of electronic clearing system through a bank account **or through such other prescribed electronic mode** would not be eligible for deduction.

2. **Presumptive Income of Eligible business [Sec.44AD]:**

Special Cases - 6% of Total turnover or Gross Receipts or any other higher sum declared by the Assessee if Total Turnover or Gross Receipts received by way of an account Payee Cheque or an Account Payee Bank Draft or Use of Electronic Clearing System through a Bank Account such **other electronic mode as may be prescribed** during the PY or before the due date u/s 139(1) for such PY, alone are eligible for this lower rate of tax.

3. **Section 40A(3) & Rule 6DD:** Single or Aggregate Payments in respect of allowable expenditure in excess of Rs. 10,000, (Rs. 35,000 if payment is made for Plying, Hiring or Leasing Goods Carriages) other than by way of A/c Payee Cheque or A/c Payee DD / use of electronic clearing system through a Bank Account or **such other electronic mode as may be prescribed** to a single person on a single day.

4. **Section 43B: Deductions only on actual payment**

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.

Note:

- **'Deposit taking NBFC'** means a NBFC which is accepting or holding public deposits and is registered with the RBI
- **'Systemically important non-deposit taking NBFC'** means a NBFC which is not accepting or holding public deposits and having total assets of not less than 500 Crore rupees as per the latest audited balance sheet and is registered with the RBI.
- Where in respect of any sum referred in (a) above, deduction is allowed in computing the income referred to in section 28, **on due basis in the previous year** relevant to the assessment year 2019-20 or any earlier assessment year, the assessee would **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.

5. **Section 40(a)(i):** Payments of Interest, Royalty, Fees for Technical Services or other sum.

- a) Payable Outside India or
- b) In India to a Non - Resident (not being a company) or to a Foreign Company without TDS, entire expenditure is not allowed.

W.e.f. A.Y. 2020 - 2021: Where an assessee fails to deduct the whole or any part of tax on any such sum but is not deemed as assessee in default under the first proviso to section 201(1) by reason that such payee -

- i) Has furnished his return of income under section 139;
- ii) Has taken into account such sum for computing income in such return of income; and
- iii) Has paid the tax due on the income declared by him in such return of income, and the payer furnishes a certificate to this effect from an accountant in such form as may be prescribed, it would be deemed that the assessee has deducted and paid the tax on such sum on the date on which return of income has been furnished by the payee.

Earlier the above provision is applicable to 40(a) (ia) but now it is applicable to 40(a)(i) also.

6. **Depreciation on Motor Vehicles:**

a) Used In a business of running them on hire Acquired and put to use between 23.08.19 to 31.03.2020	30% 45%
b) Other Motor Vehicles Acquired and put to use between 23.08.19 to 31.03.2020	15% 30%

7. **Other electronic modes:**

Permissible "Other electronic modes" prescribed for the purpose of certain sections [Notification No. 8/2020, dated 29.01.2020]:

The following sections have been amended by the Finance (No.2) Act, 2019 to permit payment/receipt referred to therein by other electronic modes to be prescribed, in addition to account payee cheque/bank draft and Electronic Clearing System (ECS) through bank account.

Section	Description of payment/receipt	MM Material Page no. As per 43 rd edition
35AD(8)	Mode of payment of an amount exceeding Rs. 10,000 in a day for capital expenditure in respect of specified business	6.19
40A(3)/(3A)	Mode of payment or aggregate of payments exceeding Rs. 10,000 in a day towards any expenditure (exceeding Rs. 35,000 in a day, in case of payment to transport operator)	6.30
43(1)	Mode of payment or aggregate of payments exceeding Rs. 10,000 in a day to a person for acquisition of asset (for inclusion in actual cost for computing depreciation)	6.10
44AD(1)	Receipts, included in "turnover/gross receipts", qualifying for computation of presumptive income @ concessional rate of 6%	6.38
43CA	Mode of payment of part or whole of consideration for transfer of stock-in trade, being land or building or both, on or before the date of agreement for considering stamp duty value on the date of agreement for the purpose of determining full value of consideration for computing profits and gains from business or profession	6.33
50C	Mode of payment of part or whole of consideration for transfer of capital asset, being land or building or both, on or before the date of agreement for considering stamp duty value on the date of agreement for the purpose of determining full value of consideration for computing capital gains	4.24

56(2)(x)	Mode of receipt of part or whole of consideration for transfer of immovable property, being land or building or both, on or before the date of agreement for considering stamp duty value on the date of agreement for the purpose of computing income under the head "Income from other sources".	7.4
80JJAA	Mode of payment of emoluments to additional employees employed during the previous year to qualify for deduction	10.15

Accordingly, the CBDT has, vide this notification, inserted Rule 6ABBA to prescribe the following electronic modes through which payment can be made or money can be received, for the purposes of above sections cited in the above table -

- a) Credit Card;
- b) Debit Card;
- c) Net Banking;
- d) IMPS (Immediate Payment Service);
- e) UPI (Unified Payment Interface);
- f) RTGS (Real Time Gross Settlement);
- g) NEFT (National Electronic Funds Transfer), and
- h) BHIM (Bharat Interface for Money) Aadhar Pay.

6. INCOME FROM SALARIES

1. **Section 16 (Standard Deduction):** Standard deduction of Rs.50,000 or amount of salary whichever is lower is provided to the employees.

2.

a) **In case of employees covered by the Payment of Gratuity Act, 1972**

- i) $15/26 \times \text{last drawn salary} \times \text{number of completed years or part in excess of six months}$
- ii) Rs.20,00,000
- iii) Amount of Gratuity received

b) **In case of employees not covered by the Payment of Gratuity Act, 1972**

- i) $1/2 \times \text{average salary of last 10 months} \times \text{number of completed years of service}$ (fraction to be ignored).
- ii) Rs.20,00,000
- iii) Amount of Gratuity received

7. INCOME FROM OTHER SOURCES

1. **Section 10 (15):** Interest Payable to Non- Resident by a Unit located in IFSC in respect of monies borrowed by it on or after 01.09.2019, is exempt from tax.

2. **Section 56(2)(viib):** If any closely held company issues shares to any resident share holder on premium then excess of the fair market value of shares shall be taxable in hands of closely held company under IFOS

Provided that the above provision shall not apply where the issued

- a) By a venture capital undertaking from a venture capital company or a venture capital fund or **Specified fund** or
- b) By a company from a class or classes of persons as may be notified by the Central Government in this behalf.

Specified Fund: It means a fund established or incorporated in India in the form of a trust or a company or a LLP or body corporate which has been granted a certificate of registration as a Category I or a Category II Alternative Investment Fund and is regulated under the SEBI (Alternative Investment Fund) regulations, 2012.

8. DEDUCTIONS UNDER CHAPTER VI - A

1. Section 80CCD:

Applicability: Salaried Employees or any other individual

Nature of Payment/ Receipt: Contribution to approved Pension Plan

Amount of Deduction: The entire employer's contribution would be included in the salary of the employee. However, deduction under section 80CCD (2) would be restricted to **14% of salary, in case of contribution made by the Central Government**, and to 10% of salary, in case of contribution made by any other employer.

The limit of Rs.1,50,000 under section 80CCE does not apply to employer's contribution to pension scheme of Central Government which is allowable as deduction under section 80CCD(2).

2. Section 80EEA:

Applicability: Individual

Eligible assessee: An individual who has taken a loan for acquisition of residential house property from any financial institution. Interest payable on such loan would qualify for deduction under this section.

Period of benefit: The benefit of deduction under this section would be available from A.Y.2020-21 and subsequent assessment years till the repayment of loan continues.

a) Financial institution:

- A banking company to which the Banking regulation Act, 1949 applies or
- Any bank or banking institution referred to in section 51 of the Banking Regulation Act 1949 Or
- A housing companies

b) Housing finance company

Conditions:

- Stamp duty value of house \leq Rs. 45 Lakhs
- Loan should be sanctioned by a Financial Institution during the P.Y 2019-20
- The individual should not be eligible to claim deduction u/s 80EE
- The individual should not own any residential house on the date of sanction of loan.

Amount of Deduction:

- a) Maximum deduction allowable is Rs. 1,50,000.
- b) The deduction of up to Rs. 1,50,000 under section 80EEA is over and above the deduction available under section 24(b) in respect of interest payable on loan borrowed for acquisition of a residential house property.
- c) In respect of self-occupied house property, interest deduction under section 24(b) is restricted to Rs.2,00,000. In case of let out or deemed to be let out property, even though there is no limit under section 24(b), section 71(3A) restricts the amount of loss from house property to be set-off against any other head of income to Rs.2,00,000.

- d) Accordingly, if interest payable in respect of acquisition of eligible house property is more than Rs.2,00,000, the excess can be claimed as deduction u/s 80EEA, subject to fulfilment of conditions.

Example: The following are the particulars relating to Mr.A for A.Y.2020-21 -

Particulars	Mr. A
Amount of loan taken	Rs. 43 lakhs
Loan taken from	HFC
Date of sanction of loan	1.4.2019
Date of disbursement of loan	1.5.2019
Purpose of loan	Acquisition of residential house property for self-occupation
Stamp duty value of house property	Rs. 45 lakhs
Cost of electric vehicle	-
Rate of interest	9% p.a.

Compute the amount of deduction, if any, allowable under the provisions of the Income-tax Act, 1961 for A.Y.2020-21 in the hands of Mr. A. Assume that there has been no principal repayment during the P.Y.2019-20.

SOLUTION:

Particulars	Amount (Rs.)
Mr. A	
Interest deduction for A.Y.2020-21	
i) Deduction allowable while computing income under the head "Income from house property"	
Deduction u/s 24(b) Rs. 3,54,750 [Rs.43,00,000 × 9% × 11/12]	
Restricted to	2,00,000
ii) Deduction under Chapter VI-A from Gross Total Income	
Deduction u/s 80EEA Rs. 1,54,750 (Rs. 3,54,750 - Rs. 2,00,000)	
Restricted to	1,50,000

3. **Section 80EEB:**

Eligible Assesse: An individual who has taken a loan for purchase of an electric vehicle from any financial institution. Interest payable on such loan would qualify for deduction under this section.

Conditions:

- Loan should be taken for purchase of an electric vehicle
- Loan should be sanctioned during the period between 01.04.2019 and 31.03.2023
- Loan should be sanctioned by a Financial Institution (bank or specified NBFC's)
- These assessee should be an individual

Period of Benefit: The benefit of deduction under this section would be available from A.Y.2020-21 and subsequent assessment years till the repayment of loan continues

Amount of Deduction: Interest payable, subject to a maximum of Rs.1,50,000

No deduction under any other provision: The interest allowed as deduction under section 80EEB will not be allowed as deduction under any other provision of the Act for the same or any other assessment year.

Financial institution:

- A banking company to which the banking regulation Act, 1949 applies or
- Any bank or banking institution referred to in section 51 of the Banking Regulation Act 1949 Or
- Any deposit taking NBFC
- A systematically **important non-deposit taking NBFC**. i.e. a NBFC which is not accepting or holding public deposits and having total assets of not less than Rs.500 Crore as per the latest audited balance sheet and is registered with the RBI.

Example: The following are the particulars relating to Mr.C for A. Y.2020-21 -

Particulars	Mr. C
Amount of loan taken	Rs. 20 lakhs
Loan taken from	Deposit taking NBFC
Date of sanction of loan	1.4.2019
Date of disbursement of loan	1.5.2019
Purpose of loan	Purchase of electric vehicle for personal use
Stamp duty value of house property	-
Cost of electric vehicle	Rs. 22 lakhs
Rate of interest	10% p.a.

Compute the amount of deduction, if any allowable under the provisions of the Income-tax Act, 1961 for A.Y.2020-21 in the hands of Mr. C. Assume that there has been no principal repayment during the P.Y.2019-20.

SOLUTION:

Particulars	Amount (Rs.)
Mr. C	
Deduction under Chapter VI-A	
Deduction u/s 80EEB for interest payable on loan taken for purchase of electric vehicle [Rs.20 lakhs x 10% x 11/12 = Rs. 1,83,333, restricted to Rs.1,50,000, being the maximum permissible deduction]	1,50,000

9. RETURN OF INCOME

- Obligation to File Return [Section 139(1)]:** Any person other than a company or a firm, who is not required to furnish a return under section 139(1), is required to file income-tax return in the prescribed form and manner on or before the due date if, during the previous year, such person -
 - has deposited an amount or aggregate of the amounts exceeding Rs. 1 crore in one or more current accounts maintained with a banking company or a co-operative bank; or
 - has incurred expenditure of an amount or aggregate of the amounts exceeding Rs. 2 lakhs for himself or any other person for travel to a foreign country; or
 - has incurred expenditure of an amount or aggregate of the amounts exceeding Rs. 1 lakh towards consumption of electricity; or
 - fulfils such other prescribed conditions.

2. Permanent Account Number (SEC.139A)**Section 139A:**

- a) Every person who has not been allotted a PAN and intends to enter into such transaction as prescribed by the CBDT is also required to apply for PAN to the Assessing Officer.
- b) W.e.f. 01-09-2019 Every person who has been allotted a PAN, and who has linked his Aadhar Number u/s 139AA, may furnish or intimate or quote his Aadhar number in lieu of a PAN.
- c) **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.

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.

- d) **Date for intimation of Aadhaar number to the prescribed authority extended from 30th September, 2019 to 31st December, 2019. [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 Govt.

The Central Government has, vide this notification extended the date from 30th September, 2019 to 31st December, 2019 **and this date has been further extended to 31st March, 2021.**

3. Aadhaar Number (SEC.139AA)

Consequences of failure to intimate Aadhaar Number: If a person fails to intimate the Aadhaar Number, the permanent account Number (PAN) allotted to such person shall be deemed to be invalid and the other provisions of the Act shall apply, as if the person had not applied for allotment of permanent account number (PAN).

10. EXEMPTIONS FROM TOTAL INCOME**Section 10 (12A): Individuals**

- a) **Applicability:** All assessee (Individuals), who have subscribed to the National Pension System Trust. (Earlier it was applicable only to an employee)
- b) **Nature of exemption:** Payment from the National Pension System Trust on closure of account or on opting out of the Pension scheme referred u/s 80CCD is exempt up to 60% of the amount payable.

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11. TDS & TCS

SEC.	NATURE OF PAYMENT	PERSON RESPONSIBLE FOR TDS	TYPE OF PAYEE	RATE OF TDS	EXEMPTION LIMIT
194A	Interest other than Interest on Securities	Any person other than Individual/HUF not liable to Tax Audit in Last P.Y (In case of Ind/HUF/TDS required to be deduct only if last year T/o > 1 Cr in case of Business or G/R > 50 lakhs in case of Profession)	Any Resident	10%	<p>No TDS if</p> <ol style="list-style-type: none"> Interest paid by Banks /Co-Op Bank/ Post office up to Rs.40,000 w.e.f 01/04/19 (The limit is Rs.50,000 in case of payee, being a resident senior citizen) In other cases its upto Rs.5,000 Interest paid by firm to partners Interest on Income Tax Interest on Bank Savings A/c Interest paid to any Bank/LIC/UTI/Any Insurer. <p><u>Note:</u> Bank opting core banking solutions (CBS) then, the limit of Rs.40,000 will not be per Branch but will be per Bank/ Co-op society</p> <ol style="list-style-type: none"> Interest paid by Co-op society (other than Co-op Bank) to its members or to any other Co-operative society Interest paid in respect of certain schemes of post office, Kisan Vikas patra, India Vikas Patra, national Savings certificate, P.O monthly income A/c, P.O recurring deposits.
194DA	Any sum under Life Insurance Policy	Insurance Companies	Any Resident	1% (w.e.f. 1.9.2019: 5%)	<ol style="list-style-type: none"> Upto Rs. 1,00,000 No TDS, if such payment is exempted u/s 10(10D).
194 - I	Rent	Any person other than Individual/HUF not liable to Tax Audit in Last P.Y (In case of Ind/HUF/TDS required to be deduct only if last year T/o > 1 Cr in case of Business or G/R > 50 lakhs in case of Profession)	Any person (Exempt for Govt / Local Authorities)	P&M - 2% Land & Building , Furniture / Fittings 10%	<p>Rs. 2,40,000 p.a.</p> <p><u>Note:</u> No TDS on Rent paid to REIT in respect of Real Estate Asset. (If property is owned by more than one then limit of Rs.2,40,000 applied to each Co-owner)</p>
194IA	TDS on transfer (Purchase) of Immovable property (other than rural agricultural land)	Any Person	Any Resident Person	1%	<ol style="list-style-type: none"> No TDS if consideration is less than Rs.50 Lakhs (Actual consideration is less than Rs.50 lakhs) If consideration is Rs.50 Lakhs or more and only part payment is made then TDS is applicable on every part payment of consideration. Consideration 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.

194M (Note)	Certain sums for carrying out any work or by commission or brokerage or fees for Professional services.	Individual or HUF (other than covered under 194C/ 194H/ 194J)	Any person Resident in India	5% (w.e.f. 01.09.19)	Rs. 50 Lakhs <u>Note:</u> No requirement to obtain TAN
194N	Payment in cash	Every person being a Banking Company, a Co-operative society engaged in business of banking or post office	Any person	2% (w.e.f. 01.09.19)	Rs. 1 Crore

Non-applicability of TDS under section 194N:

Liability to deduct tax at source under section 194N shall not be applicable 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 RBI guidelines
- iv) Any white label ATM operator of a banking company or co-operative society engaged in carrying on the business of banking, in accordance with the authorization issued by the RBI under the Payment and Settlement Systems Act, 2007
- v) Such other person or class of persons notified by the Central Government in consultation with the RBI

Notified Persons:

1. Cash Replenishment Agencies (CRAs) and franchise agents of White Label Automated Teller Machine Operators (WLATMO's)
2. 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.
3. the Authorized dealer and its franchise agent and sub-agent
4. Full-Fledged Money Changer (FFMC) licensed by the RBI and its franchise agent

Note: Time limit, form and manner of depositing tax deducted at source under section 194M prescribed [Notification No. 98/2019, dated 18.11.2019]:

Section 194M, inserted with effect from 1.9.2019, provides for deduction of tax at source @ 5% by an individual or a HUF responsible for paying any sum during the financial year to any resident –

- i) for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract; or
- ii) by way of commission (not being insurance commission referred to in section 194D) or brokerage; or
- iii) by way of fees for professional services.

Only individuals and HUFs (other than those who are required to deduct income-tax as per the provisions of section 194C or 194H or 194J) are required to deduct tax in respect of the above sums payable during the financial year to a resident, if the aggregate of such sums, credited or paid, exceed Rs. 50 lakhs.

Consequent to insertion of section 194M, the CBDT has, vide this notification, amended Rule 30, 31 and 31A in the following manner to specify the time limit for depositing the tax deducted at source, challan-cum- statement, certificate for deduction of tax at source:

Rule No.	Provision
Rule 30(2C)	<p><u>Time limit and prescribed form for remittance of TDS</u> Any sum deducted under section 194M shall be paid to the credit of the Central Government <u>within a period of thirty days</u> from the end of the month in which the deduction is made and shall be accompanied by a challan-cum statement in Form No. 26QD.</p>
Rule 30(6C)	<p><u>Manner of remittance of TDS</u> Where tax deducted is to be deposited accompanied by a challan - cum statement in Form No.26QD, the amount of tax so deducted shall be deposited to the credit of the Central Government by <u>remitting it electronically within thirty days</u> from the end of the month in which the deduction is made into the Reserve Bank of India or the State Bank of India or any authorised bank.</p>
Rule 31(3C)	<p><u>Certificate for deduction of tax at source and time limit for furnishing such certificate to the payee</u> Every person responsible for deduction of tax under section 194M shall furnish the certificate of deduction of tax at source in Form No.16D to the payee <u>within fifteen days</u> from the due date for furnishing the challan-cum statement in Form No.26QD under rule 31A after generating and downloading the same from the web portal specified by the Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems) or the person authorised by him.</p>
Rule 31A(4C)	<p><u>Time limit and manner of submission of Challan-cum Statement</u> Every person responsible for deduction of tax at source under section 194M shall furnish to the Principal Director General of Income-tax (Systems) or Director General of Income-tax (System) or the person authorised by the Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems) a challan-cum statement in Form No.26QD electronically in accordance with the procedures, formats and standards specified under Rule 31A(5) <u>within thirty days</u> from the end of the month in which the deduction is made.</p>

THE END

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