Finance Bill 2018
- Understanding certain impacts

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Introduction

"The national budget must be balanced. The public debt must be reduced; the arrogance of the authorities must be moderated and controlled. Payments to foreign governments must be reduced, if the nation doesn't want to go bankrupt. People must again learn to work, instead of living on public assistance."

- Cicero (106 BC -43 BC), 55 BC

- Union Budget, in essence, is an account of Central Govt.'s revenue and expenditure - the Profit & Loss Account of the Central Govt.
- The Union Budget 2018 was significant for several reasons.
  - First post – GST era Budget (collection down by ~ 35,000 Cr)
  - Present government's fourth and last full-fledged budget presentation ahead of the impending 2019 General Elections- speculated to be a populist one.
  - Challenges before Finance Minister - Balancing act amid supporting economic growth, creating employment opportunities, addressing rural distress and maintaining fiscal discipline. (Slippage of fiscal deficit target 3.2% to 3.5%)

HIGHLIGHTS

- Fixing MSP prices at a mark up of 50% above the cost of production
- The National Health Protection Scheme – will cover 100 million poor and vulnerable families or 40% of India's population
- Technology will be the biggest driver in improving the quality of education in India.

Economic Indicators

GDP Likely to Move Up.
Growth Budgeted at **7.2%** for 2018-19

CAD is under Control
Currently at **2% of GDP in FY 19**

Foreign Funds inflows improved
FDI of $ ~ 43.5 billion in FY 17, added $ 25.4 Billion as of 2QFY18

Fiscal Deficit
Consolidaton. New Roadmap at **3.3% of GDP in FY 19**

Inflation Pressure to remain
CPI at 5.2% in Dec, 17,
Likely to remain above 5%

Rupee expected to weaken through the year
At 63.61, Likely to move towards **66 per $**

Contents

Direct Taxation

- Personal Taxation
- Corporate Taxation
- Capital Gains
- Others
- Procedural Changes

Personal Taxation

Tax Rates – Personal Taxation

1. Education Cess of 3% proposed to be replaced by "**Health and Education cess**" of 4%
2. No Change in tax rates & Surcharge
3. No Change in Slabs
4. Maximum Marginal Rate rises from 35.535% to 35.88%

Taxable Income	Individual, HUF, AOP, BOI, AJP,		Resident Senior > 60 Years		Resident Super > 80 Years	
	2018-19	2019-20*	2018-19	2019-20*	2018-19	2019-20*
2,50,000	-	-	-	-	-	-
3,00,000	-	-	-	-	-	-
3,50,000	2,575	2,600	-	-	-	-
4,00,000	7,725	7,800	5,150	5,200	-	-
5,00,000	12,875	13,000	10,300	10,400	-	-
7,50,000	64,375	65,000	61,800	62,400	51,500	52,000
10,00,000	1,15,875	1,17,000	1,13,300	1,14,400	1,03,000	1,04,000
15,00,000	2,70,375	2,73,000	2,67,800	2,70,400	2,57,500	2,60,000
25,00,000	5,79,375	5,85,000	5,76,800	5,82,400	5,66,500	5,72,000
50,00,000	13,51,875	13,65,000	13,49,300	13,62,400	13,39,000	13,52,000
1,00,00,000	31,86,563	32,17,500	31,83,730	32,14,640	31,72,400	32,03,200
1,05,00,000	35,09,082	35,43,150	35,06,120	35,40,160	34,94,275	35,28,200

Re-introduction of Standard Deduction

	Particulars	Amount (INR)
	Standard Deductions- Section 16(ia)	40,000
Withdrawn	Transport Allowance* Section 10(14) @ Rs. 1600 pm.	(19,200)
Withdrawn	Medical Reimbrusement – Section 17 @ Rs. 15,000 p.a.	(15,000)
	Net Benefit to Salaried Individual	5,800

* *Transport allowance in case blind and physically handicapped shall continue*

Tax Free NPS Withdrawal - section 10(12A)

Any amount received by employee from National Pension Scheme (NPS) either on closure or opting out from scheme is exempt upto 40% at Maturity and 25% for Pre-Mature Withdrawal of the total amount payable to employee. **This benefit is now extended to all the assessee.**

Senior Citizens- Deductions under Chapter VI-A

Mediclaim Section 80D- enhanced for Senior Citizens

Nature of amount spent	Family Member		Parents	
	Age below 60 yrs	Age 60 yrs or more	Age below 60 yrs	Age 60 yrs or more
A. Medical Insurance*	25,000	50,000	25,000	50,000
B. CGHS	25,000	50,000	-	-
C. Health Check-up	5,000	5,000	5,000	5,000
D. Medical Expenditure	-	50,000	-	50,000
Maximum deduction	25,000	50,000	25,000	50,000

******Single premium health insurance policies covers more than one year, deduction shall be allowed on proportionate basis***

Medical Treatment of Critical illness section 80DDB- enhanced for Senior Citizen

The differentiation between senior and super senior citizen is removed and the deduction limit in both the case is proposed to be increased to Rs. 1,00,000. There is no change in amount of deduction for expenditure incurred in any other case i.e., for person who is below 60 years of age.

Senior Citizens- Deductions under Chapter VI-A

New deduction for senior citizens in respect of bank interest

<table>
<tr><th rowspan="2">Nature of Interest</th><th colspan="2">Section 80TTA</th><th colspan="2">Section 80TTB</th></tr>
<tr><th>Age below 60 years</th><th>Age 60 years or more</th><th>Age below 60 years</th><th>Age 60 years or more</th></tr>
<tr><td>Saving Bank Interest with Banks, Post Office</td><td>10,000</td><td>Not Eligible</td><td rowspan="2">Not Eligible</td><td rowspan="2">50,000</td></tr>
<tr><td>Term Deposit Interest</td><td>Not Eligible</td><td>Not Eligible</td></tr>
</table>

Further, corresponding amendment has been proposed in Section 194A to provide that no tax shall be deducted at source from payment of interest to a senior citizen up to Rs. 50,000.

No adjustment under section 143(1) on account of mismatch with Form 26AS

[Section 143 – Applicable from Assessment Year 2018-19]

Section 143(1)(a)(vi) provides that while processing the return of income, the total income or loss shall be computed after making addition for the difference in income appearing in Form 26AS or Form 16A or Form 16 and income shown in the ITR. Generally, salaried taxpayers are mostly aggrieved by this adjustments.

No Adjustments for Difference without assessment

It is now proposed that no adjustments shall be made in respect of Income-tax return furnished on or after Assessment Year 2018-19 just to account for the difference in the income reported in ITR and displayed in tax passbook or tax certificates.

Corporate Taxation

Tax Rates -Corporate Taxation

Person	Total Income		
	Upto Rs. 1 cr	Above Rs. 1 cr - Rs. 10 Cr	Above Rs. 10 cr
Firm including LLP	31.20 % (30.90%)	34.94 % (34.61%)	34.94 % (34.61%)
Domestic companies with total turnover/ gross receipts in FY 2016-17 does not exceed Rs. 250 crs	26.00 %** (30.90%)	27.82 %** (33.06%)	29.12 %** (34.61%)
Other domestic companies	31.20 % (30.90%)	33.38 % (33.06%)	34.94 % (34.61%)
Foreign company	41.60 % (41.20%)	42.43 % (42.02%)	43.68 % (43.26%)

** Tax rate reduced from 30% to 25% (surcharge unchanged, Cess increased to 4%)
Rates are inclusive of Surcharge and Health and Education Cess -Now 4%
Figures in Bracket indicate the Rates for Current Year

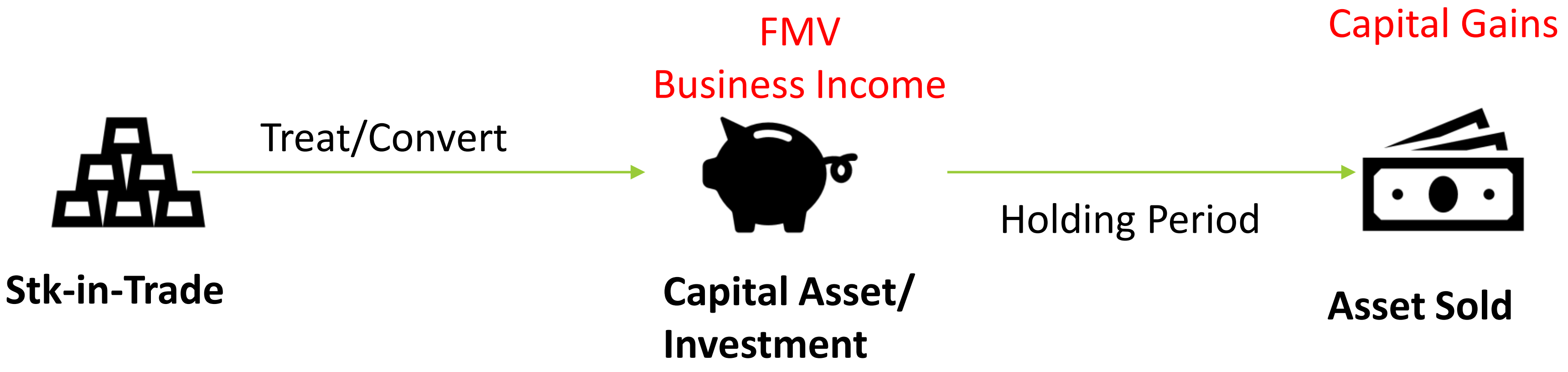
Company vis-à-vis LLP

Particulars	Domestic Co Turnover < 250 Crores FY 2017-18 Income > 1 Crore	Domestic Co Turnover < 250 Crores FY 2018-19 Income > 1 Crore	LLP/Firm FY 2018-19 Income > 1 Crore
Income	100.00	100.00	100.00
Less: Tax	33.06	27.82	34.94
Net Distributable Income	66.94	72.18	65.06
Less: DDT	13.63	14.84	-
Net Amount Distributed to Shareholders/Partners*	53.31	57.34	65.06
Effective Tax Rate	46.69%	42.66%	34.94%

*Dividend Distributed to Shareholders may further be liable to Personal Tax @ 10% - Section 115BBDA whereas, for Partner, it is Exempt under section 10(2A). Firm can also pay Interest on Capital upto 12%

Tax on conversion of stock-in-trade into capital asset

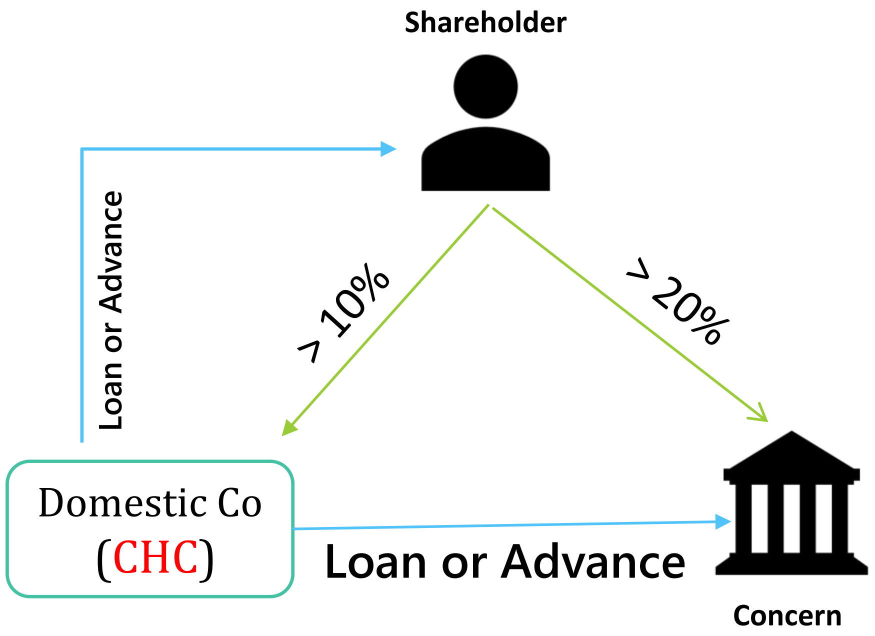
[Section 2(24), 2(42A), 28, 49 – Applicable from Assessment Year 2019-20]



Type of assets	Stk in Trade		Conversion into Capital Assets		Business Income	Capital Asset Sold		
	Date	Cost	Date	FMV	on Date of Conversion	Date of Sale	Holding period	Cost of Acquisiton
Non-Depreciatable Assets - Shares, Jewellary, Residential house etc	01-01-2013	1,00,000	01-01-2019	3,00,000	2,00,000 FY 18-19	01-01-2020 FY 19-20	12 M	3,00,000
Depreciable Assets - Office Bldg, Machinery etc	01-01-2014	10,00,000	01-01-2019	12,00,000	2,00,000 FY 18-19	01-01-2020 FY 19-20	??	WDV ??

Dividend Distribution Tax- Changes

Dividend Distribution Tax	For Company	For Shareholder Upto 10 Lakhs	For Shareholder above 10 Lakhs (Section 115BBDA)
Regular Dividend - u/s 115O	20.56%	Exempt 10(34)	10% plus Surcharge & Cess
Deemed Dividend u/s 2(22)(e)*	34.94%	Exempt 10 (34)	Exempt 10 (34)
Equity Oriented MFs/ Units of Business Trust	12.94%	Exempt 10(35)	Exempt 10(35)



Loan or Advance is treated as 'Deemed Dividend' taxable in hands of CHC

CHC – Closely Held Company

**For dividend u/s 2(22)(e) rate is 30% without grossing up*

Amendments vis-à-vis ICDS

[Section 36, 40A, 43AA, 43CB, 145A, 145B – Applicable retrospectively from Assessment Year 2017-18]

Delhi High Court in the case of *Chamber of Tax Consultants v. Union of India (2017) overruled*

Marked to market losses: ICDS – I
section 36(1)(xviii), section 40A(13)

Expected Loss not allowed

Foreign currency gains or losses: ICDS –VI
section 43AA

Forex- Capital Account taxable

Construction contracts:
ICDS – III
section 43CB

Proportionate completion method

Revenue Recognition:
ICDS – IV
section 145B

Taxing Subsidy/incentives immediately

Valuation of Inventory:
ICDS – II
Section 145(2)

Valuation including taxes

Rationalization of presumptive taxation scheme in case of goods carriage

[[Section 44AE – Applicable from Assessment Year 2019-20]

A taxpayers who is engaged in the business of plying, hiring or leasing of Goods Carriage and having not more than 10 good carriage, has an option to avail presumptive taxation scheme under section 44AE. In this case, income of taxpayer is deemed to be Rs. 7,500 per goods carriage per month.

Tonnage based Taxation

It is proposed to amend the section 44AE to provide that, in the case of heavy goods vehicle (more than 12MT gross vehicle weight), the income would deemed to be an amount equal to Rs. 1,000 per ton of gross vehicle weight or unladen weight per month for each goods vehicle The vehicles other than heavy goods vehicle will continue to be taxed as per the existing scheme.

Disallowance of expenditure paid in cash by Trusts

[Section 10(23C), Section 11 – Applicable from Assessment Year 2019-20]

The provisions of TDS disallowance under section 40(a)(ia) and expenses disallowance under section 40A(3) and 40A(3A) shall be applicable while computing the application of income in case of trusts or institutions.

Illustrative examples

Particulars		Scenario 1		Scenario 2
Gross Receipts		100.00		100.00
Less: Application for Objects		74.00		64.00
Revenue Expenditure	60.00		50.00	
Capital Expenditure	30.00		30.00	
Exp. without TDS (30% disallowed u/s 40(a)(ia))	-6.00		-6.00	
Exp. Disallowed section 40A(3)	-10.00		-10.00	
Less: Accumulation by Notice to AO section 11(2)(a)*		-		5.00
Less: Exempt section 11(1)(a) upto 15%		10.00		15.00
Taxable Income		**16.00**		**16.00**

* *Income not applied or deemed to be applied - Can be accumulated*

Compensation covered within the tax ambit

[Section 2(24), 28, 56 – Applicable from Assessment Year 2019-20]

In various rulings, the Courts have held that compensation amount received in connection with business and employment contracts are out of the purview of income-tax.

Compensation whether Capital or Revenue - taxable

It is now proposed that any compensation received in connection with the termination or modification of a contract is taxable. The taxability of the compensation would depend upon nature of contract and relationship of the recipient with the payer. If the compensation is related to a business contract, the receipts shall be taxable as business income under Section 28. If it is relating to the employment and the compensation is received after termination of the employment, the receipts shall be taxable as residuary income under Section 56.

Non-Individual entity to obtain PAN

[Section 139A – Applicable from Assessment Year 2018-19]

Section 139A is proposed to be amended that every non-individual entity should have to obtain a PAN as its Unique Entity Number (UEN) if they enter into a **financial transaction of an amount aggregating to Rs. 2.50 lakhs or more in a financial year.**

‘financial transaction’ – not defined

It is also proposed that the managing director, director, partner, trustee, author, founder, karta, CEO, principal officer or office bearer or any person competent to act on behalf of such entities will also have to apply for allotment of PAN.

Capital Gains

Withdrawal of Exemption on LTCG from Sale of Equity Share etc

[Section 10(38), 112A – Applicable from Assessment Year 2019-20]

Currently, long term capital gains arising from transfer of listed equity shares or units of equity oriented fund or units of business trusts, are exempt from income-tax under Section 10(38) of the Act

Exemption withdrawn

As per new proposed Section 112A, long term capital gains arising from transfer of an equity share, or a unit of an equity oriented fund or a unit of a business trust shall be taxed at 10% of such capital gains.

- The tax on capital gains shall be levied in **excess of Rs. 1 lakh.**
- **This concessional rate of 10% will be applicable if STT has been paid** on both acquisition and transfer of such capital asset, in case of equity shares, and paid at the time of transfer in case of unit of equity oriented fund or a unit of a business trust. (*Notification No. 43/2017 dt 5-6-2017*)

Cost of Acquisition of shares/units acquired before 1-2-2018 shall be higher of following:

a) **Actual Cost of acquisition**

b) **Lower of Sales Consideration and Highest Quoted Price on SE as on 31/01/2018 or Last traded price or NAV in case of Units not listed**

Taxation of LTCG on Sale of Equity Share etc

[Section 10(38), 112A – Applicable from Assessment Year 2019-20]

Illustrative examples

Particulars	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Sales Consideration (A)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Date of Sale	31-03-18	01-04-18	01-04-18	01-04-18	01-04-19
Actual Cost of Acquisition (B)	800,000	800,000	800,000	800,000	800,000
Date of Purchase	01-01-17	01-01-17	01-01-17	01-01-17	01-03-18
Quoted Price on Stock Exchange as on 31/01/2018 (C)	850,000	750,000	900,000	1,100,000	1,100,000
Deemed Cost of Acquisition (D)*	800,000	800,000	900,000	1,000,000	800,000
Long-term Capital Gains (E = D-A)	200,000	200,000	100,000	-	200,000
Exemption for Capital Gains (F = E - 1,00,000)	200,000	100,000	100,000	-	100,000
Taxable Long-Term Capital Gains	-	100,000	-	-	100,000

***D shall be higher of following:**

a) **Actual Cost of acquisition**

b) **Lower of Sales Consideration and Highest Quoted Price on SE as on 31/01/2018**

No Benefits

- *Indexation or proviso to section 48 (NR).*
- *Deductions under Chapter VIA and*
- *relief under Section 87A*

Taxation of LTCG on Sale of Equity Share etc

[Section 10(38), 112A – Applicable from Assessment Year 2019-20]

Illustrative examples

Particulars	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Sales Consideration (A)	700,000	700,000	700,000	1,000,000	900,000
Date of Sale	31-03-18	01-04-18	01-04-18	01-04-18	01-04-19
Actual Cost of Acquisition (B)	800,000	800,000	800,000	800,000	800,000
Date of Purchase	01-01-17	01-01-17	01-01-17	01-01-17	01-03-18
Quoted Price on Stock Exchange as on 31/01/2018 (C)	850,000	750,000	900,000	1,100,000	1,100,000
Deemed Cost of Acquisition (D)*	800,000	800,000	700,000	1,000,000	800,000
Long-term Capital Loss (E = D-A)	(100,000)	(100,000)	-	-	(100,000)
Profit /(Loss) in Books of accounts	(100,000)	(100,000)	(100,000)	200,000	(100,000)
Whether Loss can be set-off against other LTCG or C/f	No/ ??	Yes	-	-	Yes

*** D shall be higher of following:**

a) Actual Cost of acquisition

b) Lower of Sales Consideration and Highest Quoted Price on SE as on 31/01/2018

No Benefits

- *Indexation or proviso to section 48 (NR).*
- *Deductions under Chapter VIA and*
- *relief under Section 87A*

Taxation of LTCG on Sale of Equity Share etc

Computation under new section 112A

Illustrative examples

Individual/HUF

Particulars		Amount
Total Income (including LTCG)	(A)	6,10,000
LTCG covered under new section 112A	(B)	4,00,000
LTCG covered under section 112	(C)	1,10,000

Tax Payable shall be computed as follows:	Rate	Income	BE*	Net Income	Tax
Normal Income (A)-(B)-(C)	Slab	1,00,000	1,00,000	-	-
LTCG covered under section 112 - (C)	20%	1,10,000	1,10,000	-	-
LTCG - 112A in excess of Rs. 1 Lakhs - ((B)- Rs. 1 Lakh)	10%	3,00,000	40,000	2,60,000	26,000
Total Tax before Surcharge & Cess					**26,000**

** BE – Basic Exemption is considered as Rs. 250,000 for Individual.*

Other Than Individual/HUF

Particulars		Amount
Total Income (including LTCG)	(A)	15,00,000
LTCG covered under new section 112A	(B)	4,00,000
LTCG covered under section 112	(C)	2,00,000

Tax Payable shall be computed as follows:	Rate	Income	Tax
Normal Income (A)-(B)-(C)	30%	9,00,000	2,70,000
LTCG covered under section 112 - (C)	20%	2,00,000	40,000
LTCG covered under new section 112A in excess of Rs. 1 Lakhs - ((B)- Rs. 100,000)	10%	3,00,000	30,000
Total Tax before Surcharge & Cess			**3,40,000**

Slight variation of sales consideration from stamp value is acceptable

[Section 43CA, 50C and 56 – Applicable from Assessment Year 2019-20]

As per the current provisions, for taxation of income from Capital Gains, Business Profits, and Other Sources arising out of transaction in immoveable Property, the Sales consideration received or Stamp Duty Value **adopted by the Stamp authorities, whichever is higher is adopted**.

Further, such difference in the stamp value and the actual consideration disclosed by the parties is also taxed in the **hands of the buyer**

Illustrative examples

It is Proposed to provide that no adjustment shall be made in a case where the variation is not more than 5% of the Sale Consideration

Particulars	Existing	Proposed
Sale Consideration	100	100
Stamp Duty Value	120/105/100	120/105/100
Deemed Sale Consideration in Hands of Seller & buyer	120/105/100	120/**100**/100

Can amendment be regarded to be beneficial and hence apply to prior periods?

Sec. 54EC - Exemption only for Sale of immovable properties

[Section 54EC – Applicable from Assessment Year 2019-20]

Section 54EC of the Act provides exemptions up to Rs. 50 lakhs if any long-term capital Asset is invested in the specified bonds of NHAI and RECL within a period of six months after the date of such transfer. Such investments in these bonds have a lock-in period of 3 years.

The Finance Bill has significantly curtailed the scope of this exemption. As per proposed amendment, exemption under Section 54EC shall be allowed only if long-term capital Asset being transfer of an immovable property (land or building or both) is invested in the specified bonds.

The lock-in period of such bonds has also been increased to 5 years. However, Investments made before 31st March 2018 shall be carry lock-in-period of 3 years

Others

Deduction for Employment of new Employees [s. 80JJAA]

[Section 80JJAA – Applicable from Assessment Year 2019-20]

Section 80JJAA allows deductions to the manufacturers who employ new employees for a minimum period of 240 days during the year. This deduction is calculated at the rate of 30% of the additional employee cost incurred by the assessee during the year.

Current Provisions	Amendments Proposed
For apparel industry the minimum period of employment is relaxed to 150 days	The concession of minimum employment period for 150 days has been extended to footwear and leather industry.
Manufacturers are often denied the deduction if an employee is employed in year 1 for a period of less than 240 days or 150 days, but continues to remain employed for more than 240 days or 150 days in year 2.	Now as per the proposed provision the deductions shall be allowed to the manufacturer in respect of an employee hired in last year, if he continues to remain in employment in current year for more than 240 or 150 days, as the case may be.

Note *: An employee for whom the entire contribution is paid by the Government under the Employees’* - PMRPY Scheme – ***such employee doesn’t qualify for section 80JJAA***

Deduction for Employment of new Employees [s. 80JJAA]

[Section 80JJAA – Applicable from Assessment Year 2019-20]

Illustrative examples

FY	Scenario 1	Scenario 2	Scenario 2
2018-19	130 days	90 days	240 days
2019-20	110 days	240 days	240 days
2020-21	Resigned	More than 240 days	More than 240 days
FY in which deduction under section 80JJAA eligible	None	FY 2019-20 onwards	FY 2018-19 onwards

Restropective or Prospective

Employee appointed in FY 2016-17 for less than 240 days but worked for more than 240 in FY 2017-18 whether eligible for deduction in FY 2017-18 ?

Relaxation for companies applied for Insolvency

[Section 79 – Applicable from Assessment Year 2018-19]

Losses of a closely held company are allowed to be carried forward and set off only if there is a continuity in the beneficial ownership of not less than 51% of the voting power on the last day of the year in which losses were incurred.

it is proposed that the rigors of section 79 shall be relaxed in such Companies

Relief from MAT for companies who have applied for Insolvency

[Section 115JB – Applicable from Assessment Year 2018-19]

While calculating book profit for payment of MAT under Section 115JB, lower of brought forward loss and unabsorbed depreciation, is allowed as deduction. The amount of deduction becomes *nil* if either brought forward loss or unabsorbed depreciation is also nil.

Such companies are allowed to claim deduction of both unabsorbed depreciation and brought forward losses while calculating book profits for the purpose of MAT.

Rationalization of Taxation provisions for Start-ups

[Section 80-IAC – Applicable from Assessment Year 2019-20]

Deductions under Section 80-IAC is available to an eligible start-up for 3 consecutive assessment years out of 7 years at the option of such start-up.

Current Provisions	Amendments Proposed
It is incorporated between 01/04/2016 and 31/03/2019	The benefit would also be available to start up cos incorporated between 01/04/2019 and 31/03/2021;
The total turnover of its business does not exceed Rs. 25 crores in any of the previous year 2016-17 to 2020-21	The requirement of turnover not exceeding Rs. 25 Crore would apply to 7 previous years commencing from the date of incorporation;
It is engaged in the eligible business which involves innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.	The definition of eligible business has been expanded to provide that the benefit would be available if it is 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.

New deduction introduced for Farm Producer Companies

[Section 80PA – Applicable from Assessment Year 2019-20]

This new provision proposes 100% deductions of profits for a period of 5 years to farm producer companies.

This deduction is allowed to farm producer companies who have total turnover of up to Rs. 100 crores during the financial year. For claiming this deduction, companies' gross total income should include income from:

a) ***Marketing of agricultural produce grown by its members***
b) ***Purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to its members***
c) ***Processing of agricultural produce of its members***.

Certain Deductions not to be allowed if return is not filed on time

[Section 80AC – Applicable from Assessment Year 2018-19]

As per existing provisions of Section 80AC of the Act, no deduction would be admissible under section 80-IA or section 80-IAB or section 80-IB or section 80-IC or section 80-ID or section 80-IE, unless the return of income by the assessee is furnished on or before the due date specified under Section 139(1).

It is now proposed that the scope of section 80AC shall be extended to all similar deductions which are covered in heading "C.—Deductions in respect of certain incomes" in Chapter VIA (sections 80 H to 80RRB).

Impact upon deduction under section 80IAC, 80JJAA, 80P, new section 80PA, 80 QQB etc.

Procedural Changes

E-Proceedings of all scrutiny assessments

[Section 143(3A), 143(3B), 143(3C) – Applicable from Assessment Year 2018-19]

The Finance Bill, 2018 has proposed to launch a new scheme for scrutiny assessments to eliminate the interface between the Assessing Officer and the taxpayers. Under the new system, taxpayer will not be required to appear in person before the Assessing Officer as assessment proceedings in all cases selected under scrutiny will now be conducted through e-mail based communications.

Paperless assessment/e-mail based assessment was introduced in the financial year 2015-16 on pilot basis in five cities, *inter-alia*, Ahmedabad, Bangalore, Chennai, Delhi and Mumbai.

However, to implement the new system for scrutiny assessment, an amendment was required in Section 143 of the Income-tax Act. Accordingly, new sub-sections (3A) and (3B) are proposed to be inserted in Section 143 to enable the Central Govt. to make steps towards E-Assessment. The directions in this regard need to be issued on or before March 31, 2020.

Higher penalty for default in furnishing AIR (Section 271FA)

[Section 271FA – Applicable from Assessment Year 2018-19]

Default	Existing Penalty	Proposed Penalty
Penalty for not filing Statement within due date	Rs. 100 per day during which the default continues	Rs. 500 per day during which the default continues
Penalty for not filing Statement within time limit given in notice	Rs. 500 per day during which the default continues	Rs. 1,000 per day during which the default continues

Stringent prosecution for not filing the ITR

[Section 276CC – Applicable from Assessment Year 2018-19]

Section 276CC provides for imprisonment of up to 2 years in case a person doesn't file the return of income.

However exemption is provided from prosecution under section 276CC, if the return is furnished till end of assessment year or if the tax payable is up to Rs. 3,000.

The Finance Bill targets to prevent abuse of the exemption provided on the basis of amount of tax payable by shell companies or by companies holding Benami properties.

As per the proposed amendment the immunity from prosecution under section 276CC is not available to a company even if the amount of tax payable is Rs. 3,000 or less.


Thank You!