Salient features of the Finance Bill, 2016

[Relating to direct taxes]

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The Finance Bill, 2016 or the Union Budget, 2016-17, was presented in the Parliament on 29.2.2016. As regard the direct taxes, there are in all one hundred and ten (110) amendments proposed in the Finance Bill, 2016, vide clauses (3) to (112).

There are other insertions / amendments, which do not relate to the provisions of the Income-Tax Act, 1961 (the Act). Such insertions / amendments are in the form of Equalization Levy, the Income Declaration Scheme, 2016, the Direct Tax Dispute Resolution Scheme, 2016, etc, which have been dealt with separately.

Save as otherwise provided in the aforesaid Bill, the insertions / amendments, vide the aforesaid clauses shall be deemed to have come into force on the first day of April, 2016, viz. from financial year (FY) 2016-17, relevant to assessment year (AY) 2017-18. Further, it may also be stated here that there are some amendments which will come into operation from certain specified dates, whereas some others will come into operation with retrospective effect. Therefore, an attempt has been made to provide the date with effect from which the amendment(s), in question, shall come into effect. The term "*Section*", in this Note shall mean section of the Income-Tax Act, 1961 (the Act).

The abbreviations FY, PY, and AY stand for financial year, previous year and assessment year, respectively, in this Note.

In this Note, only the important amendments have been discussed and the same are as follows : -

1. Rates and slabs of income-tax

In the Union Budget, 2016-17, the basic exemption limit for Individuals, Hindu Undivided Families (HUFs), Association of Persons (AOPs), Body of Individuals (BOIs) and Artificial Juridical Persons (AJPs), have remained unchanged.

Paragraph A of Part III of the First Schedule to the Bill, provides the following rates of income-tax :

I. In the case of every individual [other than those specifically mentioned in sub-paragraph (II) and (III)] or Hindu Undivided Family or every Association of Persons or Body of Individuals, whether incorporated or not, or every Artificial Juridical Persons referred to in sub-clause (vii) of clause (31) of section 2 of the Income-Tax Act, not being a case to which any other Paragraph of the aforesaid Part III applies :-

(i) Up to Rs.2,50,000	Nil
(ii) Rs. 2,50,001 to Rs. 5,00,000	10 per cent.
(iii) Rs. 5,00,001 to Rs. 10,00,000	20 per cent.
(iv) Above Rs. 10,00,000	30 per cent.;

II. In the case of every individual, being a resident in India, who is of the age of sixty years or more but less than the age of eighty years at any time during the previous year :–

(i) Up to Rs.3,00,000	Nil
(ii) Rs. 3,00,001 to Rs. 5,00,000	10 per cent.
(iii) Rs. 5,00,001 to Rs. 10,00,000	20 per cent.
(iv) Above Rs. 10,00,000	30 per cent.;

III. In the case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year :–

(i) Up to Rs.5,00,000	Nil
(ii) Rs. 5,00,001 to Rs. 10,00,000	20 per cent.
(iii) Above Rs. 10,00,000	30 per cent.

The rebate under section 87A of the Act, has been increased from Rs.2,000 to Rs.5,000 in case of resident individuals whose total income does not exceed Rs.5 lakhs.

Rates of tax in respect of companies

The rates of tax in respect of companies will be as follows :

(i) In case of domestic companies, if total turnover or gross receipts does not exceed Rs.5 crores, the rates of tax will be 29% of total income.

(ii) In case of other companies, the rate of tax will be 30% of the total income.

(iii) In case of newly set up domestic companies, engaged solely in the business of manufacturing or production of articles or things [new section 115BA], the rates of tax

will be 25%, at the option of the company if set up and registered on or after 1.3.2016 and has not claimed any benefit under section 10AA, accelerated depreciation, additional depreciation, investment allowance, expenditure on scientific research or any deduction in paragraph C of Chapter VI-A, other than the provision of section 80JJAA.

Surcharge

As regard the aforesaid entities, viz. Individuals, HUFs, AOPs, BOIs, etc. there will be no surcharge in case the taxable income is upto Rs.1 crore.

However, in case taxable income exceeds Rs.1 crore, the surcharge will be levied at the rate of 12% of the amount of income-tax. Marginal relief will be provided in all such cases.

Domestic companies

(i) There will be no surcharge if total income does not exceed Rs.1 crore

(ii) Surcharge at the rate of 7% in case income is above Rs.1 crore, but upto Rs.10 crores.

(iii) Surcharge at the rate of 12% if the total income exceeds Rs.10 crores.

Marginal relief will be provided in all such cases.

Foreign companies

(i) There will be no surcharge if total income is upto Rs.1 crore

(ii) Surcharge at the rate of 2% in case total income is above Rs.1 crore, but upto Rs.10 crores.

(iii) Surcharge at the rate of 5% if the total income exceeds Rs.10 crores.

In other cases (including sections 115-O, 115QA, 115R, 115TA or 115TD), the surcharge will be levied at the rate of 12% of the income-tax chargeable.

Education cess

Education cess will continue to be applicable at the rate of 3% of the amount of tax computed, inclusive of surcharge in all cases.

2. Amendment of section 2 – Relating to certain definitions

I. Exclusion of Deposit Certificates issued under the Gold Monetization Scheme, 2015, from the definition of capital asset – Amendment of section 2(14)

Clause (14) of section 2 is to be amended, so as to exclude Deposit Certificates issued under the ***Gold Monetization Scheme, 2015,*** notified by the Central Government, from the definition of capital asset and thereby, to exempt them from capital gains.

The aforesaid amendment will take effect retrospectively from 1.4.2016 and shall, accordingly, apply in relation to AY 2016-17 and subsequent AYs.

II. Providing legal framework for automation of various processes and paperless assessment - Insertion of new clause (23C) in section 2.

A new clause (23C) is inserted in section 2, in order to define the term "*hearing*", so as to include communication of data and documents through electronic mode.

The aforesaid amendment will take effect from 1.6.2016.

III. Exclusion of Central Government subsidy or grant or cash assistance, etc towards corpus fund, established for specific purposes from the definition of Income.

Sub-clause (xviii) of clause 24 of section 2 is to be amended, so as to provide that subsidy or grant by the Central Government for the purpose of the corpus of a trust or institution established by the Central Government or a State Government, as the case may be, shall not form part of income.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

3. Amendment of section 6(3) – Residence in India of a company

Section 6(3) is to be amended, so as to provide that a company shall be said to be resident in India, in any previous year, if –

(a) It is an Indian company, or

(b) Its place of effective management, is in India.

Further, an Explanation is to be inserted, to clarify the expression "*Place of effective management*" to mean a place where key management and commercial decisions that are necessary for the conduct of business of an entity as a whole, are, in substance, made.

4. Amendment of section 10

There are a number of insertions / amendments in section 10 of the Act, which are discussed as follows :

I. Rationalization of tax-treatment of recognized provident funds, pension funds and national pension scheme, etc.

The following amendments are made under the relevant clauses of section 10 :

(i) Amount received by nominee on death of employee at the time of closure of account under National Pension System, is to be **exempt.**

(ii) **Exemption** for one-time portability from a recognized provident fund or superannuation fund to National Pension System

(iii) 40% of the pension wealth received by an employee from the National Pension System Trust is to be **exempt** [section 10(12)]

(iv) **Exemption** under the recognized provident fund and superannuation fund limited to 40% of the accumulated amount arising out of contributions made in such funds on or after 1.4.2016 except where employee having monthly salary below Rs.15,000 participating in a recognized provident fund [section 10(13)]

II. Rationalization of taxation of income, by way of dividend – Amendment of clause (34) of section 10.

Under the existing provisions of section 10(34), dividends which suffer dividend distribution tax (DDT) under section 115-O are exempt in the hands of the shareholder. Under section 115-O, dividends are taxed only at the rate of 15% at the time of distribution in the hands of the company declaring dividends. This creates vertical inequity amongst the tax-payers, as those who have high dividend income are subjected to tax only at the rate of 15%, whereas such income in their hands would have been chargeable to tax at the rate of 30%.

Therefore, section 10(34) is to be amended, so as to provide that any income, by way of dividend in excess of Rs.10 lakhs, shall be chargeable to tax in the case of an individual, HUF or a firm, which is resident in India, at the rate of 10%. The taxation of dividend income in excess of Rs.10 lakhs shall be on gross basis, viz. without deduction of expenditure or allowance or set-off of loss.

The aforesaid amendment will be effective from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

III. Tax-treatment of Gold Monetization Scheme, 2015–Amendment of clause (15) of section 10.

Clause (15) of section 10 is to be amended, so as to provide that interest on Deposit Certificates issued under the Gold Monetization Scheme, 2015, shall be exempt from income-tax.

The aforesaid amendment will take effect retrospectively from 1.4.2016 and will, accordingly apply in relation to AY 2016-17 and subsequent AYs.

IV. Amendment of the term "Securitization" – Section 10(23DA)

Clause (23DA) of section 10 is to be amended, so as to provide that the definition of the term "*Securitization*" for the purposes of the said clause, shall also include "*Securitization*", as defined in clause (z) of sub-section (1) of section 2 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

Besides, clauses (23FD) and (35A) of section 10, along with sections 115TA and 115TCA are also to be amended, so as to allow complete pass through to securitization trust and income to be taxed in the hands of the investor in the same manner and to the same extent, as if the investor had made the underlying investments directly. The income of securitization trust will be exempt and securitization trust shall effect TDS.

The aforesaid amendment will be effective from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

V. Exemption from capital gains tax, in case of income arising from International Financial Services Centre – Amendment of section 10(38)

Clause 38 of section 10 is to be amended, so as to provide for exemption from the capital gains tax, in case of income arising from transaction undertaken on a regular stock exchange, located in the International Financial Services Centre and the consideration for such transaction is paid or payable in foreign currency.

The expression *"International Financial Services Centre*" and "*Recognized stock exchange*" are also to be defined.

The aforesaid amendments will be effective from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

VI. Exemption of income arising from specified services – Insertion of new clause (50) in section 10.

A new clause (50) is to be inserted in section 10, so as to provide that income arising from specified services provided on or after the date on which the provisions of Chapter VIII of the Finance, Act, 2016, comes into force, are chargeable to **equalization levy** under that Chapter, shall be exempt.

An *Explanation* is also to be added to clause (50), so as to provide that the expression "*Specified service*" shall have the meaning assigned to it in clause (i) of section 161 of Chapter VIII of the Finance Act, 2016.

The aforesaid amendment will take effect from 1.6.2016.

5. Amendment of section 10AA, relating to special economic zones (SEZs) – Phasing out of the exemption.

Under present section 10AA of the Act, an entrepreneur who begins his unit for manufacturing or producing articles or things or providing any services during the previous year, relevant to any AY, commencing on or after 1.4.2006, is allowed deduction on the profits derived from the export of articles or things or services.

Section 10AA is to be amended, so as to provide that no deduction shall be available to units commencing manufacture or production of articles or things or providing services on or after 1.4.2020, viz. FY 2020-21, onwards.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

6. Amendment of rule 8D, relating to section 14A of the Act.

Vide clause (167) of Part B of the Budget proposals announced by the Finance Minister, rule 8D of the Income-Tax Rules, 1962, is to be amended.

As per the aforesaid clause 167, the formula for disallowance under rule 8D, relating to section 14A of the Act, is to be rationalized.

The said rule is being amended to provide that the disallowance will be limited to 1% of the average monthly value of investments yielding exempt income, but not exceeding the actual expenditure claimed.

7. Amendment of section 17(2), relating to contribution of the employer to an approved superannuation fund.

Presently, section 17(2) defines "*perquisite*" to include, *inter alia*, the amount of any contribution to an approved superannuation fund by the employer, in respect of the employee, to the extent it exceeds Rs.1 lakh.

The aforesaid limit is to be enhanced to Rs.1.5 lakhs.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

8. Amendment of section 24 – Increase in time for acquisition or construction of self- occupied house property for claiming deduction of interest.

Under the existing clause (b) of section 24, interest payable on capital borrowed for acquisition or construction of a self-occupied house property is allowed as a deduction if such acquisition or construction is completed within a period of **three years** from the end of the FY, in which capital is borrowed.

In order to mitigate the unintended hardship in this regard, the aforesaid deduction of interest will be allowed if the acquisition or construction of the self-occupied house property is completed within **five years** from the end of the FY, in which the capital is borrowed.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

9. Substitution of sections 25A, 25AA and 25B, relating to taxation of unrealized rent and arrears of rent.

Under the existing provisions of sections 25A, 25AA and 25B, relating to special provisions for cases where unrealized rent allowed as deduction is realized subsequently, unrealized rent received subsequently to be charged to income-tax and special provision for arrears of rent received.

The aforesaid sections 25A, 25AA and 25B are to be substituted with a new section 25A.

Under the new section 25A, the amount of rent received in arrears or the amount of unrealized rent realized subsequently by an assessee, shall be charged to income-tax in the FY in which such rent is received or realized, whether the assessee is the owner of the property or not in that FY.

It is also provided that 30% of arrears of rent or the unrealized rent realized subsequently by the assessee, shall be allowed as a standard deduction, from house property income.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

10. Amendment of section 28 – Taxation of non-compete fees and exclusivity rights in case of profession.

Clause (va) of section 28, *inter alia*, provides that any sum, whether received or receivable, in cash or kind, under an agreement for not carrying out any activity, in relation to any business is chargeable to tax as business income for business entities.

The aforesaid clause (va) is to be amended, so as to provide that any sum received or receivable, in cash or kind, under an agreement for not carrying out any activity, in relation to any profession shall also be income chargeable to income-tax under the head "*Profits and gains of business or profession"*.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

11. Amendment of section 36 – Deduction in respect of provision for bad and doubtful debts in case of non-banking financial companies.

The existing provisions of section 36(1)(viia) provide for deduction in respect of any provision for bad and doubtful debts made by certain entities.

A new sub-clause (d) is to be inserted in the aforesaid clause (viia) of section 36(1), so as to provide that any provision for bad and doubtful debts made by a non-banking financial company shall be allowed as deduction of an amount not exceeding 5% of the total income (computed before making any deduction under this clause and Chapter VI-A).

The expression "*Non-banking financial company*" has also been defined.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

12. Amendment of section 40, relating to amounts not deductible

The provisions of section 40 specify the amounts which shall not be deducted in computing the income chargeable under the head "*Profits and gains of business or profession*".

A new sub- clause (ib) is to be inserted in clause (a) of section 40, so as to provide that any consideration paid or payable to a non-resident for a specified service on which **equalization levy**

is deductible under Chapter VIII of the Finance Act, 2016 and such levy has not be deducted, or after deduction, has not been paid on or before the due date specified under section 139(1), shall not be deducted in computing the total income.

It is also provided that if the aforesaid equalization levy is paid after the due date specified under section 139(1), such sum shall be allowed as a deduction in computing the income of the previous year in which such levy has been paid.

The aforesaid amendment will take effect from 1.6.2016.

13. Insertion of new section 40ADA – Presumptive taxation scheme for persons having income from profession

The new section 40ADA seeks to provide that notwithstanding anything contained in sections 28 to 43C in case of an assessee, being a resident in India, who is engaged in a profession referred to in section 44AA(1) and whose total gross receipts do not exceed Rs.50 lakhs in a previous year, a sum equal to 50% of the total gross receipts of the assessee in the previous year, on account of such profession, or as the case may be, a sum higher than the aforesaid sum claimed to have been earned by the assessee, shall be deemed to be the profits and gains of such profession chargeable to tax under the heading "*Profits and gains of business or profession*".

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

14. Amendment of section 47 – Certain transactions not be treated as transfer.

A number of new clauses / sub-clauses have been inserted in section 47, which are discussed as follows :

I. A new clause (viic) is to be inserted in section 47, so as to provide that any **redemption of Sovereign Gold Bond** issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015, by an assessee, being an individual, shall not be considered as transfer.

II A new sub-clause (ea) is to be inserted in clause (xiiib) of section 47, so as to provide a condition in addition to the existing conditions that value of the total assets in the books of account of the company in any three previous years, preceding the previous year in which the conversion into limited liability partnership (LLP) takes place, does not exceed Rs.5 crores.

In other words, tax neutral treatment is to be given to **conversion of a company into LLP**, if the value of assets in the books of the company in any of the three preceding years does not exceed Rs.5 crores.

III. A new clause (xix) is to be inserted in section 47, so as to provide that any transfer by unit holder of a capital asset, being a unit or units, held by him in the consolidating plan of a mutual fund scheme, made in consideration of the allotment to him of a capital asset, being a unit or units in the consolidating plan of scheme of mutual fund, shall not be considered as transfer, for capital gains tax purposes.

In other words, transfer of units in merger or consolidation of plans of a mutual fund scheme will be exempt from capital gains tax.

Further, the expressions "*Consolidating plan*", "*Consolidated plan*" and "*Mutual fund*", for the purpose of the aforesaid clause (xix) are to be defined.

The aforesaid amendments will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

15. Amendment of section 48 – Provision for tax benefits to Sovereign Gold Bond Scheme, 2015 and Rupee Dominated Bonds.

Third proviso in section 48 of the Act, is to be substituted by two different provisos, which are discussed as follows :

I. Regarding Sovereign Gold Bond Scheme, 2015, the substituted proviso seeks to provide for indexation benefits to long-term capital gains, arising on transfer of Sovereign Gold Bond, in cases of all assessees.

II. Regarding Rupee Denominated Bonds, the substituted proviso seeks to provide that in case of an assessee being a non–resident, any gains arising on account of appreciation of rupee against a foreign currency at the time of redemption of Rupee Dominated Bond of an Indian company subscribed by him, shall be ignored for the purpose of computation of full value of consideration under section 48 of the Act.

In other words, the aforesaid capital gains shall be exempt from tax.

The aforesaid amendments will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

16. Insertion of new section 54EE as Tax incentive for start-ups – Exemption from capital gains on investment in units of specified fund

A new section 54EE is to be inserted in order to provide exemption from capital gains tax if the long-term capital gains proceeds are invested by an assessee in units of such specified fund, as may be notified by the Central Government in this behalf, subject to the condition that the amount remains invested for three years failing which the exemption shall be withdrawn.

Besides, the investment in the units of specified fund shall be allowed upto Rs.50 lakhs.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

17. Amendment of section 54GB as Tax incentive for start-ups – Exemption from capital gains on transfer of a residential property on investment in subscription of shares of a start-up company, etc.

The existing provisions of section 54GB provide exemption from tax on long-term capital gains in respect of the gains arising on account of transfer of a residential property, if such capital gains are invested in subscription of shares of a company which qualifies to be a small or medium enterprise under the Micro, Small and Medium Enterprises Act, 2006, subject to other conditions specified therein.

Section 54GB is to be amended so as to provide that capital gains arising on account of transfer of a residential property shall not be charged to tax if such capital gains are invested in subscription of shares of a company which qualifies to be an eligible start-up subject to other specified conditions.

Further, the existing provision of section 54GB requires that the company should invest the proceeds in the purchase of new asset being new plant and machinery, but does not include, *inter-alia*, computers or computer software.

Section 54GB is to be amended so as to provide that the '*new asset*' includes computers or computer software in case of technology driven start-ups, so certified by the Inter-Ministerial Board of Certification notified by the Central Government in the Official Gazette.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

18. Amendment of section 55 – Taxation of non-compete fees and exclusivity rights in case of profession

Section 55 of the Act relating to the meanings of the terms '*adjusted*', '*cost of improvement'*, '*cost of acquisition*', are to be amended.

Section 55(1)(b)(1) provides that the cost of improvement in relation to a capital asset, being goodwill of a business or a right to manufacture, produce or process any article or thing or right to carry on any business, shall be taken to be Nil.

Further, section 55(2)(a) provides that the cost of acquisition in relation to a capital asset, being goodwill of a business or a trade mark or brand name associated with a business or a right to manufacture, produce or process any article or thing or right to carry on any business, tenancy rights, stage carriage permits or loom hours, shall be taken to be the amount of the purchase price in case the asset is purchased by the assessee and in any other case such cost shall be taken to be Nil.

The aforesaid sections 55(1)(b)(1) and 55(2)(a) are to be amended so as to include the right to carry on the profession also under its scope.

The aforesaid amendments will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

19. Amendment of section 56 – No tax under section 56(2)(vii), on receipt of shares by an individual or HUF as a consequence of demerger or amalgamation of a company

The existing provisions of section 56(2)(vii) of the Act provide for chargeability of income from other sources in case any money, immovable property or other property with or without consideration in excess of Rs.50,000, is received by an assessee being an individual or an Hindu undivided family (HUF). The provisions also apply where shares of a company are received as a consequence of demerger or amalgamation of a company. Such a transaction is not regarded as transfer where the recipient is a firm or a company.

In order to bring uniformity in tax-treatment, section 56 is to be amended, so as to provide that any shares received by an individual or HUF as a consequence of demerger or amalgamation of a company, shall not attract the provisions of section 56(2)(vii) of the Act.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

20. Substitution of section 80EE – Incentives for promoting housing for all

Section 80EE relating to deduction in respect of interest on loans taken for residential house property, is to be substituted.

The existing provisions of section 80EE provide a deduction upto Rs.1 lakh in respect of interest paid on loan by an individual for acquisition of a residential house property. This benefit is available for the two assessment years beginning on 1..4.2014 and 1.4.2015.

In furtherance of the goal of the Government in providing '*Housing for all'*, section 80EE is substituted so as to provide a deduction for those who buy residential house property for the first time, in respect of interest on loan taken from any financial institution upto Rs.50,000, subject to other conditions specified therein. Further, the aforesaid benefit is to be extended till repayment of loan continues.

The deduction under section 80EE is over and above the limit of Rs.2 lakhs, provided for a self-occupied house property under section 24 of the Act.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

21. Amendment of section 80GG – Increase in limit of deduction, from Rs.2,000 to Rs.5,000 per month, in respect of rent paid

Section 80GG provides for a deduction of any expenditure incurred by an individual in excess of 10 per cent of his total income towards payment of rent in respect of any furnished or unfurnished accommodation occupied by him for the purpose of his own residence, if he is not granted house rent allowance by his employer. The aforesaid deduction should not exceed Rs.2,000 per month or 25 per cent of total income for the year whichever is less, subject to other conditions prescribed therein.

In order to provide relief to individual tax payers, section 80GG is amended so as to increase maximum limit of deduction from the existing Rs.2,000 per month to Rs.5,000 per month.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

22. Insertion of new section 80-IAC – Tax incentives for start-ups

A new section 80-IAC is inserted in the Act with a view to providing 100 per cent deduction for eligible start-ups incorporated before 1.4.2019, for three consecutive AYs out of five AYs, for income from business involving innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

23. Insertion of new section 80-IBA, providing for 100 per cent deduction for developing and building housing projects – Incentive for affordable housing

A new section 80-IBA is inserted in the Act in order to provide for 100 per cent deduction of profits and gains of an assessee for developing and building housing projects, if the project is approved by the competent authority on or before 31.3.2019, subject to conditions specified therein.

Further, the assessee is required to complete the said project within three years, failing which the entire deduction claimed in the previous year shall be deemed as his income

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

24. Amendment of section 87A – Increase in limit of rebate in income-tax from Rs.2,000 to 5,000

The existing section 87A provides that an individual resident, whose total income does not exceed Rs.5 lakhs, is eligible for rebate in income-tax equal to income-tax payable or Rs.2,000, whichever is less.

Section 87A is to be amended in order to increase the amount of rebate from the existing Rs.2,000 to Rs.5,000.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

25. Amendment of section 112 – Capital gains from transfer of shares of a private company to be taxable at 10 per cent.

Existing provisions of section 112(1)(c) provide tax rate of 10 per cent on long-term capital gains arising from the transfer of securities, whether listed or unlisted. The expression '*securities*' for the purpose of the said provision has the same meaning as in section 2(h) of the Securities Contracts (Regulations) Act, 1956. A view has been taken by the Courts that shares of a private company are not '*securities*'.

In order to clarify the position in this context, section 112(1)(c) is to be amended so as to provide that long-term capital gains arising from the transfer of shares of a private company, shall be chargeable to tax at the rate of 10 per cent.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

26. Insertion of new section 115BBDA – No exemption for dividend above Rs.10 lakhs

Under section 10(34) of the Act, dividend income is exempt if dividend distribution tax is paid on such income under section 115-O.

A new section 115BBDA is to be inserted in the Act so as to provide that any income by way of dividend declared, distributed or paid by a domestic company, in excess of Rs.10 lakhs shall be chargeable to tax at the rate of 10 per cent in case of an individual, HUF or a firm who is a resident in India.

It is further provided that no deduction in respect of any expenditure or allowance for set-off of loss shall be allowed in computing the income by way of dividend and to define the term dividends.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

27. Amendment of section 115JB – MAT not to apply to a foreign company and the rate of MAT to be reduced to 9 per cent in case of a unit of an International Financial Services Centre.

The main amendments brought about in section 115JB are as follows :

I. In the first place, after sub-section (6), a new sub-section (7) is to be inserted in section 115JB of the Act. The newly inserted sub-section (7) provides that in case of a company, being a unit of an International Financial Services Centre and deriving its income solely in convertible foreign exchange, the rate of tax under section 115JB shall be 9 per cent, instead of 18 per cent at present.

Besides, certain expressions have also been defined.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

II. Further, the present *Explanation 4* to section 115JB shall be renumbered as *Explanation 5* thereof, and before *Explanation 5* so numbered a new *Explanation 4* is to be inserted with retrospective effect from 1.4.2001.

As per the aforesaid *Explanation 4*, provisions of section 115JB shall not be applicable and shall be deemed never to have been applicable to an assessee, being a foreign company, if –

(i) The assessee is a resident of a country or a specified territory with which India has an agreement as referred to in section 90(1) or 90A(1) and the assessee does not have a permanent establishment (PE) in India; or

(ii) The assessee is a resident of a country with which India does not have an agreement as referred to in sections 90(1) and 90A(1) and the assessee is not required to seek registration under any law for the time being in force relating to companies.

The aforesaid amendment will take effect retrospectively from 1.4.2001 and will, accordingly, apply in relation to AY 2001-02 and subsequent AYs.

28. Insertion of new section 115JH being part of new Chapter XII-BC – Provisions for determination of income of a foreign company becoming resident in India for the first time

A new section 115JH under the heading "*Foreign company, said to be resident in India*", falling under a new Chapter XII-BC has been inserted in the Act.

The said provisions have been inserted in the Act, by way of section 115JH, falling under Chapter XII-BC, relating to tax-treatment and determination of income of foreign company becoming resident in India for the first time.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

29. Amendment of section 115-O, relating to DDT, in regard to a specified domestic company and International Financial Service Centre

New sub-sections (7) and (8) have been inserted in section 115-O, which are discussed as follows :

I. A new sub-section (7) is to be inserted in section 115-O, in order to provide that no tax on distributed profits shall be chargeable under section 115-O, in respect of any amount declared, distributed or paid by the **specified domestic company**, by way of dividends (whether interim or otherwise) to a **business trust**, out of its current income, on or after the specified date.

It is further provided that nothing contained in the aforesaid sub-section (7) shall apply in relation to any amount declared, distributed or paid at any time by the specified domestic

company, by way of dividends (whether interim or otherwise) out of its accumulated profits and current profits upto the specified date.

Besides, the expressions "*specified domestic company*" and "*specified date*" have also been defined.

The aforesaid amendment will take effect from 1.6.2016.

II. A new sub-section (8) has been inserted in section 115-O, so as to provide that no tax on distributed profits shall be chargeable in respect of the total income of a company, being a unit of an International Financial Services Centre, deriving income solely in convertible foreign exchange for any AY, on any amount declared, distributed or paid by such company, by way of dividends (whether interim or otherwise) on or after 1.4.2017, out of its current income, either in the hands of the company or the person receiving such dividend.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

30. Amendment of section 115QA, relating to tax on distributed income to shareholder – Clarification regarding buy-back of shares.

Section 115QA is to be amended, in order to provide that the provisions of section 115QA shall apply to any buy-back of unlisted shares undertaken, by the company, in accordance with the provisions of the law relating to the companies and not necessarily restricted to section 77A of the Companies Act, 1956.

It is further provided that for the purpose of computing distributed income, the amount received by the company, in respect of the shares being bought back, shall be determined in the prescribed manner. Rules would, thereafter, be framed to provide for the manner of determination of the amount in various circumstances, including the shares being issued under tax neutral reorganizations and in different tranches.

The aforesaid amendment will take effect from 1.6.2016.

31. Amendment of section 115TA, relating to tax on distributed income to investors by a securitization trust.

Section 115TA is to be amended, so as to provide that nothing contained in section 115TA, shall apply in respect of any income distributed by the Securitization trust to its investors, on or after 1.6.2016.

The aforesaid amendment will take effect from 1.4.2016.

32. Insertion of new section 115TCA – New taxation regime for securitization trust and its investors.

A new section 115TCA is inserted in the Act, in order to rationalize the tax regime for securitization trust and its investors and to provide **tax pass through treatment**. New section 115TCA is inserted in order to substitute the existing special regime for securitization trust by a new regime having different provisions.

In other words, there will be complete tax pass through treatment, in respect of a securitization trust and the income will be taxed in the hands of the investor, in the same manner and to the same extent, as if the investor had made the underlying investments directly.

Further, the current regime of distribution tax shall cease to apply in case of distribution made by securitization trusts, with effect from 1.6.2016.

The aforesaid amendment will take effect from 1.6.2016.

33. Insertion of new Chapter XII-EB, relating to a case where a registered charitable trust ceases to be charitable organization.

A new Chapter XII-EB consisting of new sections 115TD, 115TE and 115TF, has been inserted in the Act, in order to deal with a situation where a registered charitable trust ceases to be a charitable organization. The aforesaid sections deal with the following situations :

I. Section 115TD deals with tax on accreted income

The relevant provisions of section 115TD are discussed as follows :

(i) The accretion in income (accreted income) of the trust or institution shall be taxable on conversion of trust or institution into a form not eligible for registration under section 12AA or on merger with an entity not having similar objects and registered under section 12AA or on non-distribution of assets on dissolution to any charitable institution registered under section 12AA or approved under section 10(23C) within a period of twelve months of dissolution.

(ii) Accreted income shall be amount of aggregate of total assets as reduced by the liability as on the specified date. The method of valuation is proposed to be prescribed in rules. The asset and the liability of the charitable organization which have been transferred to another charitable organization within specified time will be excluded while calculating accreted income.

(iii) The taxation of accreted income shall be at the maximum marginal rate.

(iv) This levy shall be in addition to any income chargeable to tax in the hands of the entity.

(v) This tax shall be final tax for which no credit can be taken by the trust or institution or any other person and like any other additional tax, it shall be leviable even if the trust or institution does not have any other income chargeable to tax in the relevant previous year.

II. Section 115TE deals with interest payable for non-payment of tax by trust or institution

As per section 115TE, in case of failure of payment of tax within the prescribed time, a simple interest at the rate of 1% per month or part of it shall be applicable for the period of non-payment.

III. Section 115TF deals with a situation where the trust or institution, is deemed to be an assessee-in-default.

As per section 115TF, for the purpose of recovery of tax and interest, the principal officer or the trustee and the trust or the institution shall be deemed to be assessee in default and all provisions relating to the recovery of taxes shall apply. Further, the recipient of assets of the trust, which is not a charitable organization, shall also be liable to be held as assessee in default in case of non-payment of tax and interest.

However, the recipient's liability shall be limited to the extent of the assets received of non-payment of tax and interest. However, the recipient's liability shall be limited to the extent of the assets received.

In other words, where a registered trust ceases to be a charitable organization, net assets as on date of such conversion representing the income accrued to the trust, will be charged to additional income-tax at the maximum marginal rate. Further, if the charitable trust or institution does not transfer all its assets within one year of dissolution to another charitable organization, the accrued income to the extent not transferred, will be chargeable to additional income-tax.

The aforesaid amendment will take effect from 1.6.2016.

34. Amendments of section 139, relating to filing of return of income

A number of amendments have been made in section 139 of the Act. The main amendments are as follows :

(i) 6th proviso to section 139(1) is to be amended so as to include that, if a person during the previous year earns income which is exempt under section 10(38) and income of such

person, without giving effect to section 10(38), exceeds the maximum amount which is not chargeable to tax, he shall also be liable to file return of income for the previous year within the due date.

(ii) Section 139(4) is to be substituted, so as to provide that any person who has not furnished a return within the time allowed to him under section 139(1), may furnish the return for any previous year, at any time before the end of the relevant AY or before the completion of the assessment, whichever is earlier.

(iii) Section 139(5) is to be substituted, so as to provide that if a person having furnished a return of income under sub-section (1) or sub-section (4), or a return in response to notice under section 142(1), discovers any omission or any wrong statement therein, he may furnish a revised return of income at any time before the expiry of one year, from the end of the relevant AY or before the completion of the assessment, whichever is earlier.

(iv) Clause (aa) of *Explanation* to sub-section (9) of section 139 is to be omitted, so as to provide that a return which is otherwise valid, would not be treated as defective merely because self-assessment tax and interest payable in accordance with the provisions of section 140A has not been paid, on or before the date of furnishing of the return.

The aforesaid amendments will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

35. Amendment of section 143, relating to assessment, etc.

A number of amendments have been made in section 143 of the Act.

However, the main amendment relates to sub-section (1D) of section 143, so as to provide that before making an assessment under sub-section (3) of section 143, a return shall be processed under sub-section (1) of section 143.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

36. Amendment of section 197A – Enabling of filing of form No.15G / 15H for rental payments.

The existing provisions of section 197A, *inter alia*, provide that tax shall not be deducted if the recipient of certain payments on which tax is deductible, furnishes to the payer a self-declaration

in prescribed form No.15G / 15H, declaring that tax on his estimated total income of the relevant previous year would be Nil.

In order to reduce compliance burden in such cases, section 197A is to be amended, so as to provide that recipients of payments referred to in section 194-I will also be eligible for filing self-declaration under form No.15G / 15H, for non-deduction of tax at source, in accordance with the provisions of section 197A.

The aforesaid amendment will take effect from 1.6.2016.

37. Amendment of section 206AA – Exemption to certain non-residents from requirement of furnishing PAN

Section 206AA, *inter alia*, provides that any person who is entitled to receive any sum or income or amount on which tax is deductible at source under Chapter XVII, shall furnish his permanent account number (PAN) to the deductor, failing which, tax shall be deducted at the rate mentioned in the relevant provisions of the Act or at the rate in force or at the rate of 20%, whichever is higher.

Sub-section (7) of section 206AA is to be substituted, so as to provide that the provisions of section 206AA shall not apply to a non-resident, including a foreign company, in respect of payment of interest or long-term bonds referred to section 194LC and any other payment, subject to such conditions as may be prescribed.

The aforesaid amendment will take effect from 1.6.2016.

38. Amendment of section 211, relating to due dates of instalments of advance-tax.

Section 211 is to be amended in regard to advance-tax payment schedule for assessees (other than companies) and bring it in consonance with the existing advance-tax payment schedule applicable to a company.

In other words, number of instalments and due dates for payment of advance-tax in case of individuals, HUFs and firms, will be the same as applicable to companies.

The aforesaid amendment will take effect from 1.6.2016.

39. Section 220(6), relating to stay of disputed IT demand

As per section 220(6), where an assessee has filed an appeal before the CIT(A), the AO may in his discretion and subject to such conditions, as he may think fit to impose in the circumstances of the case, treat the assessee as not being in defiant, in respect of the amount in dispute in the appeal, till the disposal of the appeal by the CIT(A).

Vide clause 169 of Part B of the Budget speech of the Finance Minister, the IT Department will issue Instruction, making it mandatory for the AO to grant stay of demand, once the assessee pays 15% of the disputed demand, while the appeal is pending before the CIT(A). In case of deviation, the AO has to get orders of his superiors. The tax-payer also has an option to go to the superior officer, in case he does not agree with the conditions of the said order passed by the subordinate officer.

In the light of the aforesaid assurance of the Finance Minister, the CBDT has already issued Instruction to the effect that the AO shall grant stay of demand on payment of 15% of the demand, till the disposal of the appeal by the CIT(A).

The aforesaid Instruction has been issued, vide Office Memorandum F.No.404 / 72 / 93-ITCC, dt.29.2.2016.

It may also be stated here that the aforesaid Instruction of the CBDT, will apply to all the demands disputed in an appeal pending before the CIT(A).

40. Amendment of section 244A, relating to payment of interest on refund

Section 244A, *inter alia*, provides that an assessee is entitled to interest on refund, arising out of excess payment of advance-tax, TDS or TCS. It also provides that the period for which the interest is paid on such excess payment of tax begins from 1st April of the assessment year and ends on the date on which refund is granted.

The main amendment to section 244A provides that where refund arising out of appeal effect is delayed, the assessee will be entitled to additional interest of 3% from the date following the date of expiry of time allowed under section 153(5), to the date on which refund is granted.

The aforesaid amendment will take effect from 1.6.2016.

41. Insertion of new section 270A, relating to penalty for under reporting and misreporting of income.

Under the existing provisions, penalty on account of concealment of particulars of income or furnishing inaccurate particulars of income, is leviable under section 271(1)(c) of the Act. In order to rationalize and bring objectivity, certainty and clarity in penalty provisions, section 271 will not apply to AY 2017-18 and subsequent AYs and section 270A will take place of section 271, with effect from 1.4.2017.

The new section 270A provides for penalty in cases of under reporting and misreporting of income.

The aforesaid amendments will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

42. Amendment of section 281B, relating to provisional attachment – Provision for bank guarantee in section 281B

Section 281B of the Act is to be amended, in order to, *inter alia*, provide that the AO shall revoke the provisional attachment of property under section 281B(1), in case where the assessee furnishes a bank guarantee from a scheduled bank, for an amount not less than the fair market value of such provisionally attached property or for an amount which is sufficient to protect the interests of the revenue.

The aforesaid amendment will take effect from 1.6.2016.

43. Amendment of section 282A, relating to authentication of notices and other documents – Automation of various processes and paperless assessment

Sub-section (1) of section 282A provides that where a notice or other document is required to be issued by any income-tax authority under the Act, such notice or document shall be signed by that authority in manuscript.

The aforesaid sub-section (1) is to be amended, so as to provide that notices and documents required to be issued by the income-tax authority under the Act, shall be issued by such authority either in paper form or in electronic form, in accordance with such procedure, as may be prescribed.

For the above purpose, a new clause (23C) is inserted in section 2, in order to define the term "*hearing*", so as to include communication of data and documents through electronic mode.

The aforesaid amendment will take effect from 1.6.2016.

44. Tax incentives provided to International Financial Services Centre

In the Finance Bill, 2016, a number of incentives have been provided to International Financial Services Centre and such amendments are spread out under various sections of the Act.

In this regard, the definition of the term '*International Financial Services Centre*' has to be understood in the present context. This definition has been provided in clause (q) of section 2 of Special Economic Zones Act, 2005.

As per the aforesaid clause (q), '*International Financial Services Centre*' means an International Financial Services Centre which has been approved by the Central Government under section 18(1) of the Special Economic Zones Act, 2005 (SEZ Act).

The heading of section 18 of the SEZ Act, is '*Setting up of International Financial Services Centre*'. Further, as per sub-section (1) of the aforesaid section 18, the Central Government may approve the setting up of an International Financial Services Centre in a Special Economic Zone and prescribe the requirements for setting up and operation of such centre, provided the Central Government shall approve only one International Financial Services Centre in a Special Economic Zone.

The various tax incentives provided to International Financial Services Centre are as follows :

(i) In order to provide incentive towards the growth of International Financial Services Centres into a world class financial services hub, section 10(38) is to be amended so as to provide for exemption from tax on capital gains in case of income arising from transaction undertaken in foreign currency on a recognized stock exchange located in the International Financial Services Centre, even when securities transaction tax (STT) is not paid in respect of such transactions.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

(ii) In order to provide competitive tax regime to International Financial Services Centre, section 115JB is to be amended so as to provide that in case of a company, being a unit located in International Financial Services Centre and deriving its income solely in convertible foreign exchange, the Minimum Alternate Tax (MAT) shall be **chargeable at the rate of 9 per cent instead of 18 per cent.**

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

(iii) Section 115-O is to be amended so as to provide that no tax on distributed profits shall be chargeable in respect of the total income of a company, being a unit located in International Financial Services Centre, deriving income solely in convertible foreign exchange, for any AY, on any amount declared, distributed or paid by such company, by way of dividends (whether interim or otherwise) on or after 1.4.2017, out of its current income, either in the hands of the company or the person receiving such dividend.

In other words, a company located in International Financial Services Centre will not be liable to dividend distribution tax (DDT) under section 115-O.

The aforesaid amendment will take effect from 1.4.2017 and will, accordingly, apply in relation to AY 2017-18 and subsequent AYs.

(iv) Section 113A of the Finance (No.2) Act, 2004, is to be amended so as to provide that the provisions of Chapter VII shall not apply to taxable securities transactions entered into by any person on a recognized stock exchange located in International Financial Services Centre where the consideration for such transaction is paid or payable in foreign currency, thereby exempting such transaction from securities transaction tax (STT).

The aforesaid amendment will take effect from 1.6.2016.

(v) A new section 132A is to be inserted in Chapter VII of the Finance Act, 2013, so as to provide that the provisions of Chapter VII shall also not apply to taxable commodities transactions entered into by any person on a recognized association located in unit of International Financial Services Centre, where the consideration for such transaction is paid or payable in foreign currency, thereby exempting such transactions from commodities transaction tax (CTT).

The aforesaid amendment will take effect from 1.6.2016.

45. Other provisions of the Finance Bill, 2016, which are not part of the Income-Tax Act, 1961

There are certain other provisions contained in the Finance Bill, 2016, which have been designated as separate Chapters, etc. of the Finance Bill, 2016. The same are discussed as follows :

I. Equalization levy

A new Chapter VIII is inserted in the Finance Bill, 2016, which deals with equalization levy, collection and recovery of such levy. The provisions relating to the aforesaid levy have been provided in clauses 160 to 177 of the Finance Bill, 2016.

With the expansion of information and communication technology, the supply and procurement of digital goods and services have undergone exponential expansion

everywhere, including India. The digital economy is growing at 10 per cent per year; significantly faster than the global economy as a whole.

Considering the potential of new digital economy and the rapidly evolving nature of business operations it is found essential to address the challenges in terms of taxation of such digital transactions. In order to address these challenges, a new Chapter titled '*Equalization Levy*' is inserted in the Finance Bill, 2016, to provide for an equalization levy at 6 per cent of the amount of consideration for specified services received or receivable by a non-resident not having permanent establishment (PE) in India from a resident in India who carries out business or profession, or from a non-resident having permanent establishment in India.

Further, in order to reduce burden of small players in the digital domain, it is also provided that no such levy shall be made if the aggregate amount of consideration for specified services received or receivable by a non-resident from a person resident in India or from a non-resident having a permanent establishment in India, does not exceed Rs.1 lakh in any previous year.

Besides, to avoid double deduction, exemption is provided under section 10(50) of the Act for any income arising from providing specified services on which equalization levy is chargeable.

In addition, in order to ensure compliance with the provisions of this Chapter, it is also provided that the expenditure incurred by the assessee towards specified services chargeable under this Chapter shall not be allowed as deduction in case of failure of the assessee to deduct and deposit the equalization levy to the credit of the Central Government, as provided in newly inserted clause (ib) in clause (a) of section 40 of the Act.

The aforesaid amendments will take effect from the date appointed in the Notification to be issued by the Central Government.

II. The Income Declaration Scheme, 2016

A new Chapter IX, relating to Income Declaration Scheme, 2016, is to be inserted, vide clauses 178 to 196 of the Finance Bill, 2016.

It is decided to provide an opportunity to persons who have not paid full taxes in the past, to come forward and declare the undisclosed income and pay tax, surcharge and penalty, totalling in all 45 per cent of such undisclosed income declared.

This Scheme will be brought into effect from 1.6.2016 and will remain open upto the date to be notified by the Central Government in the Official Gazette. Further, this Scheme is to be made applicable in respect of undisclosed income of any financial year upto 2015-16.

The Chapter IX of the Finance Bill, 2016, *inter-alia*, provides for levy of tax of 30 per cent on the undisclosed income declared in the Scheme, a surcharge at the rate of 25 per cent of such tax as Krishi Kalyan Cess; and penalty at the rate of 25 per cent of tax.

The procedure and manner of filing the declaration under the Scheme are provided therein. Further, undisclosed income declared in this Scheme shall not be included in the total income or affect finality of completed assessments. Besides, the income declared under this Scheme shall not be refundable. Exemption from Wealth Tax is provided in respect of the assets specified in the declaration.

III. The Direct Tax Dispute Resolution Scheme, 2016

Vide clauses 197 to 208, a new Chapter X, is inserted in the Finance Bill, 2016, which deals with the Direct Tax Dispute Resolution Scheme, 2016.

This Scheme will come into force from 1.6.2016 and be open for declaration made upto a date to be notified by the Central Government in the Official Gazette.

Further, this Scheme is intended to reduce the huge backlog of cases and enable the Government to realize its dues expeditiously.

The salient features of the Scheme are as follows :

(i) The Scheme is applicable to '*tax arrear*' which is defined as the amount of tax, interest or penalty determined under the Income-Tax Act or the Wealth Tax Act, 1957, in respect of which appeal is pending before the CIT(A) or CWT(A) as on 29.2.2016.

(ii) The pending appeal could be against an assessment order or a penalty order.

(iii) The declarant under the Scheme is required to pay tax at the applicable rate plus interest upto the date of assessment. However, in case of disputed tax exceeding Rs.10 lakhs, 25 per cent of the minimum penalty leviable shall also be required to be paid.

(iv) In case of pending appeal against the penalty order, 25 per cent on minimum penalty leviable shall be payable along with the tax and interest payable on account of assessment or reassessment.

(v) Consequent to such declaration, appeal in respect of the disputed income and disputed wealth pending before the CIT(A) or CWT(A), shall be deemed to be withdrawn.

Besides, in the following cases, a person shall not be eligible for the Scheme –

(i) Cases where prosecution has been initiated before 29.2.2016.

(ii) Search or survey cases where the declaration is in respect of tax arrears.

(iii) Cases relating to undisclosed foreign income and assets.

(iv) Cases based on information received under Double Taxation Avoidance Agreement under section 90 or 90A of the Income-Tax Act where the declaration is in respect of tax arrears.

(v) Person notified under Special Courts Act, 1992.

(vi) Cases covered under Narcotic Drugs and Psychotropic Substances Act, Indian Penal Code, Prevention of Corruption Act or Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974.

In addition, a declaration under the Scheme may be made to the designated authority not below the rank of CIT, in such form and verified in such manner as may be prescribed. The designated authority shall within sixty days from the date of receipt of the declaration, determine the amount payable by the declarant. The declarant shall pay such amount within thirty days of the passing of such order and furnish proof of payment of such sum. Any amount paid in pursuance of declaration shall not be refundable under any circumstances.

IV. Amendment to the Finance (No.2) Act, 2004, relating to Securities Transaction Tax

Clause 230 of the Finance Bill, 2016, seeks to amend section 98 of the Finance (No.2) Act, 2004, relating to charge of securities transaction tax (STT). The aforesaid section provides that the STT on sale of an option in securities where option is not exercised is 0.017 per cent of the option premium

The said rate of STT is to be increased from 0.017 per cent to 0.05 per cent.

Further, section 113A is also to be amended so as to provide that the provisions of Chapter VII shall also not apply to taxable securities transactions entered into by any person on a recognized stock exchange located in an International Financial Services Centre referred to in clause (q) of section 2 of Special Economic Zones Act, 2005.

The aforesaid amendment will take effect from 1.6.2016.

V. Amendment of Finance Act, 2013, relating to Commodities Transaction Tax

Clause (234) of the Finance Bill, 2016, seeks to amend the Finance Act 2013, relating to commodities transaction tax (CTT).

In the Finance Act, 2013 after section 132, a new section 132A shall be inserted w.e.f. 1.6.2016.

As per the aforesaid section 132A, the provisions of Chapter VII shall not apply to taxable commodities transactions entered into by any person on a recognized association in an International Financial Services Centre as referred to in clause (q) of section 2 of the Special Economic Zones Act, 2005.

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