

itatonline.org

Only the latest & most important updates on taxation

Home	Articles	Asson News	Blog	Cause List	Digest	Feedback	Forum
Gallery	Info	Judgements ▾	Legends	Q & A			
All recent Judgements	Supreme Court Judgements	High Court Judgements	Tribunal Judgements				
AAR Rulings							

(Originally posted on February 13, 2018)

Go

Subscribe To Our Free Newsletter:

Subscribe

[Home](#) › [Articles](#) › [Direct Tax Changes Proposed In The Union Budget 2018](#)

Direct Tax Changes Proposed In The Union Budget 2018

📅 Posted on [February 13, 2018](#) | by  [editor](#) | Posted in [Articles](#) — [7 Comments](#) ↓



CA Paras Dawar has systematically set out all the amendments proposed to be made to the Direct Tax Laws by the [Finance Bill 2018](#) in a tabular format. He has then compared the amendments with the existing law and explained the precise impact of the proposed amendments. He has also systematically bifurcated the amendments based on whether they have financial implications or make changes in compliance procedures or affect the departmental procedure. The format prepared by the author makes it easy to come to grips with all the changes in one glance

[Direct Tax changes proposed in the Union Budget, 2018](#)

<u>S. No.</u>	<u>Section</u>	<u>Pre-Amendment Provision</u>	<u>Amendment</u>	<u>Impact</u>
<u>Amendments having Financial Implication</u>				
1.	1st Sch. of F.A.	<ul style="list-style-type: none"> • EC at 2% and SHEC at 1% 	<ul style="list-style-type: none"> • Health and Education Cess @ 4% 	<ul style="list-style-type: none"> • Increase in cess by 1%
2.	1st Sch. of F.A.	<ul style="list-style-type: none"> • Tax rate for domestic companies with <u>turnover up to ₹50</u> crores in preceding year – 25% 	<ul style="list-style-type: none"> • Tax rate for domestic companies with <u>turnover up to ₹250</u> crores in preceding year – 25% 	<ul style="list-style-type: none"> • Reduced tax rate of 25% extended to domestic companies with turnover up to ₹250 crores from ₹50 crores.
3.	2 (22)(d)	<ul style="list-style-type: none"> • Introduction of new Explanation 2A in S. 2(22)(d) 	<ul style="list-style-type: none"> • Widens the scope of the term 'accumulated profits' so as to provide that in the case of an amalgamated company, accumulated profits, whether capitalised or not, or losses as the case may be, shall be increased by the accumulated profits of the amalgamating company, whether capitalized or not, on the date of amalgamation 	<ul style="list-style-type: none"> • Prevents abuse of amalgamation route to circumvent rigours of s. 2(22)(d) on account of reduction of capital.

4.	115O & 115Q	<ul style="list-style-type: none"> Deemed dividend u/s 2(22)(e) presently taxable in hands of recipient at applicable rate. No provision for Dividend Distribution Tax (DDT) u/s 115O in case of amount of the nature prescribed in s. 2(22)(e) 	<ul style="list-style-type: none"> Deemed dividend u/s 2(22)(e) now brought within the scope of s. 115O DDT at 30% without grossing up. No longer taxable in the hands of recipient. 	<ul style="list-style-type: none"> Would improve tax compliance of s. 2(22)(e) as company would now be liable to pay DDT Taxable at flat 30% Consequent amendment may also be made in Tax Audit Report to improve compliance
5.	10(38), 112A & 115R	<ul style="list-style-type: none"> Long Term Capital Gain (LTCG) on STT paid equity share or equity oriented funds was exempt 	<ul style="list-style-type: none"> Exemption removed from FY 18-19 LTCG now taxed at concessional rate of 10% (without indexation) Additional income tax on Mutual Funds at 10% on distribution to investors for equity oriented funds Gains accrued up to 31-01- 	<ul style="list-style-type: none"> LTCG on transfer of listed shares which was until now exempt, has now been made taxable

			<p>2018 grandfathered by s. 112(6) which says that Cost of Capital Asset acquired before 31-01-2018 shall be higher of</p> <ul style="list-style-type: none"> • Actual Cost, or • Lower of • Fair Market Value (FMV) as at 31-01-2018; or • Full Value of Consideration received on transfer 	
6.	11 & 10(23C)	<ul style="list-style-type: none"> • No provision for disallowance in case of non-deduction of TDS or payment in cash for charitable/religious trust 	<ul style="list-style-type: none"> • S. 40(a)(ia) and 40A(3) extended to institutions claiming exemption u/s 10(23C) and s. 11 	<ul style="list-style-type: none"> • Would prevent fake accumulation by these organisations • But, would adversely affect operation of genuine trusts
7.	9	<ul style="list-style-type: none"> • Clause (a) of explanation 2 of s. 9(1)(a) until now included in the definition of "business connection", any business activity carried out 	<ul style="list-style-type: none"> • Amended clause (a) explanation 2 of s. 9(1)(a) provides that definition of "business connection" shall include 	<ul style="list-style-type: none"> • Aligns the definition of business connection in domestic law with BEPS Action Plan 7 which advocates to extend the

through a person who, acting on behalf of the non-resident **has and habitually exercises in India, an authority to conclude contracts on behalf of the non-resident,** unless his activities are limited to the purchase of goods or merchandise for the non-resident;

any business activity carried out through a person who, acting on behalf of the non-resident **has and habitually exercises in India, an authority to conclude contracts on behalf of the non-resident or habitually concludes contracts or habitually plays the principal role leading to conclusion of contracts by that non-resident** and the contracts are—

- in the name of the non-resident; or
- for the transfer of the ownership of, or for the granting of the right to use, property owned by that non-resident or that non-resident has the right to use; or

concept of 'Dependent Agency Permanent Establishment' to include not only a person who habitually concludes contracts on behalf of the non-resident, but also a person who habitually plays a principal role leading to the conclusion of contracts.

- Further, Article 12 of Multi Lateral Instruments (MLI) also provides for similar provision for artificial avoidance of PE through commissionaire arrangements.
- Thus, change was brought to align liberal provision of domestic law with anti-abusive provision of MLI
- Would affect companies like Microsoft whose Indian entities merely play rol in conclusion of

			<ul style="list-style-type: none"> for the provision of services by the non-resident; or”; 	<p>contract without actually finalising.</p> <ul style="list-style-type: none"> Ambiguous in so far as it uses the word PRINCIPAL role. Would be a matter of litigation on what constitutes principal. Immaterial in cases where Non Resident (NR) is governed by DTAA or after MLI comes in force, other country has not adopted Article 12 of MLI
8.	9	<ul style="list-style-type: none"> Insertion of new explanation 2A to section 9(1)(a) 	<ul style="list-style-type: none"> Provides that <u>significant economic presence (SEP)</u> of NR shall constitutes a business connection. Significant economic presence shall mean– transaction in respect of any <u>goods</u>, <u>services or</u> 	<ul style="list-style-type: none"> Introduces the concept of Digital PE under domestic law by adopting BEPS action plan 1. Immaterial as NR would still get protection of DTAA. Would require amendment in all DTAA's signed by India as such concept is not in MLI

property
carried out by a non-resident **in India including provision of download of data or software in India**, if the aggregate of payments arising from such transaction or transactions during the previous year exceeds such amount as may be prescribed; or

- **systematic and continuous soliciting** of business activities or engaging in **interaction with such number of users** as may be prescribed, in India through digital means:
- Immaterial whether or not the non-resident has a residence or place of business in India or

- Language of the provision has been pathetically drafted –
- Leaves a lot of room for confusion. Taxes transaction in Goods, services and property “carried out by NR” in India. Highly litigative as in cases where a NR opens a website from which a customer could order without NR’s assistance, technically it is customer who carried out transaction and not NR.
- Further, transaction should be carried out in India. Again litigative, because if a NR has a website in USA which is logged onto by a resident to carry out transaction, can this be termed as transaction carried out in India ?

			<p><u>renders services in India (1st proviso).</u></p> <ul style="list-style-type: none"> Only so much of income as is attributable to the transactions or activities referred above shall be deemed to accrue or arise in India. (2nd proviso) 	<ul style="list-style-type: none"> 1st proviso covers only SERVICES whereas clause (a) covers goods, services and property. Needs clarification by government Clause (b) requires needs to be redrafted as it is ambiguous <u>“systematic and continuous soliciting of business activities”</u> No threshold for this part. What constitutes systematic and continues ? How to measure this ? What is soliciting ? Does this cover all business activity ? This provision would even make ordinary residents (non-business assessee) liable for deduction u/s 195 ?
<p>9.</p>	<p>28 & 56</p>	<ul style="list-style-type: none"> Compensation which are in the nature of capital receipts are not taxable 	<ul style="list-style-type: none"> Inserts clause (e) to s. 28 to tax any compensation, whether revenue or 	<ul style="list-style-type: none"> The capital receipts to the extent covered by these amendments shall be taxable

			<p>capital, in connection with the termination or the modification of the terms and conditions of any contract relating to business</p> <ul style="list-style-type: none"> • Further, inserts clause (xi) to s.56 to tax any compensation, whether revenue or capital, in connection with the termination or the modification of the terms and conditions of any contract relating to its employment. 	
10.	44AE	<ul style="list-style-type: none"> • Currently, in case of assessee plying, hiring or leasing goods carriages, profits are deemed to be ₹750 per month for each goods carriage or the amount claimed to be actually earned by the assessee, 	<ul style="list-style-type: none"> • S. 44AE(2) amended to provide that in cases of heavy goods vehicle, amt. of ₹750 shall be replaced by ₹1000 	<ul style="list-style-type: none"> • Provides for taxation of heavy trucks at higher rate

		whichever is higher.	<ul style="list-style-type: none"> Heavy goods vehicle means any goods carriage, the gross vehicle weight of which exceeds 12000 kilograms;' 	
11.	80D	<ul style="list-style-type: none"> Provides deduction upto ₹ 30,000 in respect of payments towards annual premium on health insurance policy, or preventive health check-up, of a senior citizen, or medical expenditure in respect of very senior citizens. 	<ul style="list-style-type: none"> Raises the limit to ₹50,000/- for all senior citizens 	<ul style="list-style-type: none"> Beneficial for senior citizens
12.	80DDB	<ul style="list-style-type: none"> Provides deduction for medical treatment of specified diseases to very senior citizen upto ₹80,000 & in case of senior citizens upto ₹60,000 	<ul style="list-style-type: none"> Raises the limit to ₹1,00,000/- for all senior citizens 	<ul style="list-style-type: none"> Beneficial for senior citizens
13.	80TTA, 80TTB & 194A	<ul style="list-style-type: none"> Savings bank interest deduction of upto ₹10,000 u/s 80TTA 	<ul style="list-style-type: none"> Senior citizens removed from the ambit of s. 80TTA New S. 80TTB inserted which provides 	<ul style="list-style-type: none"> Enhances the deduction amt. Wider in scope as now covers interest on FDs, post office & cooperative

			<p>deduction upto Rs 50,000/- in respect of interest income from deposits in banks, cooperative society & post office held by senior citizens.</p> <ul style="list-style-type: none"> • S. 194A amended to raise TDS limit to ₹50,000 for senior citizens 	<p>society, which was until now not covered.</p>
14.	16, 17	<ul style="list-style-type: none"> • Deduction of transport allowance of ₹19,200 and medical expenses of ₹15,000 per year to employees 	<ul style="list-style-type: none"> • Removes deduction of transport allowance and medical expenses • Instead, provides a standard deduction of ₹40,000 	<ul style="list-style-type: none"> • Not much impact as exemption until now was for ₹34,200 which has been increased to ₹40,000
15.	43(5)	<ul style="list-style-type: none"> • Clause (e) of proviso to s. 43(5) provides that trading in commodity derivatives carried out in a recognised stock exchange, which is chargeable to commodity transaction tax is a 	<ul style="list-style-type: none"> • 2nd proviso to s. 43(5) inserted which provides that a transaction in respect of trading of agricultural commodity derivatives, which is not chargeable to 	<ul style="list-style-type: none"> • Since no CTT is paid on agricultural commodity derivative, the benefit of clause (e) of the proviso to s. 43(5) was not available to such transaction.

		non-speculative transaction.	Commodity Transaction Tax (CTT), in a registered stock exchange or registered association, will be treated as non-speculative transaction.	<ul style="list-style-type: none"> The amendment has now been extended the benefit to trading of agricultural commodity derivatives and accordingly, such transactions are held to be speculative transactions.
16.	115JB	<ul style="list-style-type: none"> In computing book profit u/s 115JB, clause (iii) of explanation 1 of section 115JB provided for a deduction in respect of the amount of loss brought forward or unabsorbed depreciation, whichever is less as per books of account. Loss shall not include depreciation for this purpose. Provisions of this clause are not applicable if the amount of loss brought forward or unabsorbed depreciation is <i>nil</i>; 	<ul style="list-style-type: none"> A new clause (iih) to explanation 1 of section 115JB inserted which provides that the aggregate amount of <u>unabsorbed depreciation and loss brought forward (excluding unabsorbed depreciation)</u> shall be allowed to be reduced from the book profit, if a company's application for corporate insolvency resolution process under the Insolvency and Bankruptcy Code, 2016 has been admitted by NCLT. 	<ul style="list-style-type: none"> A major relief for companies under restructuring under Insolvency and Bankruptcy Code (IBC). Consequently, a company which is under Corporate Insolvency Resolution Process (CIRP) under IBC would henceforth be entitled to reduce the loss brought forward (excluding unabsorbed depreciation) and unabsorbed depreciation for the purposes of computing book profit under section 115JB.

			<ul style="list-style-type: none"> Loss shall not include depreciation for this purpose. 	
17.	79	<ul style="list-style-type: none"> S. 79 provides that carry forward and set off of losses in a closely held company shall be allowed only if there is a continuity in the beneficial owner of the shares carrying not less than 51 percent. of the voting power, on the last day of the year or years in which the loss was incurred. 	<ul style="list-style-type: none"> Proviso to s. 79 inserted w.e.f. AY 2018-19 which provides that the restriction of S. 79 shall not apply to a company where a change in the shareholding takes place pursuant to a resolution plan approved under the Insolvency and Bankruptcy Code, 2016, after affording a reasonable opportunity of being heard to the jurisdictional Principal Commissioner or Commissioner 	<ul style="list-style-type: none"> Welcome change for companies under IBC whose ownership changes pursuant to resolution plan approved by NCLT. However, a reasonable opportunity of being heard has to granted to jurisdictional commissioner. Inserted retrospectively w.e.f. AY 2018-19.
18.	115JB	<ul style="list-style-type: none"> Insertion of new explanation 4A. 	<ul style="list-style-type: none"> A new explanation 4A to s. 115JB inserted which provides that provisions of s. 115JB shall 	<ul style="list-style-type: none"> A clarificatory amendment to settle controversy around this issue.

			not be applicable and shall be deemed never to have been applicable to an assessee, being a foreign company, if its total income comprises solely of profits and gains from business referred to in s. 44B or s. 44BB or s. 44BBA or s. 44BBB and such income has been offered to tax at the rates specified in the said sections.	<ul style="list-style-type: none"> Inserted retrospectively w.e.f. 01-04-2001.
19.	10(12A)	<ul style="list-style-type: none"> S. 10(12A) grants to an employee contributing to the NPS, an exemption from tax in respect of 40% of the total amount payable to him on closure of his account or on his opting out. 	<ul style="list-style-type: none"> Exemption granted to all assessee's eligible for contributing in NPS. 	<ul style="list-style-type: none"> Beneficial for non-salaried assessee's contributing in NPS.
20.	80AC	<ul style="list-style-type: none"> S. 80AC provides that no deduction would be admissible u/s 80-IA or 80-IAB or 80-IB or 80-IC or 80- 	<ul style="list-style-type: none"> S. 80AC retrospectively amended w.e.f. AY 2018-19 to provide that 	<ul style="list-style-type: none"> Retrospective change from AY 2018-19.

		ID or 80-IE, unless the return of income by the assessee is furnished on or before the due date specified under s. 139(1)	the benefit of deduction under the entire class of deductions under the heading "C.— Deductions in respect of certain incomes" in Chapter VIA shall not be allowed unless the return of income is filed by the due date.	<ul style="list-style-type: none"> Chapter VIA , heading C contains section 80H to 80TT.
21.	43CA, 50C, 56(2)(x)	<ul style="list-style-type: none"> While taxing income from capital gains (section 50C), business profits (section 43CA) and other sources (section 56) arising out of transactions in immovable property, the sale consideration or stamp duty value, whichever is higher is adopted. The difference is taxed as income both in the hands of the purchaser and the seller 	<ul style="list-style-type: none"> Amendment provides that no adjustments shall be made in a case where the variation between stamp duty value and the sale consideration is not more than five percent of the sale consideration. 	<ul style="list-style-type: none"> Would provide relief to assessee's where there is difference in price of a properties in a locality on account of multiple reasons.
22.	2(42A), 28 & 49	<ul style="list-style-type: none"> No provision under the Act 	<ul style="list-style-type: none"> Clause (via) inserted in s. 	<ul style="list-style-type: none"> Provides much needed clarity

which dealt with conversion of stock in trade into a capital asset.

28 to provide that any profit or gains arising from conversion of inventory into capital asset shall be charged to tax as business income. FMV of inventory on date of conversion deemed to the consideration for such purpose.

an issue where there were divergent judicial views of different judicial authorities.

- S. 49(9) inserted to provide that FMV on the date of conversion shall be deemed to be the Cost of Acquisition (COA) for the purposes of computation of capital gains arising on transfer of such capital assets.
- S. 2(42A) amended to provide that the period of holding of such capital asset shall be reckoned from

			the date of conversion.	
23.	54EC	<ul style="list-style-type: none"> S. 54EC provides exemption from capital gains in case of transfer of long-term capital asset if some conditions are satisfied. Investment was required to be in long term specified assets (bonds of NHA, REC) redeemable after 3 years. 	<ul style="list-style-type: none"> Sub-section (1) of S. 54EC amended to restrict exemptions only in cases where transfer is of a long-term capital assets, being land or building or both. The period for investment into bonds has been raised to 5 years. 	<ul style="list-style-type: none"> Most needless investment which would restrict exemption on in case of transfer of long-term capital assets, being land and building. Increase of time from 3 to 5 years would make the investment in these bonds unpopular.
24.	115BBE	<ul style="list-style-type: none"> S. 115BBE(2) provides that no deduction in respect of any expenditure or allowance or set-off of any loss shall be allowed to the assessee under any provision of the Act if his return of income u/s 139 reflects any income referred to in s. 68, s. 69, s. 69A, s. 69B, s. 69C or s. 69D. 	<ul style="list-style-type: none"> Provision of 115BE(2) extended to cases where determination is by the AO of income referred to in s. 68, s. 69, s. 69A, s. 69B, s. 69C or s. 69D. 	<ul style="list-style-type: none"> Inserted retrospectively from AY 2017-18. Would result in hardships to assessee's whose income of the nature referred to in s. 68, s. 69, s. 69A, s. 69B, s. 69C or s. 69D is detected by the AO.

		<ul style="list-style-type: none"> No such provision was applicable in cases where such income was not in the return, but was determined by the AO. 		
25.	36(xviii), 40A(13), 43AA, 43CB, 145A, 145B	<ul style="list-style-type: none"> Insertion of new provisions 	<ul style="list-style-type: none"> Inserted clause xviii to s. 36 which provides that Marked to Market (MTM) loss or other expected loss as computed in the manner provided in ICDS notified u/s 145(2) shall be allowed Inserts clause 13 to S. 40A to provide that no deduction or allowance in respect of MTM loss or other expected loss shall be allowed except as allowable u/s 36(1)(xviii) S. 43AA inserted to provide that, subject to s 	<ul style="list-style-type: none"> Inserted with retrospective effect from AY 2017-18 to overrule the decision of Delhi High Court in the case Chamber of Tax Consultants & Anr Vs. Union Of India & Ors which had held certain provision of ICDS to be ultra vires. Changes the rules of accountancy in the garb of tax computation.

43A, any gain or loss arising on account of effects of changes in foreign exchange rates in respect of specified foreign currency transactions shall be treated as income or loss, which shall be computed in the manner provided in ICDS as notified u/s 145(2).

- S. 43CB inserted to provide that profits arising from a construction contract or a contract for providing services shall be determined on the basis of percentage of completion method except for certain service contracts, and that the contract revenue shall include

retention money, and contract cost shall not be reduced by incidental interest, dividend and capital gains.

- S. 145A substituted to provide that –
- Valuation of inventory at lower of cost or Net Realisable Value (NRV) computed as per ICDS u/s 145(2).
- Valuation of purchase and sale of goods or services and of inventory shall to include the amount of any tax, duty, cess or fee actually paid or incurred by the assessee to bring the goods or services to the place of its location and condition as on the date of valuation.

			<ul style="list-style-type: none"> Valuation of inventory being unlisted securities at actual cost Valuation of inventory being listed securities at lower of actual cost or NRV and for this purpose the comparison of actual cost and net realisable value shall be done category-wise. S. 145B inserted to provide that interest received by an assessee on compensation or on enhanced compensation, shall be deemed to be the income of the year in which it is received. 	
26.	80IAC	<ul style="list-style-type: none"> Deduction was available to start-ups incorporated after 01-4-2016, 	<ul style="list-style-type: none"> The date 01-04-2019 substituted by 01-04-2021 	<ul style="list-style-type: none"> Scheme extended to start-ups incorporated pr 01-04-2019

		<p>but before 01-04-2019</p> <ul style="list-style-type: none"> "eligible business" meant business which involves innovation, development, deployment or commercialisation of new products, processes or services driven by technology or intellectual property s 	<ul style="list-style-type: none"> Definition of eligible business substituted. "Eligible business" means a business carried out by an eligible start up engaged in innovation, development or improvement of products or processes or services or a scalable business model with a high potential of employment generation or wealth creation 	<ul style="list-style-type: none"> Definition of "eligible business" expanded
27.	80PA	<ul style="list-style-type: none"> Insertion of a new section 	<ul style="list-style-type: none"> Provides that 100% deduction of profits of eligible business of Farm Producer Companies having a total turnover upto ₹100 Crore shall be allowed 	<ul style="list-style-type: none"> Extends benefits to Farm Producer Companies in line with benefits provided to similar cooperative societies.

			<ul style="list-style-type: none"> • Eligible business means – • the marketing of agricultural produce grown by its members, or • the purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to its members, or • the processing of the agricultural produce of its members 	
28.	80JJAA	<ul style="list-style-type: none"> • Allows an additional deduction of 30% in respect of emoluments paid to eligible new employees who have been employed for a minimum period of 240 days during the year. • However, the minimum period of 	<ul style="list-style-type: none"> • Benefit of reduced period of 150 days extended to footwear and leather industry • Additional deduction of 30% allowed for a new employee who is employed for less than 	<ul style="list-style-type: none"> • Major boost to leather and footwear industry which are seasonal in nature • Relief also extended to cases if the condition is not satisfied in year 1, but is satisfied in year 2.

		employment is relaxed to 150 days in the case of apparel industry.	the minimum period during the first year but continues to remain employed for the minimum period in subsequent year.	
29.	271FA	<ul style="list-style-type: none"> Penalty for non furnishment of Statement of Financial Transaction (SFT) was ₹100 per day and in cases where notice was sent by AO, penalty in case of non furnishment was ₹500 per day. 	<ul style="list-style-type: none"> Penalty enhanced to ₹500 and ₹1000 respectively, 	<ul style="list-style-type: none"> Increased deterrence to enforce compliance of SFT provisions.

Amendments making changes in compliance procedures

1.	139A	<ul style="list-style-type: none"> Introduction of clause (v) and (vi) in S. 139A(1) 	<ul style="list-style-type: none"> Non individual entering into a financial transaction of an amount aggregating to ₹2,50,000 or more in a FY shall be required to apply for PAN. MD, director, partner, trustee, author, founder, karta, 	<ul style="list-style-type: none"> Will heavily impact unregistered trusts and NGOs involved in religious and charitable work as they would be reqd. to take PAN Further, even office bearers of such organisations would be reqd.
----	------	---	---	--

			CEO, principal officer or office bearer or any person competent to act on behalf of such entities shall also apply for allotment of PAN	to take PAN <ul style="list-style-type: none"> • Small HUFs having receipts exceeding ₹2.5 lakhs and their members also reqd. to take PAN.
2.	140	<ul style="list-style-type: none"> • Return of a company has to be verified by Managing Director (MD) or in case of non-availability of MD, by any director thereof. 	<ul style="list-style-type: none"> • Proviso to S. 140 provides that during the resolution process under the Insolvency and Bankruptcy Code, 2016, the return shall be verified by an insolvency professional appointed by the NCLT. 	<ul style="list-style-type: none"> • Merely a clarificatory provision as upon appointment of IRP, management is vested with him and the power of board of directors is superseded.
3.	143(1)(a)	<ul style="list-style-type: none"> • Sub-clause (vi) of s. 143(1)(a) provides for adjustment in respect of addition of income appearing in Form 26AS or Form 16A or Form 16 which has not been included in computing the total income in the return. 	<ul style="list-style-type: none"> • New proviso inserted to the said clause to provide that no adjustment under sub-clause (vi) of the said clause shall be made in respect of any return furnished for or after the AY 2018-19. 	<ul style="list-style-type: none"> • Retrospective insertion from AY 2018-19 would provide much needed relief to the genuine tax payers • However, bogus claim made by assessee's would not be picked up for automatic scrutiny.

4.	253	<ul style="list-style-type: none"> • Insertion of new provision 	<ul style="list-style-type: none"> • Penalty u/s 271J imposed by CIT(A) appealable before ITAT 	<ul style="list-style-type: none"> • Allows filing of appeal before ITAT in case of penalty imposed u/s 271J
5.	276CC	<ul style="list-style-type: none"> • No provision for prosecution in case of non-filing of return within time, if tax payable by assessee on the total income determined on regular assessment as reduced by the advance tax, if any, paid and any tax deducted at source, does not exceed ₹3,000 	<ul style="list-style-type: none"> • Benefit of this provision would not be available to companies. 	<ul style="list-style-type: none"> • Change made to prevent abuse of the said proviso by shell companies or by companies holding Benami properties.
6.	286	<ul style="list-style-type: none"> • Rationalisation of provisions relating to Country-by-Country Report (CbCR) 	<ul style="list-style-type: none"> • Amendments made so as to improve the effectiveness and reduce the compliance burden of such reporting:— • the time allowed for furnishing CbCR, in the case of parent entity or Alternative Reporting Entity (ARE), resident in India, is proposed to be 	<ul style="list-style-type: none"> • Amendments are clarificatory in nature. • Would apply retrospectively from AY 2017-18.

extended to twelve months from the end of reporting accounting year;

- constituent entity resident in India, having a non-resident parent, shall also furnish CbCR in case its parent entity outside India has no obligation to file similar report in the latter's country or territory;
- the time allowed for furnishing the CbCR, in the case of constituent entity resident in India, having a non-resident parent, shall be twelve months from the end of reporting accounting year;
- the due date for furnishing

of CbCR by the ARE of an international group, the parent entity of which is outside India, with the tax authority of the country or territory of which it is resident, will be the due date specified by that country or territory;

- “reporting accounting year” has been defined to mean the accounting year in respect of which the financial and operational results are required to be reflected in the report referred to in sub-section (2) and sub-section (4).

Amendments having making changes in departmental procedure

1.	143(3B)	<ul style="list-style-type: none"> • No provision of e-assessment 	<ul style="list-style-type: none"> • Sub-section 3A, 3B and 3C inserted to S. 143 	<ul style="list-style-type: none"> • Would change the face of assessment
----	---------	--	--	---

- Sub-section 3A grants power to Central Government (CG) to make new scheme of assessment to impart greater transparency and accountability, by eliminating the interface between the Assessing Officer and the assessee, optimal utilization of the resources and introduction of team-based assessment with dynamic jurisdiction.
 - Sub-section (3B) enables the CG to direct, by notification in the Official Gazette, that any of the provisions of this Act relating to assessment shall not apply, or shall apply with such exceptions, modifications and adaptations as may be specified therein. However, no such direction shall be issued after the
- Team based assessment with dynamic jurisdiction may be challenged on grounds of Principles of Natural Justice.
 - The power to CG under sub-section 3B to modify the provisions of Act may also be challenged on grounds of excessive delegation of power.

March 31, 2020.

- Sub-section (3C) to provide that every notification issued under the sub-section (3A) and sub-section (3B), shall be laid before each House of Parliament, as soon as may be.

(The author is a practicing Chartered Accountant based in Delhi and can be reached at paras@parasdawat.com or +91 9711107317)

Disclaimer: The contents of this document are solely for informational purpose. It does not constitute professional advice or a formal recommendation. While due care has been taken in preparing this document, the existence of mistakes and omissions herein is not ruled out. Neither the author nor itatonline.org and its affiliates accepts any liabilities for any loss or damage of any kind arising out of any inaccurate or incomplete information in this document nor for any actions taken in reliance thereon. No part of this document should be distributed or copied (except for personal, non-commercial use) without express written permission of itatonline.org

◀ Law On Bail, Anticipatory Bail, Discharge And Quashing Of Proceedings Under Direct Taxes

A Study Of The Benami Transactions (Prohibition) Amendment Act 2016 ▶

Tagged with: Finance Bill 2018, Union Budget 2018

7 comments on “Direct Tax Changes Proposed In The Union Budget 2018”



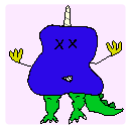
ca naveen kumar goayl says:

February 14, 2018 at 2:37 pm

I think, now Principles of Natural Justice will be followed more correctly, as the officer will decide the case on the basis of facts and evidence, without going on the face of the assessee or any other graft.

[Reply](#)

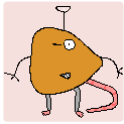
V.SRIDHAR says:



February 14, 2018 at 1:34 pm

WONDERFUL PRESENTATION.

Reply



Paras Dawar says:

February 14, 2018 at 1:51 pm

Thank you!

Reply

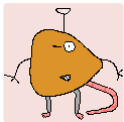


Prakash Jasani says:

February 13, 2018 at 8:05 pm

How to download in pdf.

Reply



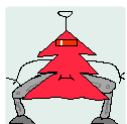
Paras Dawar says:

February 14, 2018 at 1:49 pm

You can download the PDF from this link –

<https://www.scribd.com/document/371496107/Income-Tax-Proposals-in-Union-Budget-2018-by-CA-Paras-Dawar>

Reply



PARDEEP GOYAL says:

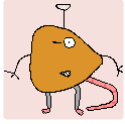
February 13, 2018 at 6:23 pm

SIR PLEASE SEND IT IN WORD OR PDF FORMAT THROUGH E-MAIL IF POSSIBLE.

Reply

Paras Dawar says:

February 14, 2018 at 1:51 pm



You can download the PDF from this link –

<https://www.scribd.com/document/371496107/Income-Tax-Proposals-in-Union-Budget-2018-by-CA-Paras-Dawar>

[Reply](#)

Leave a Reply

Your email address will not be published. Required fields are marked *

Comment

Name *

E-mail *

Website

Notify me of follow-up comments by email.

Notify me of new posts by email.



© 2018 Default copyright text

☺