

**CA Final Direct Taxes Amendments for May 2021 Exam (Paper 7 / 6C)****Amendments as per Finance Act 2020, Notifications / Circulars issued between 1.5.2020 to 31.10.2020****Income Tax - Basic Concepts****Due date to submit Audit Report (w.e.f. AY 2021-22)**

To enable pre-filing of returns in case of persons having income from business or profession, it is required that the audit report under following sections may be furnished by the said assesseees at least **1 month** prior to the due date of filing of return of income.

10AA, section 12A, section 32AB, section 33AB, section 33ABA, section 35D, section 35E, section 44AB, section 44DA, section 50B, section 80-IA, section 80-IB, section 80JJAA, section 92F, section 115JB, section 115JC and section 115VV

**Rule 6ABBA: Other electronic modes for section 13A, 35AD, 40A(3)/(3A)/(4), 43(1), 43CA/50C, 44AD, 56(2)(x), 80JJAA, 269SS, 269T, 269ST (w.e.f. 1.9.2019)**

Credit / Debit Card	Net Banking	IMPS (Immediate Payment Service)	UPI (Unified Payment Interface)	RTGS (Real Time Gross Settlement)	NEFT (National Electronic Funds Transfer)	BHIM (Bharat Interface for Money) Aadhar Pay
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**Profits and Gains of Business and Profession**

**Section 35(2AB): Company** engaged in the business of **bio-technology** or **manufacture or production of any article or thing** (except in the list of the Eleventh Schedule)

Expenditure on scientific research (Post commencement) except on land or building	on in-house research and development facility as approved by the prescribed authority	Deduction = <b>100%</b> of expenditure ( <b>% changed w.e.f. AY 2021-22</b> )
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**Contribution to outsiders (% changed w.e.f. AY 2021-22)**

Purpose	To Approved Research Association, University, College etc.	To Domestic Company (Object is scientific R and D) approved by prescribed authority	To National Laboratory, Indian Institute of Technology, University, specified person
Scientific Research	<b>100%</b> u/s 35(1)(ii)	100% u/s 35(1)(ia)	<b>100%</b> u/s 35(2AA)
Social Sciences or Statistical Research	100% u/s 35(1)(iii)	Not available	Not available

<b>Section 35CCC: Expenditure on Agricultural Extension Project</b>	<b>Section 35CCD: Expenditure on Skill Development Project by Companies</b>
Deduction = <b>100%</b> of expenditure (except on land or building) ( <b>% changed w.e.f. AY 2021-22</b> )	Deduction = <b>100%</b> of such expenditure (except on land or building) ( <b>% changed w.e.f. AY 2021-22</b> )

**Section 35AD (w.e.f. AY 2020-21)**

- **This section will apply if assessee opts to claim this deduction.**
- No deduction in respect of such expenditure shall be allowed to the assessee under any other section or under this section in any other previous year **if the deduction has been claimed or opted by the assessee and allowed to him under this section.**

**Section 44AB: Audit of accounts of certain persons carrying on business or profession**

Clause (a)	Proviso to Clause (a) (w.e.f. AY 2021-22)
If he carries on business and his total sales, turnover or gross receipts in business exceed/s <b>Rs. 1 crore</b>	<b>Instead of Rs. 1 crore</b> , limit would be <b>Rs. 5 crores</b> in the case of a person whose
If the person declares profits as per section 44AD then his total sales, turnover or gross receipts in business should exceed <b>Rs. 2 crores</b>	a. aggregate <b>amounts received</b> including amount received for sales, turnover or gross receipts during the previous year, <b>in cash</b> , does not exceed <b>5%</b> of the said amount; and b. aggregate <b>payments</b> made including amount incurred for expenditure, <b>in cash</b> , during the previous year does not exceed <b>5%</b> of the said payment

**Time Limit to furnish Audit Report (Changed w.e.f. AY 2021-22)**

**Specified date** means date **1 month prior to the due date** for furnishing the return of income u/s 139(1).

**Books for CA Final May / Nov 2021 Exam by CA Kedar Junnarkar**

Subject	Book	Contents	Physical Book	Encrypted E-book
CA Final DT / International Taxation	Simplified Book	Covers entire portion of CA Final DT Paper 7 explained in a simplified manner. It also covers all Chapter of Elective Paper 6C – International Taxation other than Black Money Act and Case Studies	Rs. 550	Rs. 200
	Practice Book	Covers Numerical Problems and MCQs with Solutions	Rs. 550	Rs. 200
CA Final IDT	Simplified Book	Covers entire portion of CA Final IDT Paper 8 explained in a simplified manner.	Rs. 500	Rs. 200
	Practice Book	Covers Numerical Problems and MCQs with Solutions	Rs. 500	Rs. 200
International Taxation Elective	Black Money Act and Case Studies Book	Covers Black Money Act and 33 Case Studies with Solutions	Rs. 450	Rs. 200

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## Income from Capital Gains

### **Section 55**

In case of a capital asset being land or building or both, FMV as on 1.4.2001 shall not exceed the stamp duty value, wherever available, of such asset as on 1.4.2001. **(w.e.f. AY 2021-22)**

### **Section 50C and 43CA**

It is applicable in case of sale / transfer of immovable property i.e. land, building  
If SDV does not exceed **110%** of Actual Sale Price, then Actual Sale Price shall be considered as Sale Consideration. **(% changed w.e.f. AY 2021-22)**

### **Section 50CA: Special provision for for transfer of Unquoted Share**

Sale Consideration shall be Sale Price or Fair Market Value as per Rule 11UA **whichever higher**

### **Rule 11UAD (w.e.f. AY 2020-21)**

The provisions of section 50CA of the Act shall not apply to transfer of unquoted shares, of a company and its subsidiary and the subsidiary of such subsidiary by an assessee, where

- a) the Tribunal, on an application moved by the Central Government under section 241 of the Companies Act, 2013, has suspended the Board of Directors of such company and has appointed new directors nominated by the Central Government under section 242 of the said Act and
- b) share of such company and its subsidiary and the subsidiary of such subsidiary has been transferred pursuant to a resolution plan approved by the Tribunal under section 242 of the Companies Act, 2013 after affording a reasonable opportunity of being heard to the jurisdictional Principal Commissioner or Commissioner.

A company shall be a subsidiary of another company, if such other company holds more than half in nominal value of the equity share capital of the company

### **Segregated Portfolio (w.e.f. AY 2021-22)**

SEBI has permitted creation of segregated portfolio of debt and money market instruments by Mutual Fund schemes. All the existing unit holders in the affected scheme as on the day of the credit event shall be allotted equal number of units in the segregated portfolio as held in the main portfolio. On segregation, the unit holders come to hold same number of units in two schemes –the main scheme and segregated scheme.

<b><u>Section 49(2AG): Unit/s in Segregated Portfolio</u></b>	<b><u>Section 49(2AH): Original Units</u></b>
COA of unit/s = Actual Cost of original units * <u>NAV of the asset transferred to the segregated portfolio</u> NAV of the total portfolio immediately before the segregation	COA of original units in main portfolio = Actual cost reduced by the amount arrived at under section 49(2AG)
Period of Holding for unit/s in a segregated portfolio shall be include the period for which the original unit or units in the main portfolio were held by the assessee.	

## Income from Other Sources

### Dividend

- Any income by way of dividends from domestic companies shall be taxable. **Section 10(34), 115BBDA and 115-O shall not apply w.e.f. AY 2021-22. However, dividend on which tax under section 115-O and section 115BBDA, wherever applicable, has been paid, shall be exempt u/s 10(34).**
  - Income from UTI or Mutual Fund is taxable. **Section 10(35), 115R shall not apply w.e.f. AY 2021-22.**
  - Dividends received from Foreign Company, Co-operative Society shall be taxable.
  - As per section 57, only Interest expense shall be allowed as deduction from following incomes. However, it shall not exceed 20% of such income (w.e.f. AY 2021-22)**
- |                 |   |
|-----------------|---|
| <b>Dividend</b> | <b>Income from units of Mutual Fund specified u/s (23D) or of specified company (UTI)</b> |
|-----------------|---|
- Deemed dividend will be taxable in the hands of shareholders (w.e.f. AY 2021-22)**

### **Section 80M: Deduction in respect of certain Inter-Corporate Dividends (w.e.f. AY 2021-22)**

If Domestic company (DC1)	earns dividends from other domestic company (DC2)	Deduction to DC1 = Dividends received from DC2 subject to dividend distributed by DC1 on or before due date
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Due date means the date one month prior to the date for furnishing the return of income u/s 139(1).

If such deduction is allowed in respect of dividend distributed by the domestic company, no deduction shall be allowed in respect of such amount in any other previous year. It will also cover Deemed Dividend.

**Deduction u/s 80M will be available even if the Company has opted for section 115BAA / 115BAB.**

### Gift

#### **Section 56(2)(x)**

Where **any person** receives, in any previous year, from any person/s

Sum of Money	Immovable Property		Movable Property	
	as gift (free)	bought for lower value	as gift (free)	bought for lower value
If sum of Money exceeds ₹50,000, then the whole amount is taxable.	If SDV of immovable property without consideration exceeds ₹50,000, whole SDV will be taxable.	If stamp duty value of such property exceeds such consideration, excess will be taxable if excess is more than higher of following amounts: (i) Rs. 50,000 (ii) <b>10%</b> of the consideration <b>(w.e.f. AY 2021-22)</b>	If aggregate FMV received without consideration exceeds ₹50,000 whole of the FMV will be chargeable to tax.	If movable property is received for a consideration less than FMV by an amount exceeding ₹50,000, the difference is chargeable to tax.

**Rule 11UAC:** Section 56(2)(x) shall not apply to

#### **Case 1**

- Immovable property (land or building or both) received by a resident of an unauthorised colony in the National Capital Territory of Delhi if Central Government regularised such transactions based on the latest Power of Attorney, Agreement to Sale, Will, possession letter and other documents including documents evidencing payment of consideration for conferring or recognising right of

ownership or transfer or mortgage in regard to such immovable property in favour of such resident.

- Resident means a person having physical possession of property on the basis of above mentioned documents and includes their legal heirs but does not include tenant, licensee or permissive user;
- Unauthorised colony shall have the same meaning under section 2(b) of the National Capital Territory of Delhi (Recognition of Property Rights of Residents in Unauthorised Colonies) Act, 2019.

### **Case 2**

Unquoted shares of a company and its subsidiary and subsidiary of such subsidiary received by a shareholder, where

- a) the Tribunal, on an application moved by the Central Government under section 241 of the Companies Act, 2013, has suspended the Board of Directors of such company and has appointed new directors nominated by the Central Government under section 242 of the said Act and
- b) share of company and its subsidiary and the subsidiary of such subsidiary has been received pursuant to a resolution plan approved by the Tribunal under section 242 of the Companies Act, 2013 after affording a reasonable opportunity of being heard to the jurisdictional Principal Commissioner or Commissioner.

A company shall be a subsidiary of another company, if such other company holds more than half in nominal value of the equity share capital of the company.

### **Case 3**

**Yes Bank Limited Reconstruction Scheme, 2020:** Equity shares of the reconstructed bank, received by the investor or the investor bank, as the case may be, where the said share has been allotted by the reconstructed bank under the scheme at a price specified in the scheme.

## **CA Final Regular Video Lectures by CA Kedar Junnarkar for May / Nov 2021 Exam**

Videos	2 Views / 1 Year Validity		1.5 Views / 6 months Validity	
	Pendrive Price in Rs.	Google Drive Price in Rs.	Pendrive Price in Rs.	Google Drive Price in Rs.
CA Final DT / International Taxation Regular - Paper 7	12,000	11,000	10,500	9,500
CA Final IDT Regular - Paper 8	11,000	10,000	9,500	8,500
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CA Final DT / International Taxation - Paper 7 and 6C	14,000	13,000	12,500	11,500
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## Special Tax and Surcharge Rates and Marginal Relief

### **Section 115BAC: Tax on income of Individuals and HUF (w.e.f. AY 2021-22)**

At the option of the assessee, tax payable in respect of the total income of an individual or HUF shall be

Total income	Rate of tax
Upto Rs 2,50,000	Nil
From Rs 2,50,001 to Rs 5,00,000	5%
From Rs 5,00,001 to Rs 7,50,000	10%
From Rs 7,50,001 to Rs 10,00,000	15%
From Rs 10,00,001 to Rs 12,50,000	20%
From Rs 12,50,001 to Rs 15,00,000	25%
Above Rs 15,00,000	30%

### **Following deductions / exemptions are not allowed**

Under the Head "Income from Salary"	"Income from House Property"
<ul style="list-style-type: none"> <li>• Leave travel concession u/s 10(5)</li> <li>• House rent allowance u/s 10(13A)</li> <li>• Allowances u/s 10(14)</li> <li>• Allowances to MPs/MLAs u/s 10(17)</li> <li>• Standard deduction, Entertainment Allowance and Employment/Professional Tax u/s 16</li> <li>• Exemption of Rs. 50 per meal for free food and nonalcoholic beverage provided by such employer through paid voucher</li> </ul>	Interest on loan taken for purchase / construction / renewal / reconstruction of (a) self-occupied property (b) property which could not be occupied due to employment or business or profession carried out at any other place

"Profits and Gains of Business and Profession"	Others
<ul style="list-style-type: none"> <li>• Sec 32(1)(ia): Additional depreciation</li> <li>• Sec 32AD: Deduction for new plant in notified backward areas of specified states</li> <li>• Sec 33AB: Tea/Coffee/Rubber Development A/c</li> <li>• Sec 33ABA: Site Restoration Account</li> <li>• 35(1)(ii)/(ia)/(iii)/35(2AA): Research Expenses</li> <li>• Sec 35AD: Specified business</li> <li>• 35CCC: Agricultural extension project expense</li> </ul>	<ul style="list-style-type: none"> <li>• Deduction for Family pension u/s 57(ia)</li> <li>• Chapter VI-A deductions other than               <ul style="list-style-type: none"> <li>• Sec 80CCD(2) - employer contribution to NPS</li> <li>• Sec 80JJAA – New Workmen</li> <li>• Sec 80LA – IFSC related</li> </ul> </li> <li>• Exemption for minor u/s 10(32)</li> <li>• Section 10AA available to SEZ unit</li> <li>• Exemption/deduction for allowances or perquisite provided under any other law</li> </ul>

### **Following allowances shall be exempt even if this section is opted for**

Transport Allowance granted to a handicapped employee	Conveyance Allowance for official purpose	Allowance granted to meet the cost of travel on tour or on transfer	Daily Allowance
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### **Following losses will not be allowed**

Carried forward Loss or depreciation from any earlier year, if it is attributable to any of the deductions referred above which are not allowable	Loss under the head "Income from house property" with any other head of income
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Such loss and depreciation shall be deemed to have been given full effect to and no further deduction shall be allowed for any subsequent year:

### **Depreciation**

If depreciation allowance has not been given full effect to prior to AY 2021-22, corresponding adjustment shall be made to WDV on 1.4.2020.

### **How to opt for this option (Form 10-IE)**

<b>Person having Business or Professional Income</b>	<b>Other Cases</b>
Apply on or before the due date specified u/s 139(1) for furnishing the returns of income for any previous year from PY 2020-21	In Return of income u/s 139(1) for such previous year
Option once exercised shall apply to subsequent years.	
Option exercised can be withdrawn only once for a previous year other than the year in which it was exercised and thereafter, the person shall never be eligible to exercise such option. However, he can do so if he ceases to have any business income.	
In the event of failure to satisfy the conditions, such option shall become invalid for subsequent years also and other provisions of this Act shall apply for those years.	Option invalid for that year.

### **Section 115BAD: Tax on Income of Resident Co-operative Societies (w.e.f. AY 2021-22)**

At the option of the assessee, the income-tax payable in respect of the total income of co-operative society resident in India shall be computed at the rate of **22%**.

### **Conditions**

Total income of the co-operative society is calculated without any deduction under the provisions of

- section 10AA: deduction in case of SEZ Unit
- section 32(1)(ia): Additional depreciation
- sec 32AD: Deduction for investment in new plant in notified backward areas of specified states
- section 33AB: Deposit in Tea/Coffee/Rubber Development Account
- section 33ABA: Deposit in Site Restoration Account
- section 35(1)(ii)/(ia)/(iii)/ 35(2AA): Deduction in respect of scientific research
- section 35AD: Specified business
- section 35CCC: Expenditure on agricultural extension project
- Deductions under Chapter VI-A other than section 80JJAA and 80LA

Set off of any loss carried forward from earlier year shall not be allowed if such loss is attributable to any of the deductions referred above. This loss shall be deemed to have been already given full effect to and no further deduction for such loss shall be allowed for any subsequent year.

### **Depreciation**

Depreciation u/s 32 shall be determined in prescribed manner - Depreciation in respect of block of assets entitled to more than 40% shall be restricted to 40% on WDV of such block of assets (**w.e.f. 1.10.2020**)

If depreciation allowance has not been given full effect to prior to AY 2021-22, corresponding adjustment shall be made to WDV on 1.4.2020.

**How to opt for this option – Form 10-IF**

This option shall be exercised on or before the due date specified u/s 139(1) for furnishing the return of income for the previous year.

Such option once exercised shall apply to subsequent years.

Once the option has been exercised, it cannot be subsequently withdrawn for the same or any other previous year.

**Failure to satisfy the conditions**

If the person fails to satisfy the conditions in any previous year, the option shall become invalid in respect of such previous year and subsequent years and other provisions of the Act shall apply, as if the option had not been exercised at all.

**For Section 115BAA / 115BAB**

Depreciation u/s 32 shall be determined in prescribed manner - Depreciation in respect of block of assets entitled to more than 40% shall be restricted to 40% on WDV of such block of assets (**w.e.f. 1.10.2020**)

Section 115BAB will now be available if company has been set-up and registered on or after 1.10.2019, and has commenced manufacturing or **generation of electricity** on or before 31.3.2023 (**w.e.f. AY 2021-22**)

**For Section 115BAA / 115BAC / 115BAD (w.e.f. 1.10.2020)**

Depreciation allowance, in respect of a block of asset, from any earlier assessment year or allowance of unabsorbed depreciation deemed so under section 72A, which is attributable to section 32(1)(ia) i.e. Additional Depreciation shall not be allowed to be set and the WDV of the block of asset as on the 1st April 2019 in case of section 115BAA or 1st April 2020 in case of section 115BAC / 115BAD shall be increased by such depreciation or allowance for unabsorbed depreciation not allowed to be set off.

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Videos	Pendrive Price in Rs.	Google Drive Price in Rs.
CA Final DT / International Taxation Fast Track - Paper 7	7,000	6,000
CA Final IDT Fast Track - Paper 8	7,000	6,000
CA Final DT / International Taxation Fast Track - Paper 7 & 6C	7,750	6,750
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## Set off and Carry forward of Losses

### **Section 43(5): Speculative transaction**

Transaction in which a contract for purchase or sale of any commodity, stocks and shares, is periodically or ultimately settled **otherwise than by the actual delivery or transfer** of the commodity or scrips. Following transactions shall not be deemed to be speculative transactions:

<b>Derivative Contracts</b>
a) an eligible transaction in respect of trading in <b>derivatives</b> carried out in a recognised stock exchange
b) an eligible transaction in respect of trading in <b>commodity derivatives</b> carried out in a <b>recognised association recognised stock exchange</b> which is chargeable to commodities transaction tax ( <b>w.e.f. 1.4.2020</b> )

<b>Eligible transaction in Commodity Derivatives</b>
a) carried out electronically on screen-based systems through member or an intermediary, registered under the bye-laws, rules and regulations of the <b>recognised stock exchange-recognised association</b> for trading in commodity derivative ( <b>w.e.f. 1.4.2020</b> ) and
b) which is supported by a time stamped contract note issued by such member or intermediary to every client indicating in the contract note, the unique client identity number allotted, unique trade number and PAN allotted.

### **Eligible Start Up**

**It means a company or LLP engaged in eligible business which fulfils the following conditions:**

it is incorporated from 1.4.2016 to 31.3.2021	total turnover of its business does not exceed Rs. <b>100 crores</b> in PY for which deduction u/s 80-IAC is claimed	it holds a certificate of eligible business from the Inter-Ministerial Board of Certification
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### **Section 72AA: Carry forward and set off of accumulated loss and unabsorbed depreciation allowance in the scheme of amalgamation (w.e.f. AY 2020-21)**

Accumulated loss under the head PGBP (not being speculation loss) and the unabsorbed depreciation of predecessor shall be deemed to be that of the successor for the previous year in which the scheme of amalgamation was brought into force and other provisions relating to set off and carry forward shall apply.

- a) Amalgamation of one or more banking company with any other banking institution under a scheme sanctioned by the Central Government u/s 45(7) of the **Banking Regulation Act, 1949**
- b) Amalgamation of one or more corresponding new bank/s with any other corresponding new bank under a scheme brought into force by the Central Government u/s 9 of the **Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970** or u/s 9 of the **Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980** or both
- c) Amalgamation of one or more Government company or companies with any other Government company under a scheme sanctioned and brought into force by the Central Government u/s 16 of the **General Insurance Business (Nationalisation) Act, 1972**

## Taxation of Various Entities

### Exemption to Funds (Section 10(23C))

Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES FUND) (w.e.f. 1.4.2020)

#### Section 11 / 12

- Income exempt under section 10 shall be included in Total Income. However, Income exempt u/s 10(1), 10(23C), **10(46)** will not be considered. **If the Trust earns income for which exemption under section 10(23C) and 10(46) is claimed, then exemption under section 11 and 12 will not be allowed.** (w.e.f. 1<sup>st</sup> June 2020)
- Corpus Donations to any other trust or institution registered u/s 12AA or **12AB** to **any fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to 10(23C)(iv)/(v)/(vi)/(via)** shall not be treated as application of Income. (Reference to section 12AB will apply w.e.f. 1.4.2021)
- Similar calculation for University / Other Educational Institution or any Hospital / Other Medical Institutions covered u/s 10(23C)(iv)/(v)/(vi)/(via) (w.e.f. AY 2021-22)**

#### Provisos to section 11(7) – w.e.f. 1.6.2020

Such registration shall become inoperative from the date on which the trust or institution is approved u/s 10(23C) or is notified u/s 10(46) or 1.6.2020 whichever is later.

In such case, it may apply to get its registration operative u/s 12AA / 12AB subject to the condition that on doing so, the approval u/s 10(23C) or notification u/s 10(46) shall cease to have any effect from the date on which registration becomes operative and it shall not be entitled to exemption under the respective clauses.

**Note:** Sec 12A(ac) / 12AB will apply from w.e.f. 1.4.2021. So it is not covered.

#### Rule 12CB: Submission of Statement of Income Paid or Credited by Investment Fund

Document to be submitted	Form No.	Due date
By Investment Fund to Principal Commissioner or Commissioner	Form 64D	by <b>15<sup>th</sup> June</b> of the financial year following the previous year during which income is paid or credited ( <b>time limit changed w.e.f. 28.7.2020</b> )
By Investment Fund to Unit holders	Form 64C	by 30th June of the financial year following the previous year during which the income is paid or credited

#### Section 2(13A): Business trust means a trust registered as

an <b>Infrastructure Investment Trust</b> under the SEBI (Infrastructure Investment Trusts) Regulations, 2014	a <b>Real Estate Investment Trust</b> under the SEBI (Real Estate Investment Trusts) Regulations, 2014
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**and units of which are required to be listed on recognised stock exchange (deleted w.e.f. AY 2021-22)**

Income of BT	REIT	Investor of REIT	INVIT	Investor of INVIT
Interest from a SPV	Exempt u/s 10(23FC) – No TDS as per sec 194A	Taxable	Exempt u/s 10(23FC) – No TDS as per sec 194A	Taxable
<b>Dividend from SP(Changed w.e.f. AY 2021-22)</b>	<b>Exempt u/s 10(23FC)</b>		<b>Exempt u/s 10(23FC)</b>	<b>Taxable</b>
<b>1. SPV opts for sec 115BAA</b>		<b>Exempt u/s 10(23FD)</b>		<b>Exempt u/s 10(23FD)</b>
<b>2. SPV does not opts for sec 115BAA</b>		<b>Taxable</b>		<b>Taxable</b>
Rental Income from letting out of real estate asset	Exempt u/s 10(23FCA) – No TDS u/s 194-I	Taxable – TDS u/s 194LBA	Taxable – TDS u/s 194-I applies	Exempt u/s 10(23FD)
Dividend from Domestic Company / Other Income	Taxable at MMR	Exempt - 10(23FD)	Taxable at MMR	Exempt - 10(23FD)

### **Section 115JD: Tax credit for Alternate Minimum Tax**

Provisions of section 115JC and 115JD shall not apply to a person who has exercised the option referred to in section 115BAC or section 115BAD (**w.e.f. AY 2021-22**)

### **Tax Deduction and Collection at Source (TDS / TCS)**

**HUAC:** Some deductors shall be liable to deduct tax only if gross receipts or turnover from the business / profession exceed **Rs. 1 crore in case of business or Rs. 50 Lakhs in case of profession** during the preceding financial year. (**w.e.f. AY 2021-22**)

194H	194-I	194J	194A	194C
Commission or Brokerage	Rent	Professional Fees, FTS	Interest other than on securities	Payments to Contractors
For Individuals / HUF				Individuals / HUF / AOP / BOI

However, applicability of section 194M has to be checked.

### **Circular C 1 of 2020: Option under section 115BAC**

- Employee, having income other than the income under the head "profit and gains of business or profession" and intending to opt for the concessional rate u/s 115BAC, may intimate the employer, of such intention for each previous year and upon such intimation, the deductor shall compute his total income, and make TDS thereon as per the provisions of section 115BAC of the Act.
- If such intimation is not made by the employee, the employer shall make TDS without considering the provision of section 115BAC of the Act.
- The intimation so made to the deductor shall be only for the purposes of TDS during the previous year and cannot be modified during that year. However, the intimation would not amount to exercising option in terms of section 115BAC(5) and the person shall be required to do so along with the return. Thus, option at the time of filing of return of income u/s 139(1) could be different from the intimation made by such employee to the employer for that previous year.
- In case of a person who has income under the head "profit and gains of business or profession" also, the

option for taxation under section 115BAC once exercised for a previous year at the time of filing of return of income u/s 139(1) cannot be changed for subsequent previous years except in certain circumstances.

### **Section 192(1C) (w.e.f. AY 2021-22)**

An eligible start-up as per section 80-IAC, responsible for paying income in the nature of perquisite of sweat equity or other security shall deduct or pay tax u/s 192(1) or 192(1A) on such income within **14 days** from earliest of

expiry of 48 months from the end of AY	date of its sale	date of the assessee ceasing to be the employee of such employer
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on the basis of rates in force for the financial year in which the said specified security or sweat equity share is allotted or transferred.

### **Section 191(2) (w.e.f. AY 2021-22)**

For paying income-tax directly by the assessee u/s 191(1), if income includes perquisite of sweat equity or other security allotted or transferred directly or indirectly by the current employer, being an eligible start-up, the income-tax on such income shall be payable by the assessee within 14 days from earliest of

expiry of 48 months from the end of AY	date of its sale	date of the assessee ceasing to be the employee of such employer
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### **Section 194A: TDS on Interest other on Securities**

The Central Government may, by notification in the Official Gazette, provide that the deduction of tax shall not be made or shall be made at such lower rate, from such payment to such person or class of persons, as may be specified in the said notification. (w.e.f. 1.4.2020)

Interest paid by	Paid to Member	Paid to another Co-operative Society	Paid to others
Primary Agricultural Credit Society / Primary Credit Society / Co-Operative Land Mortgage Bank / Co-Operative Land Development Bank	No TDS on Interest	No TDS on Interest	No TDS on Interest
Co-operative Bank	TDS provisions will apply	No TDS on Interest	TDS provisions will apply
Other Co-operative Society	No TDS	No TDS on Interest	TDS will apply

**W.e.f. 1.4.2020:** If TDS provisions are not applicable in above cases, a Co-operative Society shall be liable to deduct tax u/s 194A if

Total Sales, Gross Receipts or Turnover of the co-operative society exceeds <b>Rs. 50 crores</b> during the preceding FY AND	Interest credited or paid during the financial year is more than <b>Rs. 50,000</b> in case of payee being a senior citizen and <b>Rs. 40,000</b> in any other case
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**Highlighted points changed w.e.f. 1.4.2020**

Sec	TDS on	Res Status of receiver	Rate	Exemption
194	Dividend to Equity or Preference Shareholder or Deemed Dividend u/s 2(22)(a) to (e) <b>paid by any mode</b> by Domestic Company	Resident (TDS at the time of payment)	<b>10%</b>	<ul style="list-style-type: none"> <li>Dividend paid to LIC of India or General Insurance Corporation of India or other Insurance Companies</li> <li>Dividend paid by <b>any mode other than cash</b> to an individual and total dividend paid does not exceed <b>₹5,000/-</b></li> <li><b>Dividend referred to in section 115-O</b></li> <li>Dividend payable by Foreign Company / Co-operative Society</li> </ul>

**7.5% if amount paid or credited during the period from 14th May, 2020 to 31st March, 2021**

**Note:** For Non Residents, TDS will be at 20% u/s 195.

**Section 197: Certificate for deduction at lower rate**

Application shall be made by deductee in **Form no. 13** for nil or lower tax deduction u/s 194.

Sec	<b>W.e.f. 1.4.2020</b> TDS on	Res Status of receiver	Rate	Exemption
<b>194K</b>	Income in respect of units of a. Mutual Fund specified u/s 10(23D) or b. Administrator of specified undertaking or c. Specified Company (TDS at the time of payment or credit whichever earlier)	Resident	<b>10%</b>	<ul style="list-style-type: none"> <li>Amount is upto <b>₹5,000 p.a.</b></li> <li>No TDS on Capital Gain on sale</li> </ul>

**7.5% if amount paid or credited during the period from 14th May, 2020 to 31st March, 2021**

**Note:** For Non Residents, TDS will be at 20% u/s 196A.

**Section 194C**

**Work** shall include manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from such customer **or its associate, being a person placed similarly in relation to such customer as is the person placed in relation to the assessee under the provisions contained in section 40A(2)(b) – w.e.f. 1.4.2020 does not include** manufacturing or supplying a product as per requirement or specification of a customer by using material purchased from a person, other than such customer or **associate** of such customer.

**Section 194J - Res Status of receiver: Resident (Highlighted points changed w.e.f. 1.4.2020)**

	TDS on	Rate	Exemption if amt upto
1	Fees for Professional Service	10%	₹30,000 p.a.
2	(a) Fees for Technical Services which are Professional Services	10%	₹30,000 p.a. (Limit for both 2(a) and 2(b))
	(b) Fees for Technical Services (not being professional service)	2%	
3	(a) Royalty - consideration for sale, distribution or exhibition of cinematographic films	2%	₹30,000 p.a. (Limit for both 3(a) and 3(b))
	(b) Other Royalty	10%	
4	Non-compete Income relating to Business or Profession	10%	₹30,000 p.a.
5	Remuneration, fees, commission to a director except those on which tax is deductible u/s 192	10%	No Exemption

**Old Section 194N substituted with new section 194N w.e.f. 1.7.2020**

Sec	TDS on	Res Status of receiver	Rate
194N	<ul style="list-style-type: none"> <li>Banking company to which the Banking Regulation Act, 1949 applies</li> <li>Co-operative society engaged in carrying on business of banking or</li> <li>Post office</li> </ul> pays sums, in cash, in excess of <b>Rs. 1 crore</b> during the previous year to any person from the account/s	Any (Resident / Non Resident)	2%

If recipient has not filed the returns of income within time limit u/s 139(1) for all of the 3 years immediately preceding the previous year in which the payment is made to him, provisions shall apply with the modification that

- a) the sum shall be the amount/s in cash exceeding **Rs. 20 Lakhs** during the previous year
- b) TDS shall be

Cash as exceeds <b>Rs. 20 lakhs</b> during the previous year but does not exceed <b>Rs. 1 crore</b>	Cash paid exceeds <b>Rs. 1 crore</b> during the previous year
<b>2%</b>	<b>5%</b>

Sec	<b>W.e.f 1.10.2020 -</b> TDS on	Res Status of ECoP	Rate
194-O	Sale of goods or provision of services of an e-commerce participant is facilitated by an e-commerce operator through its digital or electronic facility or platform (at the time of credit of amount of sale or services or both to the account of an e-com participant or at the time of payment thereof to such e-commerce participant by any mode, whichever is earlier)	Resident	1% of Gross Amount

**\*\*0.75% if amount paid or credited during the period from 1<sup>st</sup> October 2020 to 31<sup>st</sup> March 2021**

**Note**

- Services include Fees for technical services and fees for professional services as per section 194J.
- E-commerce operator shall be deemed to be the person responsible for paying to e-commerce participant.

- If PAN is not submitted, TDS shall be TDS rate (1%) or 5% whichever higher = 5%. (Sec 206AA)
- Any payment made by purchaser of goods or recipient of services directly to an e-commerce participant for the sale of goods or provision of services or both, facilitated by an e-commerce operator, shall be deemed to be the amount credited or paid by the e-commerce operator to the e-commerce participant and shall be included in the gross amount of such sale or services for the purpose of TDS.

- No TDS under section 194-O if (all the conditions will apply)

E-commerce participant is Individual or HUF and	Gross amount during the PY does not exceed <b>Rs. 5,00,000</b> and	E-commerce participant has furnished his PAN or Aadhaar number to ECO
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- **Exclusion from other provisions of TDS:** A transaction in respect of which tax has been deducted by ECO or which is not liable to deduction (due to monetary limit) shall not be liable to TDS under any other provision. However, this exclusion shall not apply to any amount/s received or receivable by an e-commerce operator for hosting advertisements or providing any other services which are not in connection with the sale or services covered in section 194-O.
- If any difficulty arises in giving effect to the provisions of this section, the Board may, with the approval of the Central Government, issue guidelines for the purpose of removing the difficulty. Every guideline issued by the Board shall be laid before each House of Parliament, and shall be binding on the income-tax authorities and on the e-commerce operator.

**Section 197: Certificate for deduction at lower rate**

Application shall be made by deductee in **Form no. 13** for nil or lower tax deduction u/s 194-O.

<b>206C(1H)</b> <b>(w.e.f. 1.10.20)</b>	Seller, who receives any amount as consideration for sale of any goods of the value exceeding <b>Rs. 50 Lakhs</b> in a year, other than goods covered in section 206C(1)/(1F)/(1G)	<ul style="list-style-type: none"> <li>• TCS shall be at the time of receipt</li> <li>• TCS = <b>0.1%</b> of the sale consideration exceeding <b>Rs. 50 Lakhs</b></li> <li>• No TCS if TDS has been made</li> <li>• If PAN or Aadhar is not submitted, TCS = Twice the TCS rate (0.2%) or 1% whichever higher = 1%.</li> </ul>
<b>**0.075% if amount received or debited from 1<sup>st</sup> October 2020 to 31st March 2021</b>		

**Section 206C(1G) (w.e.f. 1.10.2020)**

Type of Payment	Rate	Exemption
Authorised dealer receives amount/s for remittance out of India from a buyer, i.e. person remitting such amount out of India under the Liberalised Remittance Scheme of RBI	<b>5% of amount in excess of Rs. 7 Lakhs</b>	TCS shall be at the earlier of debit or receipt  No TCS if TDS has been made on such amount.
Seller of an overseas tour program package, who receives any amount from a buyer (Limit of Rs. 7 Lakhs will not apply)	<b>5%</b>	Authorised dealer shall not collect the sum on an amount on which the sum has been collected by the seller
Amount being remitted out is a loan obtained from any financial institution as defined in section 80E, for pursuing any education	<b>0.5% of amount in excess of Rs. 7 Lakhs</b>	

**Seller** means

<b>For Section 206C(1) / 206C(1F)</b>	<b>For Section 206C(1H)</b>
a) Central Government, a State Government or any Local Authority or b) Corporation or authority established by or under a Central, State or Provincial Act or c) any company or firm or co-operative society or d) Individual or HUF whose total sales, gross receipts or turnover from the business or profession carried on by him exceed <b>Rs. 1 crore in case of business or Rs. 50 Lakhs in case of profession</b> during preceding year	Person whose total sales, gross receipts or turnover from the business exceed <b>Rs. 10 crores</b> during the preceding financial year, not being a notified person.

**Buyer**

<b>For Section 206C(1G)</b>	<b>For Section 206C(1H)</b>
Buyer shall exclude <ul style="list-style-type: none"> <li>Central or State Government or Local Authority as defined in section 10(20)</li> <li>Embassy, a High Commission, a legation, a commission, a consulate, the trade representation of a foreign State</li> <li>any other notified person</li> </ul>	Buyer means a person who purchases any goods, but does not include <ul style="list-style-type: none"> <li>Central or State Government or Local Authority as defined in section 10(20)</li> <li>Embassy, High Commission, legation, commission, consulate, trade representation of a foreign State</li> <li>Person importing goods into India or any other notified person</li> </ul>

**Note**

- If any difficulty arises in giving effect to the provisions of section 206C(1G) or 206C(1H), the Board may, with the approval of the Central Government, issue guidelines for removing the difficulty.
- Every guideline issued by the Board shall be laid before each House of Parliament, and shall be binding on the Income-tax authorities and on the person liable to collect the sum.

**Circular 17/2020**

- TDS u/s 194-O and TCS u/s 206C(1H) of the Act shall not be applicable in relation to
  - transactions in securities / commodities which are traded through recognized stock exchanges or cleared and settled by the recognized clearing corporation, including recognized stock exchanges or recognized clearing corporation located in International Financial Service Centre
  - transactions in electricity, renewable energy certificates and energy saving certificates traded through power exchanges registered in accordance with Regulation 21 of the CERC
- In e-commerce transactions, the payments are generally facilitated by payment gateways. Eg. a buyer buys goods worth one lakh rupees on e-commerce website "XYZ". He makes payment of one lakh rupees through digital platform of "ABC". The payment gateway will not be required to deduct tax under section 194-O of the Act on a transaction, if the tax has been deducted by the e-commerce operator under section 194-O on the same transaction. Hence, if "XYZ" has deducted tax u/s 194-O on one lakh rupees, "ABC" will not be required to deduct tax u/s 194-O of the Act on the same transaction. "ABC" may take an undertaking from "XYZ" regarding deduction of tax.
- In years subsequent to the first year, if the insurance agent or insurance aggregator has no involvement in transactions between insurance company and the buyer of insurance policy, he would not be liable to deduct tax u/s 194-O of the Act for those subsequent years. However, the insurance company shall be required to deduct tax on commission payment, if any, made to the insurance agent or insurance aggregator for those subsequent years under the relevant provision of the Act.
- Calculation of threshold for the financial year 2020-21 for section 194-O / 206C(1H)



- If the gross amount of sale or services or both facilitated during the previous year 2020-21 (including the period up to 30th Sept 2020) in relation to such an individual/HUF exceeds five lakh rupees, section 194-O shall apply on any sum credited or paid on or after 1st October, 2020.
- Section 206C(1H) applies on receipt of sale consideration, it shall not apply on any sale consideration received before 1st October 2020. It would apply on all sale consideration (including advance received for sale) received on or after 1st October 2020 even if the sale was carried out before 1st October 2020.
- If a person being seller has already received Rs. 50 Lakhs or more up to 30th September 2020 from a buyer, the TCS u/s 206C(1H) shall apply on all receipt of sale consideration during the previous year, on or after 1st October 2020, from such buyer.  
Eg. A seller who has received Rs. 1 crore before 1.10.2020 from a particular buyer and receives Rs. 5 lakh after 1.10.2020 would be required to collect tax on Rs. 5 lakh only and not on Rs. 55 lakh [i.e Rs. 1.05 crore - Rs. 50 lakh (threshold)] by including the amount received before 1.10.2020.
- Applicability to sale of motor vehicle
  - Receipt of sale consideration from a dealer would be subjected to TCS u/s 206C(1H) of the Act, if such sales are not subjected to TCS under sub-section (1F) of section 206C(1F)
  - In case of sale to consumer, receipt of sale consideration for sale of motor vehicle of the value Rs. 10 lakh or less to a buyer would be subjected to TCS u/s 206C(1H) of the Act, if the receipt of sale consideration for such vehicles during the PY exceeds fifty lakh rupees during the previous year.
  - In case of sale to consumer, receipt of sale consideration for sale of motor vehicle of the value exceeding ten lakh rupees would not be subjected to TCS u/s 206C(1H) if such sales are subjected to TCS u/s 206C(1F) of the Act.
- Adjustment for sale return, discount or indirect taxes: No adjustment on account of sale return or discount or indirect taxes including GST is required to be made for collection of tax u/s 206C(1H) of the Act since the collection is made with reference to receipt of amount of sale consideration.
- Fuel supplied to non-resident airlines: Provisions of section 206C(1H) of the Act shall not apply on the sale consideration received for fuel supplied to non-resident airlines at airports in India.

**Press Release dated 30-9-2020: Clarification of Doubts arising on account of New TCS Provisions**

- TCS shall be applicable only on the amount received on or after 1st October, 2020. For example, a seller who has received Rs. 1 crore before 1st October, 2020 from a particular buyer and receives Rs. 5 lakh after 1st October, 2020 would be required to collect tax on Rs. 5 lakh only and not on Rs. 55 lakh [i.e Rs.1.05 crore - Rs. 50 lakh (threshold)] by including the amount received before 1.10.2020.
- TCS applies only in cases where receipt of sale consideration exceeds Rs. 50 lakh in a financial year. As the threshold is based on the yearly receipt, only for the purpose of calculation of this threshold of Rs. 50 lakh, the receipt from the beginning of the financial year i.e. from 1st April, 2020 shall be taken into account. For example, in the above illustration, the seller has to collect tax on receipt of Rs. 5 lakh after 1st October, 2020 because the receipts from 1st April, 2020 i.e. Rs. 1.05 crore exceeded the specified threshold of Rs. 50 lakh.
- The seller in most of the cases maintains running account of the buyer in which payments are generally not linked with a particular sale invoice. Therefore, in order to simplify and ease the compliance of the collector, this TCS provision shall be applicable on the amount of all sale consideration received on or after 1st October, 2020 without making any adjustment for the amount received in respect of sales

**Section 197A(1F)**

Notwithstanding anything contained in this Chapter, no deduction of tax shall be made, or deduction of tax shall be made at such lower rate, from such payment to such person or class of persons, including institution, association or body or class of institutions, associations or bodies, as may be notified by the Central Government in the Official Gazette, in this behalf. (w.e.f. 1.4.2020)

**Section 204: Person responsible for paying i.e. who will deduct tax**

<b>Person not resident in India (w.e.f. 1.4.2020)</b>	<b>Person himself or any person authorised by such person or the agent of such person in India including any person treated as an agent u/s 163</b>
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**Failure to pay TCS**

If any person does not collect the tax or after collecting, fails to pay <b>the tax u/s 206C(1)/(1C)</b>	
He shall be <b>deemed to be an assessee in default</b> in respect of the tax. No penalty shall be charged u/s 221 unless AO is satisfied that the person has without good and sufficient reasons failed to collect and pay the tax.	Simple interest: 1% per month or part on TCS from the date on which such tax was collectible to the date on which the tax was actually paid which shall be paid before furnishing the quarterly statement for each quarter. If the tax has not been paid after it is collected, the tax and simple interest shall be a charge upon all his assets.

Any person **referred to in section 206C(1)/(1C)** fails to collect the tax, shall not be deemed to be an assessee in default in respect of such tax if such buyer or licensee or lessee

- has furnished ROI under section 139
- has taken into account such amount for computing income
- has paid the tax due on the income declared by him in ROI
- furnishes a certificate to this effect from an accountant in Form 27BA

In such case, the interest shall be payable from the date on which such tax was collectible to the date of furnishing of return of income by such buyer or licensee or lessee.

**Rule 37-I: TCS Credit**

Credit for TCS under section 206C(1F) or (1G) or (1H) shall be given to the person from whose account tax is collected and paid to the Central Government account for the previous year in which such tax collection is made (w.e.f. 24.7.2020)

**Return of Income and Assessment Procedure****Rule 114AAB: Class or classes of person to whom provisions of section 139A shall not apply (w.e.f. 10.8.2020)**

- Section 139A shall not apply to a non-resident, not being a company, or a foreign company, who has, during a previous year, made investment in a specified fund if the following conditions are fulfilled
  - Income from investment in the specified fund is the only income earned in India during the PY
  - TDS u/s 194LBB is made and
  - the non-resident furnishes the following details and documents to the specified fund:
    - name, e-mail id, contact number
    - address in the country or specified territory outside India of which he is a resident
    - a declaration that he is a resident of a country or specified territory outside India; and
    - Tax Identification Number in the country or specified territory of his residence and if no such

number is available, then a unique number on the basis of which the nonresident is identified by the Government of that country or specified territory of which he claims to be a resident.

- The specified fund shall furnish a quarterly statement in Form No.49BA within fifteen days from the end of the quarter of the financial year to which such statement relates
- Specified fund means any fund established or incorporated in India in the form of a trust or a company or a LLP or a body corporate which has been granted a certificate of registration as a Category I or II Alternative Investment Fund and is regulated under SEBI (Alternative Investment Funds) Regulations, 2012, and which is located in any International Financial Services Centre.

### Section 139(1): Filing of Return of Income

#### Due dates for AY 2021-22

30 <sup>th</sup> November 2021	31 <sup>st</sup> October 2021 (w.e.f. AY 2021-22)	31 <sup>st</sup> July 2021
<b>Assessee</b> who is required to submit Transfer Pricing Report (Form 3CEB)	<ul style="list-style-type: none"> <li>• a company</li> <li>• a person (other than a company) whose accounts are required to be audited under the Income-tax Act, 1961 or any other law in force</li> <li>• a <b>working</b> partner of a firm whose accounts are required to be audited under the Income-tax Act, 1961 or any other law (<b>deleted w.e.f. AY 2021-22</b>)</li> </ul>	in the case of any other assessee

### Section 140: Return by whom to be verified

Company	<ul style="list-style-type: none"> <li>• The Managing Director of the company</li> <li>• If MD is not able to verify or where there is no MD: any Director <b>or any prescribed person (w.e.f. AY 2021-22)</b></li> </ul>
Limited Liability Partnership	<ul style="list-style-type: none"> <li>• Designated partner</li> <li>• If designated partner is not able to verify or where there is no designated partner : partner of the LLP or <b>any prescribed person (w.e.f. AY 2021-22)</b></li> </ul>

### Section 285BB / Rule 114-I: Annual Information Statement (w.e.f. 1.6.2020)

Prescribed Income-Tax Authority (Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems)) or any person authorised by him shall, under section 285BB of the Income-tax Act,1961, upload in the registered account of the assessee an annual information statement in Form No. 26AS containing the following information which is in his possession within **3 months** from the end of the month in which the information is received by him.

TDS / TCS	Specified Financial Transactions	Payment of Taxes
Demand and Refund	Pending Proceedings	Completed Proceedings

### Powers of Income Tax Authorities

**Section 2(15A):** Chief Commissioner means a person appointed to be a Chief Commissioner of Income-tax or **Directors-General of IT** or a Principal Chief Commissioner of IT or **Principal Directors General of IT (added w.e.f. AY 2021-22)**

### Section 119A: Taxpayer's Charter (w.e.f. 1.4.2020)

The Board shall adopt and declare a Taxpayer's Charter and issue such orders, instructions, directions or guidelines to other income-tax authorities as it may deem fit for the administration of such Charter.

## Penalties and Prosecution

### **Section 271AAD: Penalty for false entry, etc. in Books of Account (w.e.f. 1.4.2020)**

Penalty on person who makes false entry or omission	Penalty on other person
If during any proceeding, it is found that in the books of account maintained by any person there is (a) false entry or (b) an omission of any entry which is relevant for computation of total income of such person to evade tax liability	Any other person, who causes such person in any manner to make a false entry or omits or causes to omit any entry
Penalty by AO = Aggregate amount of such false or omitted entry (Penalty can be on both the persons)	

False entry includes use or intention to use

forged or falsified documents like false invoice or, in general, a false piece of documentary evidence	invoice in respect of supply or receipt of goods or services or both issued by the person or any other person without actual supply or receipt of such goods or services or both	Invoice in respect of supply or receipt of goods or services or both to or from a person who does not exist
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## Appeals, Revision and Rectification

### **Section 253: Appeal to Appellate Tribunal (ITAT)**

ITAT may grant stay for up to **180 days** if the **assessee deposits not less than 20% of tax, interest, fee, penalty, or any other sum or furnishes security of equal amount.**

On application made and **such payment is made**, ITAT may extend the stay for further 185 days if the delay is not attributable to the assessee. If such appeal is not so disposed of within 365 days, then no stay shall be granted even if the delay is not attributable to the assessee. **(w.e.f. 1<sup>st</sup> June 2020)**

### **Section 250(6A)/(6B)/(6C) – Faceless Appeal Scheme (w.e.f. 1.4.2020)**

Central Government may make a scheme, by notification in the Official Gazette, for disposal of appeals by CIT(A) so as to impart greater efficiency, transparency and accountability by

eliminating interface between CIT(A) and appellant in the course of appellate proceedings to the extent technologically feasible	optimising utilisation of the resources through economies of scale and functional specialisation	introducing an appellate system with dynamic jurisdiction in which appeal shall be disposed of by one or more CIT(A)
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Central Government may direct that any of the provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification. No direction shall be issued after the **31.3.2022**.

Every notification issued shall, as soon as may be after it is issued, be laid before each House of Parliament.

### **Faceless Appeals Scheme, 2020 (w.e.f. 25.9.2020)**

The appeal under this Scheme shall be disposed of in respect of such territorial area or persons or class of persons or incomes or class of incomes or cases or class of cases, as may be specified by the Board.

**Faceless Appeal Centres set up by CBDT**

<b>National Faceless Appeal Centre (NFAC)</b>	<b>Regional Faceless Appeal Centre (RFAC)</b>
to facilitate the conduct of e-appeal proceedings in a centralised manner, which shall be vested with the jurisdiction to dispose appeal	to facilitate the conduct of e-appeal proceedings, which shall be vested with the jurisdiction to dispose appeal

**Units set by CBDT to facilitate the conduct of Faceless Appeals**

<b>Appeals Units</b>
<ul style="list-style-type: none"> <li>• to facilitate the conduct of e-appeal proceedings</li> <li>• to perform the function of disposing appeal, which includes admitting additional grounds of appeal, making such further inquiry as thinks fit,</li> <li>• directing the National e-Assessment Centre or AO for making further inquiry</li> <li>• seeking information or clarification on admitted grounds of appeal,</li> <li>• providing opportunity of being heard to the appellant,</li> <li>• analysis of the material furnished by the appellant,</li> <li>• review of draft order</li> <li>• such other functions as may be required for the purposes of this Scheme</li> </ul>

The units shall have the following authorities

- a) one or more Commissioner(Appeals)
- b) such other income-tax authority, ministerial staff, executive or consultant to assist the Commissioner (Appeals) as considered necessary by the Board

**Procedure in Appeal**

- NFAC shall assign the appeal to a specific appeal unit in any one RFAC through an automated allocation system.
- **Condonation of Delay in filing Appeal:** If the Appellant has filed the appeal after the expiration of specified time, the appeal unit may, under intimation to NFAC,
  - admit the appeal if it is satisfied that the appellant had sufficient cause for not filing the appeal within the said time
  - reject the appeal in other cases
- **Stay of demand:** If the appellant has applied for exemption for payment of tax i.e. Stay of demand in case Return is not filed, the appeal unit may, under intimation to NFAC
  - admit the appeal and exempt the appellant from payment for any good and sufficient reason to be recorded in writing
  - reject the appeal in other cases
- NFAC shall intimate the admission or rejection of appeal to the appellant.
- Where appeal is admitted

Appeal Unit may request the NFAC to obtain such further information, document or evidence from the appellant or any other person	Appeal Unit may request NFAC to obtain a report of NEC or AO on grounds of appeal or information, document or evidence filed by the appellant	Appeal Unit may request NFAC to direct NEC or AO for making further inquiry u/s 250(4) and submit a report	NFAC shall serve a notice upon the appellant or any other person or NEC or AO to submit such information, document or evidence or report as may be specified by the appeal unit or as may be relevant to the appellate proceedings, on a specified date and time. The appellant or any other person shall file a response to the notice or NEC or AO shall file a report in response to the notice within the date and time specified or extended date and time allowed on the basis of an application to NFAC. NFAC shall send the response / report to Appeal Unit and if not received, inform it.
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- **Additional grounds:** The appellant may file additional ground of appeal in such form, as may be specified by NFAC, specifying therein the reason for omission of such ground in the appeal filed by him.
  - NFAC shall send the additional ground of appeal to NEC or AO for providing comments, if any, and to the appeal unit.
  - NEC or AO shall furnish their comments, within the date and time specified or such extended date and time as may be allowed on the basis of an application made in this behalf, to NFAC.
  - where comments are filed by NEC or AO, NFAC shall send such comments to the appeal unit, and where no such comments are filed, inform the appeal unit.
  - The appeal unit shall, after taking into consideration the comments, if any, received from the NEC or AO
    - a) if it is satisfied that the omission of additional ground from the form of appeal was not wilful or unreasonable, admit such ground or
    - b) in any other case, not admit the additional ground, for reasons to be recorded in writing and intimate the NFAC
  - NFAC shall intimate the admission or rejection of the additional ground to the appellant.
  
- **Additional evidence:** Appellant may file additional evidence, other than the evidence produced by him during the course of proceedings before NEC or AO, in such form, as may be specified by NFAC, specifying therein as to how his case is covered by the exceptional circumstances specified in rule 46A(1) of the Rules.
  - NFAC shall send the additional ground of appeal to NEC or AO for furnishing a report within the specified date and time on the admissibility of additional evidence under rule 46A of the Rules.
  - NEC or AO shall furnish their comments, within the date and time specified or such extended date and time as may be allowed on the basis of an application made in this behalf, to NFAC.
  - where report is furnished by NEC or AO, NFAC shall send such comments to the appeal unit, and where no such comments are filed, inform the appeal unit.
  - The appeal unit shall, after taking into consideration the additional evidence and the report, if any, furnished by the NEC or AO, admit or reject the additional evidence, for reasons to be recorded in writing, and intimate NFAC.
  - NFAC shall intimate the admission or rejection of the additional ground to the appellant, NEC or AO.
  - Where the additional evidence is admitted
    - a) Appeal unit shall prepare a notice and send it to NFAC. It is to provide an opportunity to NEC or AO, to examine such evidence or to cross-examine such witness, as may be produced by the appellant,

or to produce any evidence or document, or any witness in rebuttal of the evidence or witness produced by the appellant.

- b) NFAC shall serve the notice upon the NEC or AO.
  - c) NEC or AO shall furnish the report to the NFAC, within the date and time specified or such extended date and time as may be allowed on the basis of an application made.
  - d) NFAC shall send the report furnished by NEC or AO to the appeal unit or where no such report is furnished, inform the appeal unit
- 
- NEC or AO may request NFAC to direct the **production of any document** or evidence by the appellant, or the examination of any witness, as may be relevant to the appellate proceedings
    - NFAC shall send such request to the appeal unit
    - the appeal unit shall consider such request and may prepare a notice and send it to NFAC
      - a) directing the appellant to produce such document or evidence, as it may specify or
      - b) for examination of any other person, being a witness;
    - NFAC shall serve the notice upon the appellant or any other person, being a witness.
    - Appellant or any other person, as the case may be, shall file his response to the notice within the date and time specified in the notice or such extended date and time as may be allowed on the basis of application made to NFAC
    - Where a response is filed by the appellant or any other person, NFAC shall send such response to the appeal unit, or where no such response is filed, inform the appeal unit.
  
  - If the appeal unit intends to **enhance an assessment or a penalty** or **reduce the refund**
    - the appeal unit shall prepare a show-cause notice containing the reasons for such enhancement or reduction and send such notice to NFAC.
    - NFAC shall serve the notice upon the appellant.
    - Appellant shall, within the date and time specified in the notice or such extended date and time as may be allowed on the basis of application made, file his response to NFAC.
    - Where a response is filed by the appellant, NFAC shall send such response to the appeal unit, or where no such response is filed, inform the appeal unit.
  
  - The appeal unit shall, after taking into account all the relevant material available on the record, including the response filed, if any, by the appellant or any other person or report furnished by the NEC or AO and after considering any matter arising out of the proceedings in which the order appealed against was passed, notwithstanding that such matter was not raised in the appeal
    - prepare in writing, a **draft order** in accordance with the provisions of section 251 of the Act; and
    - send such order to NFAC along with the details of the penalty proceedings, if any, to be initiated.
  
  - NFAC shall upon receipt of the draft order
    - where aggregate amount of tax, penalty, interest or fee, including surcharge and cess, payable in respect of issues disputed in appeal, is more than a specified amount, send the draft order to an appeal unit, other than the appeal unit which prepared such order, in any one Regional Faceless Appeal Centre through an automated allocation system, for conducting review of such order;
    - in any other case, examine the draft order in accordance with the risk management strategy specified by the Board, including by way of an automated examination tool, whereupon it may decide to
      - a) finalise the appeal as per the draft order; or
      - b) send the draft order to an appeal unit, other than the unit which prepared such order, in any one

RFAC through an automated allocation system, for conducting review of such order.

- Appeal unit shall **review the draft order**, referred to it by the National Faceless Appeal Centre, whereupon it may decide to
  - a) concur with the draft order and intimate the National Faceless Appeal Centre about such concurrence or
  - b) suggest such variation, as it may deem fit, to the draft order and send its suggestions to the NFAC
- NFAC shall, upon receiving concurrence of the appeal unit, finalise the appeal as per the draft order
- NFAC shall, upon receiving suggestion for variation from the appeal unit, assign the appeal to an appeal unit, other than the appeal unit which prepared or reviewed the draft order, in any one RFAC through an automated allocation system. Appeal unit shall, after considering the suggestions for variation
  - a) where such suggestions intend to enhance an assessment or a penalty or reduce the amount of refund, follow the procedure laid down to do so and prepare a revised draft order or
  - b) in any other case, prepare a revised draft order as per procedure laid down to do so and send such order to NFAC along with the details of the penalty proceedings, if any, to be initiated.
- NFAC shall after finalising the appeal or upon receipt of revised draft order, pass the appeal order and
  - communicate such order to the appellant
  - communicate such order to the Principal CC or CC or Principal CIT or CIT as per section 250(7)
  - communicate such order to NEC or AO for such action as may be required under the Act
  - where initiation of penalty has been recommended in the order, serve a notice on the appellant calling upon him to show cause as to why penalty should not be imposed upon him under the relevant provisions of the Act

**The Principal CC or Principal DG, in charge of NFAC, may at any stage of the appellate proceedings, if considered necessary, transfer, by an order, the appeal with the prior approval of the Board to such Commissioner (Appeals) as may be specified in the order.**

### **Penalty proceedings**

- Appeal unit may, in the course of appeal proceedings, for non-compliance of any notice, direction or order issued under this Scheme on the part of the appellant or any other person send recommendation for initiation of any penalty proceedings to the NFAC.
- NFAC shall, upon receipt of recommendation, serve a notice on the appellant or any other person, as the case may be, calling upon him to show cause as to why penalty should not be imposed upon him.
- The appellant or any other person shall file a response to the show-cause notice within the date and time specified in such notice, or such extended date and time as may be allowed on the basis of an application made in this behalf, to NFAC.
- NFAC shall assign the recommendation for initiation of penalty proceedings, along with the response filed, if any, by the appellant or any other person, to a specific appeal unit in any one Regional Faceless Appeal Centre through an automated allocation system.
- The appeal unit shall, after taking into account all the relevant material available on the record, including the response filed, if any, by the appellant or any other person
  - a. prepare a draft order and send a copy of such order to NFAC or



- b. drop the penalty after recording reasons, under intimation to NFAC.
- where the appeal unit has dropped the penalty, NFAC shall send an intimation thereof, or where the appeal unit sends a draft order, the NFAC shall pass the order for imposition of penalty as per such draft, and communicate such order, to
  - a. the appellant or any other person and
  - b. NEC or AO for such action as may be required under the Act.

### **Rectification Proceedings**

- With a view to rectifying any mistake apparent from the record the National Faceless Appeal Centre may amend any order passed by it, by an order to be passed in writing.
- An application for rectification of mistake may be filed with the National Faceless Appeal Centre by the
  - a) appellant or any other person or
  - b) appeal unit preparing or reviewing or revising the draft order or
  - c) NEC or AO
- Where any application is received by NFAC, it shall assign such application to a specific appeal unit in any one RFAC through an automated allocation system.
- The appeal unit shall examine the application and prepare a notice for granting an opportunity
  - a) to the appellant or any other person where the application has been filed by NEC or AO or
  - b) to NEC or AO where the application has been filed by the appellant or any other person or
  - c) to the appellant or any other person and NEC or AO where the application has been filed by an appeal unitand send the notice to NFAC.
- The National Faceless Appeal Centre shall serve the notice referred to in sub-paragraph (4) upon the appellant or any other person, as the case may be, or the National e-Assessment Centre or the Assessing Officer, as the case may be, calling upon him to show cause as to why rectification of mistake should not be carried out under the relevant provisions of the Act.
- The appellant or any other person or NEC or AO, shall file a response to the notice, within the date and time specified therein, or such extended date and time as may be allowed on the basis of an application made in this behalf, to the NFAC.
- Where a response is filed by the appellant or any other person or NEC or AO, NFAC shall send such response to the appeal unit, or where no such response is filed, inform the appeal unit.
- The appeal unit shall, after taking into consideration the application and response, if any, filed by the appellant or any other person or NEC or AO, prepare a draft order
  - (a) for rectification of mistake or
  - (b) for rejection of application for rectification, citing reasons thereof and send the order to the NFAC.
- NFAC shall upon receipt of draft order, pass an order as per such draft and communicate such order
  - a. to the appellant or any other person and
  - b. to NEC or AO for such action as may be required under the Act.

### **Appellate Proceedings**

- An appeal against an order passed by NFAC shall lie before ITAT having jurisdiction over the jurisdictional Assessing Officer.
- Where any order passed by NFAC or CIT(A) is set-aside and remanded back to NFAC or CIT(A) by the ITAT or High Court or Supreme Court, the NFAC shall pass the order as per this Scheme.

**Exchange of communication exclusively by electronic mode**

- All communication between NFAC and the appellant, authorised representative shall be exchanged exclusively by electronic mode; and
- All internal communications between NFAC, RFAC, NEC, AO and Appeals units shall be exchanged exclusively by electronic mode.

**Authentication of electronic record**

An electronic record shall be authenticated by

NEC	appellant or any other person
by affixing its digital signature	<ul style="list-style-type: none"> <li>• by affixing his digital signature if he is required to furnish his return of income under digital signature</li> <li>• other case by affixing his digital signature or under electronic verification code</li> </ul>

**Delivery of electronic record i.e. Notice / Order / Other ECommunication**

**To appellant:** It shall be delivered by way of

placing an authenticated copy thereof in appellant's registered account	sending an authenticated copy thereof to the registered email address of the appellant or his authorised representative	uploading an authenticated copy on the assessee's Mobile App i.e. application software of the Income-tax Department
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And followed by a real time alert (SMS on registered mobile number or email on registered email address or update on Mobile App)

Assessee shall file his response through his registered account, and once an acknowledgement is sent by the NFAC containing the hash result generated upon successful submission of response, the response shall be deemed to be authenticated.

**To other person:** It shall be delivered by sending an authenticated copy thereof to the registered email address of such person, followed by a real time alert.

**No personal appearance in the Centres or Units**

- A person shall not be required to appear personally or through authorised representative.
- However, when show cause notice is issued on modification is proposed in the draft assessment order, appellant or his authorised representative may request for personal hearing to make oral submissions or present his case before the income-tax authority in any unit exclusively through video conferencing.
- Chief Commissioner or Director General in charge of RFAC under which the concerned unit is set up, may approve the request for personal hearing if he is of the opinion that the request is covered by the specified circumstances. Such hearing shall be conducted exclusively through video conferencing, including use of any telecommunication application software which supports video telephony
- The Board shall establish suitable facilities for video conferencing including telecommunication application software which supports video telephony so as to ensure that the appellant, or his authorised representative, or any other person is not denied the benefit of this Scheme merely on the consideration that he does not have access to video conferencing at his end.

## Income from Salary

### Section 10(45)

Exemption to notified allowance or perquisite paid to the Chairman or a retired Chairman or any other member or retired member of the Union Public Service Commission is withdrawn. It shall be taxable w.e.f. AY 2021-22.

### W.e.f. AY 2021-22

Amount or aggregate of amounts of Employer contribution in

Recognised Provident Fund	Notified Pension Scheme - 80CCD	Approved Superannuation Fund
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to the extent it exceeds Rs. 7.5 Lakhs in a previous year shall be taxable.

Annual accretion by way of interest, dividend or any other amount of similar nature during the previous year to the balance at the credit of the fund or scheme referred to above to the extent it relates to the employer contribution computed in prescribed manner.

## Chapter VI-A Deductions

### Section 80EEA: Interest on loan taken for certain house property

- Deduction is available to an **individual** only.
- Interest payable on loan taken from any financial institution for acquisition of a residential house property shall be allowed upto **Rs.1,50,000** subject to following conditions

Loan sanctioned during the period from 1.4.2019 to <b>31.3.2021 (w.e.f. AY 2021-22)</b>	SDV of residential house property does not exceed <b>Rs. 45 Lakhs</b>	Assessee does not own any residential house property on date of sanction of loan
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- No deduction shall be allowed in respect of such interest under any other provision.

### Section 80G: Deduction for Donations to Certain Funds, charitable institutions

#### Category I: Various Funds/ institutions, which are eligible to 100% deduction without any limit PM Care Fund (Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund)

#### Category IV: Donations eligible for 50% of the restricted amount

1. Renovation of temple, mosque, church, gurudwara or any other place of national importance notified – Example - **Shri Ram Janmabhoomi Teerth Kshetra w.e.f. AY 2021-22**
2. Any Institution or Fund established in India for charitable purposes approved by **Principal Commissioner or Commissioner** u/s 80G(5) (**w.e.f. 1.6.2020**) – Procedural Compliances required

### Section 80GGA: Donations for scientific research, rural development

- No deduction shall be allowed for any sum exceeding **Rs. 2,000** if paid in cash. (**w.e.f. AY 2021-22**)
- Claim of the assessee for a deduction in respect of any any sum in the return of income, shall be allowed on the basis of information relating to said donation furnished by the institution or fund to the prescribed income-tax authority or the person authorised by such authority, subject to verification as per the risk management strategy formulated by the Board. (**w.e.f. 1.6.2020**)

**Section 80-IBA: Deductions in respect of Profits and Gains from Housing Projects**

Deduction = 100% of profits derived from developing and building Housing Project

Date of Approval by Local Authority	Date of completion
01/06/2016 to <b>31/03/2021 (w.e.f. AY 2021-22)</b>	<b>5 years</b> from end of year in which project is approved

**Residential Status and Accrual of Income****Royalty** means consideration for

Transfer of all or any rights / granting of a licence in respect of any copyright, literary, artistic or scientific work including films or video tapes for use in connection with television or tapes for use in connection with radio broadcasting **excluding consideration for the sale, distribution or exhibition of cinematographic films** (Such consideration will be taxable as Royalty w.e.f. AY 2021-22)

**Income from Business Connection****Explanation 1 to section 9(1)(i)**

In case of business, **other than the business having business connection in India on account of significant economic presence**, operations of which are not carried out in India, the income of the business deemed to accrue or arise in India shall be only such part of income as is reasonably attributable to the operations carried out in India. (w.e.f. AY 2022-23)

**Explanation 2A to Section 9(1): Significant Economic Presence (deferred to AY 2022-23)**

Significant Economic Presence of non-resident in India shall constitute "business connection" in India

Nature of transaction	Condition
Transaction for goods, services or property carried out by NR in India / provision of download of data or software in India	Aggregate payments from transaction/s exceeds prescribed amount
Systematic and Continuous Soliciting of business activities or engaging in interaction with users in India through digital means	Users should be of prescribed number

Transactions or activities shall constitute significant economic presence in India, whether or not

agreement for such transactions or activities is entered in India	non-resident has a residence or place of business in India	non-resident renders services in India
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Only Income as is attributable to such transactions or activities shall be deemed to accrue or arise in India. (Explanation 3) CBDT may make rules to determine the manner in which such income will be calculated.

**Explanation 3A to Section 9(1) (w.e.f. AY 2021-22)**

Income attributable to the operations carried out in India shall include income from

advertisement which targets a customer who resides in India or a customer who accesses the advertisement through internet protocol address located in India	sale of data collected from a person who resides in India or from a person who uses internet protocol address located in India	sale of goods or services using data collected from a person who resides in India or from a person who uses internet protocol address located in India
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These provisions shall also apply to the income attributable to the transactions or activities referred to in Explanation 2A from **AY 2022-23**.

**Section 9A: Certain activities not to constitute Business Connection in India****Eligible Investment Fund**

It is a fund established or incorporated or registered outside India, which collects funds from its members for investing it for their benefit:

- the fund is not a person resident in India
- it is a resident of a country or a specified territory with India has DTAA or is established or incorporated or registered in a country or a specified territory notified by the Central Government in this behalf
- aggregate participation or investment in the fund by persons resident in India does not exceed 5% of the corpus of the fund

**For calculating of aggregate participation or investment in the fund, any contribution made by the eligible fund manager during the first 3 years of operation of the fund not exceeding Rs. 25 crores shall not be taken into account (w.e.f. AY 2020-21)**

- the fund and its activities are subject to applicable investor protection regulations in the country or specified territory of incorporation
- it has minimum 25 members who are not connected persons
- any member of the fund along with connected persons shall not have any participation interest in the fund exceeding 10%
- the aggregate participation interest of ten or less members along with their connected persons in the fund, shall be less than 50%
- the fund shall not invest more than 20% of its corpus in any entity
- the fund shall not make any investment in its associate entity
- monthly average of the corpus of the fund shall not be less than ₹100 crores (for first year, minimum ₹100 crores corpus at the end of a period of **12 months from the last day of the month of its establishment or incorporation – w.e.f. 2020-21**)

This condition shall not apply to fund that is wound up in previous year

- it shall not carry on or control and manage, business in India or from India  
it is neither engaged in any activity which constitutes a business connection in India nor has any person acting on its behalf which constitutes business connection in India other than the activities undertaken by the eligible fund manager on its behalf
- the remuneration paid by the fund to an eligible fund manager in respect of fund management activity is not less than the amount calculated in such manner as may be prescribed

Conditions specified in (e), (f) and (g) shall not apply to Investment fund set up by the Government or the Central Bank of a foreign State or a sovereign fund – **Notified for this exclusion: Investment Fund set up by a Category-I foreign portfolio investor registered under SEBI (Foreign Portfolio Investors) Regulations, 2019 – w.e.f. 23.9.2019**

**Special Provisions for Non Residents and Foreign Company**

<p><b>10(48C)</b></p> <p><b>(w.e.f. AY 2021-22)</b></p>	<p>Income of Indian Strategic Petroleum Reserves Limited, being a wholly owned subsidiary of the Oil Industry Development Board under the Ministry of Petroleum and Natural Gas, as a result of arrangement for replenishment of crude oil stored in its storage facility in pursuance of directions of the Central Government. Exemption shall not apply to an arrangement, if the crude oil is not replenished in the storage facility within 3 years from the end of the financial year in which the crude oil was removed from the storage facility for the first time.</p>
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**Highlighted points w.e.f. AY 2021-22**

<b>Section 115A(1)(a): Income</b>	<b>Tax Rate</b>	<b>TDS</b>
Dividend <b>other than as per sec 115-O (deleted w.e.f. AY 2021-22)</b>	20%	<b>20%</b> <b>Sec 195</b>
Income from units of Mutual Fund specified u/s 10(23D) or UTI purchased in foreign currency	20%	20% 196A
No TDS on such payment to Non Resident Indian or Non Resident HUF if units of UTI were purchased out of the funds in NRE Account or by remittance of funds in foreign currency as per FEMA		
Interest referred to in section 194LC received from Indian Company or Business Trust		
<ul style="list-style-type: none"> <li>on monies borrowed by it in foreign currency from a source outside India               <ul style="list-style-type: none"> <li>a) under a loan agreement between 1.7.2012 and <b>30.6.2023</b> or</li> <li>b) Long-term infrastructure bonds between 1.7.2012 and 30.9.2014 or</li> <li>c) Long-term bond / Long-Term Infrastructure Bond between 1.10.2014 and <b>30.6.2023</b> as approved by the Central Government</li> </ul> </li> </ul>	5%	5% u/s 194LC
<ul style="list-style-type: none"> <li>in respect of monies borrowed by it from a source outside India by way of issue of rupee denominated bond till <b>30.6.2023</b></li> </ul>	5%	5% u/s 194LC
<ul style="list-style-type: none"> <li><b>in respect of monies borrowed by it from a source outside India by way of issue of any long-term bond or rupee denominated bond between 1.4.2020 to 30.6.2023, which is listed only on a recognised stock exchange located in any International Financial Services Centre</b></li> </ul>	<b>4%</b>	<b>4% u/s</b> <b>194LC</b>
Interest payable for the period upto <b>30.6.2023</b> to a Foreign Institutional Investor or a Qualified Foreign Investor on <ul style="list-style-type: none"> <li>a) a Rupee Denominated Bond of an Indian Company or</li> <li>b) a Government Security</li> <li>c) <b>Municipal Debt Securities (w.e.f. 1.4.2020)</b></li> </ul> Rate of interest in respect of Rupee Denominated Bond shall not exceed the rate as per Notification.	5%	5% u/s 194LD
Distributed Income to Non Residents from Business Trust – Dividend from SPV Component (only if SPV does not opt for sec 115BAA) (w.e.f. AY 2021-22)	<b>20%</b>	<b>10% u/s</b> <b>194LBA</b>

**Section 115A(1)(a)/(b)(Highlighted points added w.e.f. AY 2021-22)**

- No deduction for expenditure shall be allowed u/s 28 to 44C and section 57 from such Income.
- ROI Exemption if TDS made:** It shall not be necessary to furnish ROI u/s 139(1) if

total income during the previous year consisted only of income referred to in section 115A(1)(a), <b>115A(1)(b)</b>	<b>TDS has been deducted from such income and the rate of such deduction is not less than the rate specified u/s 115A(1)(a) or 115A(1)(b)</b>
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<b>Chapter XII-A: Section 115E – For Non Resident India (NRI)</b>		
Income from Investment in Foreign Exchange asset <b>other than dividend referred to in section 115-O (deleted w.e.f. AY 2021-22)</b>	20%	<b>Yes</b>
LTCG on sale of Foreign Exchange asset	10%	<b>Yes</b>

<b>Section 115AC:</b> Interest on Foreign Currency Convertible bonds (FCCB)	10%	<b>Yes</b>
Dividend from Global Depository Receipts <b>other than as per sec 115-O (deleted w.e.f. AY 2021-22)</b>	TDS 10% 196C	<b>Yes</b>
Long Term Capital Gains on FCCB or Global Depository Receipts		<b>Yes</b>

### **Section 115ACA**

- **Assessee:** Individual, who is a resident and an employee of an Indian company engaged in specified knowledge based industry or service, or an employee of its subsidiary engaged in specified knowledge based industry or service.
- Income: Dividend **other than as per sec 115-O (deleted w.e.f. AY 2021-22)** and LTCG arising from the transfer of Global Depository Receipts
- Tax Rate – 10% (No deductions allowed for Dividend and no Indexation in case of LTCG)
- Chapter VI-A Deductions are not allowed.

### **Double Taxation Relief**

#### **Why DTAA's u/s 90 and 90A are entered into**

- a) avoidance of double taxation of income under this Act and law in that country or specified territory **without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in the said agreement for the indirect benefit to residents of any other country or territory) – w.e.f. AY 2021-22**

### **Section 94B: Limitation on Interest**

These provisions shall not apply to

- a) an Indian company or a permanent establishment of a foreign company which is engaged in the business of **Banking or Insurance**
- b) **Interest paid in respect of a debt issued by a lender which is a permanent establishment in India of a non-resident engaged in the business of banking (w.e.f. AY 2021-22)**

### **Equalisation Levy**

#### **Section 165A (w.e.f. 1.4.2020)**

Equalisation levy shall be charged at **2%** of the amount of consideration received or receivable by an e-commerce operator from e-commerce supply or services made or provided or facilitated by it to

Person resident in India	Non-resident in the specified circumstances i.e. a. sale of advertisement, which targets a customer, who is resident in India or a customer who accesses the advertisement through internet protocol address located in India and b. sale of data, collected from a person who is resident in India or from a person who uses internet protocol address located in India	Person who buys such goods or services or both using internet protocol address located in India.
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The Liability to pay Equalisation levy and file Statement is on E-commerce operator. Equalisation Levy shall not be charged if

Such E-commerce operator has a PE in India and such e-commerce supply or services is effectively connected with such PE	Such levy is leviable u/s 165	Sales, turnover or gross receipts of the e-commerce operator from the e-commerce supply or services made or provided or facilitated is <b>less than Rs. 2 crores</b> during the previous year
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<b>E-commerce operator</b> means a non-resident who owns, operates or manages digital or electronic facility or platform for online sale of goods or online provision of services or both	<b>E-commerce supply or services</b> means a. online sale of goods owned by the e-commerce operator or b. online provision of services provided by the e-commerce operator or c. online sale of goods or provision of services or both, facilitated by the e-commerce operator or d. any combination of above activities
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### Procedures

	<b>For Section 165</b>	<b>For Section 165A</b>
Payment of Equalisation levy so deducted in a calendar month	<b>7th</b> of the month immediately following such calendar month (To be paid by the assessee even if assessee who fails to deduct equalisation levy) – Section 166	<b>7th</b> of the month immediately following such quarter i.e. 7 <sup>th</sup> July, 7 <sup>th</sup> October, 7 <sup>th</sup> January and for the last quarter – 31 <sup>st</sup> March – Section 166A
Filing Statement	<b>30<sup>th</sup> June</b> immediately following that financial year	

### **Section 10(50)**

Following Income from services which are chargeable to Equalisation Levy shall be exempt in the hands of Non Resident who receives the income

- a) **Income from any e-commerce supply or services made or provided or facilitated on or after 1.4.2020**

### Transfer Pricing

#### **Section 144C: Reference to Dispute Resolution Panel (collegium of three Principal CITs / CITs)**

**Eligible assessee** means

- a) Any person in whose case variation arises due to the Transfer Pricing Officer's Order passed u/s 92CA(3)  
b) any foreign company or **non-resident** (variations in TPO's order is not required) (**w.e.f. 1.4.2020**)

### **Procedure**

AO shall forward draft assessment order if he proposes to make, any variation **in income or loss returned which** is prejudicial to interest of such assessee. (**deleted w.e.f. 1.4.2020**)



## Safe Harbour Rules

### Section 92CB: Power of Board to make Safe Harbour Rules

Determination of

- a) **Income referred to in section 9(1)(i)** i.e. Income from business connection / property / asset or source of income in India or through the transfer of a capital asset situate in India (**w.e.f. AY 2021-22**)
- b) arm's length price u/s 92C or 92CA shall be subject to safe harbour rules.

Safe Harbour means circumstances in which the income-tax authorities shall accept the transfer price or **Income referred to in section 9(1)(i)** declared by the assessee.

## Advance Pricing Agreements

### Section 92CC (Highlighted points changed w.e.f. AY 2021-22)

Board, with the approval of the Central Government, may enter into APA with any person, determining

(a) arm's length price or (b) specifying the manner in which the arm's length price is to be determined, in relation to an international transaction to be entered into by that person	<b>(a) Income referred to in section 9(1)(i) or</b> <b>(b) specifying the manner in which said income is to be determined, as is reasonably attributable to the operations carried out in India by or on behalf of Non Resident</b>
<b>Manner of determination of such ALP may include the methods as per section 92C</b>	<b>Manner of determination of such income may include the methods as per rules made</b>
<b>Adjustments or variations, as may be necessary or expedient so to do, shall be made.</b>	

**Notwithstanding anything contained in section 92C or 92CA or the methods provided by rules, ALP of any international transaction or the income referred to above, in respect of which the APA has been entered into, shall be determined in accordance with the APA so entered.**

## Amendments as per Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020

### Profits and Gains of Business and Profession

#### Section 35

Deduction u/s 35(1)(ii)/(iia)/(iii) or 35(2AA) shall not be denied merely on the ground that, subsequent to the payment by the assessee, the approval granted to such association or company etc. has been withdrawn (**Reference of section 35(1)(iia) added w.e.f. 1.4.2021 instead of 1.6.2020**)

#### Intimation (w.e.f. 1<sup>st</sup> April 2021 instead of 1.6.2020)

Every notification u/s 35(1)(ii)/(iia)/(iii) issued on or before 1.4.2021 shall be deemed to have been withdrawn unless such research association, university, college or company makes an intimation to the prescribed Income-Tax Authority within **3 months** from 1.4.2021 and subject to such intimation, the notification shall be

valid for a period of **5 consecutive AYs** beginning with AY commencing on or after **1.4.2022**. Any such notification issued by the Central Government shall, at any one time, have effect for such assessment year or years, not exceeding **5 AYs** as may be specified in the notification.

### **Procedural Compliances (w.e.f. 1<sup>st</sup> April 2021 instead of 1.6.2020)**

Deduction allowed only if Research association, university, college, company referred to 35(1)(ii)/(iia)/(iii)

prepares statement for specified period and delivers it to the prescribed income-tax authority or the person authorised by such authority. It can also file a correction statement for rectification of any mistake or to add, delete or update the information	furnishes to the donor, a certificate specifying the amount of donation and other prescribed details
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### **Default relating to Statement or Certificate**

<b>Fee u/s 234G (w.e.f. 1.6.2020)</b>	<b>Penalty u/s 271K (w.e.f. 1.4.2021)</b>
<b>Rs. 200</b> for every day during which the failure continues subject to amount in respect of which failure has occurred. It has to be paid before delivering such statement or furnishing the certificate.	Penalty by AO: not less than Rs. 10,000 but which may extend to <b>Rs. 1,00,000</b> .

### **Surcharge Rates for Individual / HUF / AOP / BOI / AJP**

#### **Net Taxable Income including Income u/s 111A and 112A / Dividend Income is**

Upto Rs. ₹ 50 Lacs	exceeds ₹ 50 Lacs up to ₹ 1 crore	exceeds ₹1 Crore up to ₹ 2 Cr	Exceeds ₹ 2 Cr		
			Other Income is less than ₹ 2 Cr	Other Income exceeds ₹2 Crores but is up to ₹5 Cr	Other Income exceeds ₹5 Crores
<b>0</b>	<b>10%</b>	<b>15%</b>	<b>15%</b> on TOI	<b>25%</b> on TOI	<b>37%</b> on TOI
<b>15%</b> Surcharge on Tax on Income u/s 111A / 112A					

TOI – Tax on Other Income

#### **Note:**

- Section 115AD, maximum surcharge - 15% on Tax on CG on securities / **Dividend Income** for Individual / HUF / AOP / BOI / AJP.
- Also, in case of TDS under section 196D, maximum Surcharge rate would be **15% on Dividend**.

### **Taxation of Various Entities**

#### **Exemption to Funds (Section 10(23C))**

Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES FUND) (w.e.f. 1.4.2020)

**Note:** Sec 12A(ac) / 12AB will apply from w.e.f. 1.4.2021. So it is not covered.

**TDS / TCS****Section 197B: Lower deduction in certain cases for a limited period (w.e.f. 14.5.2020)**

In case the provisions of sections 193, 194, 194A, 194C, 194D, 194DA, 194EE, 194F, 194G, 194H, 194-I, 194-IA, 194-IB, 194-IC, 194J, **194K**, 194LA, 194LBA(1), 194LBB(i), 194LBC(1), 194M and 194-O require deduction of tax at source during the period commencing from 14th May, 2020 to 31st March, 2021, then deduction of tax shall be made at the rate being the **three-fourth of the rate specified** in these sections.

**Section 206C(10A): Lower collection of tax in certain cases for a limited period (w.e.f. 14.5.2020)**

In case the provisions of sections 206C(1) (**except alcoholic liquor for human consumption**), 206C(1C), 206C(1F) or 206C(1H) require collection of tax at source during the period commencing from 14th May, 2020 to 31st March, 2021, then, the collection of tax shall be made at the rate being the **three-fourth of the rate specified** in these sub-sections.

**TDS / TCS Rates reduced**

Sec	Existing Rate - 1/4/2020 to 13/5/2020	Reduced rate from 14/05/2020 to 31/3/2021	Sec	Existing Rate - 1/4/2020 to 13/5/2020	Reduced rate from 14/05/2020 to 31/3/2021
193	10.00%	7.50%	194-IB	5.00%	3.75%
194	10.00%	7.50%	194-IC	10.00%	7.50%
<b>194K</b>	<b>10.00%</b>	<b>7.50%</b>	194J	2% or 10%	1.5% or 7.5%
194A	10.00%	7.50%	194LA	10.00%	7.50%
194C	1% or 2%	0.75% or 1.5%	194LBA	10.00%	7.50%
194D	5.00%	3.75%	194LBB	10.00%	7.50%
194DA	5.00%	3.75%	194LBC	25% or 30%	18.75% or 22.5%
194EE	10.00%	7.50%	194M	5.00%	3.75%
194F	20.00%	15.00%	194-O	1.00%	0.75%
194G	5.00%	3.75%	206C(1)	5%, 2.5%, 1%	3.75%, 1.875%, 0.75%
194H	5.00%	3.75%	206C(1C)	2.00%	1.50%
194-I	10% or 2%	7.5% or 1.5%	206C(1F)	1%	0.75%
194-IA	1.00%	0.75%	206C(1H)	0.10%	0.075%

There shall be no reduction in rates of TDS or TCS, where the tax is required to be deducted or collected at higher rate due to non-furnishing of PAN/Aadhaar.

**Section 143(3A)/(3B)/(3C)**

Central Government may make a scheme, by notification in the Official Gazette, for making assessment u/s 143(3) or **144** so as to impart greater efficiency, transparency and accountability by

eliminating interface between AO and assessee in the course of proceedings to the extent technologically feasible	optimising utilisation of the resources through economies of scale and functional specialisation	introducing a team-based assessment with dynamic jurisdiction
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Central Government may direct that any of the provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification. No direction shall

be issued after the ~~31.3.2022~~ **31.3.2021**.

Every notification issued shall, as soon as may be after it is issued, be laid before each House of Parliament. **These provisions shall not apply to the assessment made under section 143(3) or 144 on or after the 1st April, 2021 as section 144B would apply in such case.**

### **Section 144B: Faceless Assessment (w.e.f. 1.4.2021)**

- 'Assessment' shall mean assessment of total income or loss of the assessee under section 143(3) / **144**
- Assessment shall be made in respect of such territorial area, or persons or class of persons, or incomes or class of incomes, or cases or class of cases, as may be specified by the Board.
- An assessment made under section 143(3) or 144 (other than the cases transferred to jurisdictional Assessing Officer), on or after 1st April, 2021, would be non-est (invalid) if such assessment is not made in accordance with the procedure laid down under this section.

### **Faceless Assessment Centres set up by CBDT**

<b>National Faceless Assessment Centre (NFAC)</b>	<b>Regional Faceless Assessment Centres (RFAC)</b>
responsible to conduct proceedings in a centralized manner	responsible to conduct proceedings in the cadre controlling region of a Principal Chief CIT

### **Units set by CBDT to facilitate the conduct of e-assessment proceedings**

<b>Assessment Units</b>	<b>Verification Units</b>	<b>Technical Units</b>	<b>Review Units</b>
It shall perform the function of making assessment identification determination of liability or refund, seeking information or clarification on any point, analysis of material furnished by assessee, etc.	It shall perform function of verification - enquiry, cross verification, examination of books / witness and recording of statements, etc	It shall perform function of providing technical assistance on legal, accounting, forensic, valuation, audit, TP, etc	It shall facilitate conduct of e-assessment, to perform the function of review of the draft assessment order, like checking whether <ul style="list-style-type: none"> <li>• the relevant and material evidence has been brought on record</li> <li>• the relevant points of fact and law have been duly incorporated in the draft order,</li> <li>• the issues on which addition or disallowance should be made have been discussed in the draft order</li> <li>• the applicable judicial decisions have been considered and dealt with in the draft order</li> <li>• checking for arithmetical correctness of modifications proposed, if any,</li> <li>• such other functions as may be required for the purposes of review,</li> </ul>

The units shall have the following authorities

- Additional Commissioner or Additional Director or Joint Commissioner or Joint Director
- Deputy Commissioner or Deputy Director or Assistant Commissioner or Assistant Director, or Income- tax Officer
- such other income-tax authority, ministerial staff, executive or consultant, as considered necessary by the Board.

All communication among the assessment unit, review unit, verification unit or technical unit or with the assessee or any other person with respect to the information or documents or evidence or any

other details, as may be necessary for making a faceless assessment has to be through NFAC.

### **Procedure for Assessment**

i	NFAC shall serve a notice u/s 143(2) specifying the issues for selection of his case for e-assessment.
ii	Assessee is required to file his response to the 'National e-assessment Centre' within <b>15 days</b> from the date of receipt of such notice.
iii	NFAC shall intimate the assessee that assessment in his case shall be completed under this Scheme in following cases 1. Assessee has furnished his return of income <ul style="list-style-type: none"> <li>• u/s 139 or</li> <li>• in response to a notice issued u/s 142(1) or</li> <li>• in response to a notice issued u/s 148(1)</li> </ul> and a notice u/s 143(3) has been issued by the AO or the prescribed income-tax authority 2. Assessee has not furnished his return of income <ul style="list-style-type: none"> <li>• in response to a notice issued u/s 142(1) by the AO or</li> <li>• u/s 148(1) and a notice u/s 142(1) has been issued by the Assessing Officer</li> </ul>
iv	NFAC shall assign the case to a specific <b>Assessment Unit</b> in any one RFAC through an automated allocation system

(v) On assignment to Assessment Unit, Assessment Unit may request NFAC for		
1. obtaining information, documents or evidence from the assessee or any other person, as it may specify	2. conducting of enquiry or verification by <b>Verification Unit</b>	3. technical assistance from <b>Technical Unit</b>
(vi) NFAC shall issue appropriate notice or requisition to the assessee or any other person to obtain information	(viii) NFAC shall assign it to a verification unit in any one RFAC through an automated allocation system	(ix) NFAC shall assign it to a Technical unit in one RFAC through an automated allocation system
(vii) who shall file response within time specified in the notice or extended on application made.	(x) Report received from Verification Unit / Technical Unit will be sent by NFAC to Assessment Unit	

**Automated Allocation System:** Algorithm for randomised allocation of cases, by using suitable technological tools, including artificial intelligence and machine learning, with a view to optimise the use of resources.

**(xi) NFAC shall serve a notice u/s 144 for Best Judgment Assessment if Assessee fails to comply with**

Notice for obtaining information as specified above	Notice u/s 142(1)	Direction for Special Audit u/s 142(2A)
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(xii)	Assessee shall, within the time specified in the notice or extended time on the basis of an application, file his response to NFAC.
(xiii)	If the assessee fails to file response, NFAC shall intimate such failure to the assessment unit.

(xiv)	The assessment unit has to <ul style="list-style-type: none"> <li>• after taking into account all the relevant material available on the record or</li> <li>• in a case where intimation for failure to respond to notice is received from the NFAC, make in writing, a draft assessment order to the best of its judgment, either accepting the income or sum payable by, or sum refundable to, the assessee as per his return or making variation to the said income or sum, and send a copy of such order to the NFAC.</li> </ul>
(xv)	While making draft assessment order, the assessment unit has to also provide details of the penalty proceedings to be initiated therein, if any.

**Draft Assessment Order**

(xvi) NFAC shall examine draft assessment order as per risk management strategy specified by Board (including Automated Examination Tool - Algorithm for standardized examination of draft orders by using suitable technological tools like artificial intelligence and machine learning to reduce the scope of discretion) and

<b>Options available to NFAC</b>		
1. Finalise the assessment as per draft order <b><u>in case no variations prejudicial to the interest of the assessee</u></b> serve a copy of order and notice for initiating penalty proceedings to assessee with demand notice or refund due.	2. Provide opportunity to assessee <b><u>in case of variations prejudicial to the interest of the assessee</u></b> by serving a notice calling upon him to show-cause as to why the proposed variation should not be made	3. Assign the draft order to a <b><u>Review Unit</u></b> in any one RFAC through an automated allocation system, for conducting review of such order

(xvii) Review unit shall conduct review of draft assessment order. Review unit may	
(a) concur with such order and intimate the NFAC	(b) suggest variations in the draft assessment order to NFAC
(xviii) In such case, NFAC shall follow procedure as given in (1) / (2).	(xix) NFAC will assign the case to the <b><u>Assessment unit other than that which made the draft order.</u></b> (xx) Assessment unit shall, after considering such variations, send final draft assessment order to NFAC. (xxi) On receiving draft order, NFAC shall follow procedure as given in (1) / (2) and finalise the assessment.

(xxii)	The assessee may, in a case where show-cause notice has been served upon him, furnish his response to the NFAC on or before the date and time specified in the notice or within the extended time, if any.	
(xxiii)	<b>(a) Where no response to the showcause notice is received</b>	
	<b><u>eligible assessee</u></b> (DRP Case)	In any other case (other than DRP Case)
	NFAC has to forward the draft assessment order or final draft assessment order to such assessee	NFAC has to finalise the assessment and serve a copy of such order and notice for initiating penalty proceedings, if any, to the assessee and demand notice, specifying the sum payable by, or refund to, the assessee on the basis of such assessment
	<b>(b) <u>Where response to the showcause notice is received:</u></b> NFAC has to send the response received from the assessee to the assessment unit.	

(xxiv)	After taking into account the response furnished by the assessee in (b), the assessment unit has to make a revised draft assessment order and send it to the NFAC.
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(xxv)	<p>Upon receiving the revised draft assessment order, the NFAC has to</p> <p>a. in case the variations proposed in the revised draft assessment order are <b>not prejudicial to the interest of the assessee</b> in comparison to the draft assessment order or the final draft assessment order and</p> <table border="1" style="width: 100%;"> <tr> <td style="width: 50%;"> <p>In case of <b>Eligible assessee (DRP Case)</b>, Variation in revised draft assessment order is prejudicial to the interest of the assessee proposed in draft assessment order or final draft assessment order</p> </td> <td style="width: 50%; text-align: center;"> <p><b>Other Case</b></p> </td> </tr> <tr> <td> <p>NFAC has to forward the said revised draft assessment order to such assessee</p> </td> <td> <p>NFAC has to finalise the assessment as per the revised draft assessment order and serve a copy of such order and notice for initiating penalty proceedings, if any, to the assessee, along with the demand notice, specifying the sum payable or refund of any amount due to the assessee.</p> </td> </tr> </table> <p>b. In case the variations proposed in the revised draft assessment order are <b>prejudicial to the interest of the assessee</b> in comparison to the draft assessment order or the final draft assessment order, NFAC has to provide an opportunity to the assessee, by serving a notice calling upon him to show-cause as to why the proposed variation should not be made.</p>	<p>In case of <b>Eligible assessee (DRP Case)</b>, Variation in revised draft assessment order is prejudicial to the interest of the assessee proposed in draft assessment order or final draft assessment order</p>	<p><b>Other Case</b></p>	<p>NFAC has to forward the said revised draft assessment order to such assessee</p>	<p>NFAC has to finalise the assessment as per the revised draft assessment order and serve a copy of such order and notice for initiating penalty proceedings, if any, to the assessee, along with the demand notice, specifying the sum payable or refund of any amount due to the assessee.</p>
<p>In case of <b>Eligible assessee (DRP Case)</b>, Variation in revised draft assessment order is prejudicial to the interest of the assessee proposed in draft assessment order or final draft assessment order</p>	<p><b>Other Case</b></p>				
<p>NFAC has to forward the said revised draft assessment order to such assessee</p>	<p>NFAC has to finalise the assessment as per the revised draft assessment order and serve a copy of such order and notice for initiating penalty proceedings, if any, to the assessee, along with the demand notice, specifying the sum payable or refund of any amount due to the assessee.</p>				
(xxvi)	In case b, the procedure laid down in Clauses (xxiii), (xxiv) and (xxv) would apply mutatis mutandis to such notice referred to above.				

#### **For DRP Cases**

(xxvii)	The assessee has to file his acceptance to the NFAC with respect to any variation proposed in draft assessment order or the final assessment order <b>within 30 days</b> of the receipt of the draft order as specified under section 144C(2).
(xxviii)	<p><b>Option 1</b></p> <p>Upon receipt of the <b>acceptance</b> from the eligible assessee or if <b>no objections</b> are received from the eligible assessee within the 30 days' period, the NFAC has to proceed to finalise the assessment within <b>1 month</b> from the end of month in which the acceptance is received or period of 30 days for filing objection expires.</p> <p>The NFAC has to serve a copy of such order and notice for initiating penalty proceedings, if any, to the assessee, along with the demand notice, specifying the sum payable by, or refund of any amount due to, the assessee on the basis of such assessment.</p>
(xxix)	<p><b>Option 2</b></p> <p>Where the eligible assessee <b>files his objections</b> with the Dispute Resolution Panel, the NFAC has to, upon receipt of the directions issued by the Dispute Resolution Panel under section 144C(5), forward such directions to the concerned Assessment Unit.</p>
(xxx)	In conformity of the directions issued by the DRP under section 144C(5), the Assessment Unit has to prepare a draft assessment order as per section 144C(13) and send a copy of such order to the NFAC.

(xxxii)	Upon receipt of the draft assessment order, the NFAC would finalise the assessment within the time allowed under section 144C(13) i.e. within <b>1 month</b> from the end of month in which direction is received and serve a copy of such order and notice for initiating penalty proceedings, if any, to the assessee, along with the demand notice, specifying the sum payable by, or refund of any amount due to, the assessee on the basis of such assessment
(xxxiii)	After completion of assessment, the NFAC should transfer all the electronic records of the case to the Assessing Officer having jurisdiction over the said case for such action as may be required under the Income-tax Act, 1961.

**Principal Chief Commissioner or Principal Director General, in charge of NFAC may, at any stage of the assessment, transfer the case to the jurisdictional AO with prior approval of Board.**

#### **Exchange of communication exclusively by electronic mode**

- All communication between NFAC and the assessee, authorised representative or any other person shall be exchanged exclusively by electronic mode; and
- All internal communications between NFAC, RFAC and various units shall be exchanged exclusively by electronic mode.
- However, in certain circumstances, enquiry or verification may be conducted by the verification unit, otherwise than by electronic mode. The said circumstances would be laid down by the Principal Chief Commissioner or Principal Director General in charge of NFAC.

#### **Authentication of electronic record**

An electronic record shall be authenticated by

NFAC	assessee or any other person
by affixing its digital signature	by affixing his digital signature if he is required to furnish his return of income under digital signature other case by affixing his digital signature or under electronic verification code

#### **Delivery of electronic record i.e. Notice / Order / Other E-Communication**

**To assessee:** It shall be delivered by way of

placing an authenticated copy thereof in assessee's registered account	sending an authenticated copy thereof to the registered email address of the assessee or his authorised representative	uploading an authenticated copy on the assessee's Mobile App i.e. application software of the Income-tax Department
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And followed by a real time alert (SMS on registered mobile number or email on registered email address or update on Mobile App)

All notices, orders and other electronic communication have to be delivered to the addressee, being any other person, by sending an authenticated copy thereof to the registered e-mail address of such person, followed by a real time alert.

Assessee shall file his response through his registered account, and once an acknowledgement is sent by the NFAC containing the hash result generated upon successful submission of response, the response shall be deemed to be authenticated.

**To other person:** It shall be delivered by sending an authenticated copy thereof to the registered email address of such person, followed by a real time alert.



**No personal appearance in the Centres or Units**

- A person shall not be required to appear personally or through authorised representative.
- However, when show cause notice is issued as variation is proposed, assessee or his authorised representative may request for personal hearing to make oral submissions or present his case before the income-tax authority in any unit exclusively through video conferencing.
- Chief Commissioner or Director General in charge of RFAC under which the concerned unit is set up, may approve the request for personal hearing if he is of the opinion that the request is covered by the specified circumstances. Such hearing shall be conducted exclusively through video conferencing, including use of any telecommunication application software which supports video telephony.
- Any examination or recording of the statement of the assessee or any other person (other than statement recorded in the course of survey under section 133A) has to be conducted by an income-tax authority in any unit, exclusively through video conferencing or video telephony, including use of any telecommunication application software which supports video conferencing or video telephony in accordance with the procedure laid down by the CBDT
- Board shall establish suitable facilities for video conferencing including telecommunication application software which supports video telephony so as to ensure that assessee, or authorised representative, or any other person is not denied the benefit of this Scheme merely on the consideration that he does not have access to video conferencing or video telephony at his end.

**Standards, procedures and processes for effective functioning of the set up Centres/units**

The Principal Chief Commissioner or the Principal Director General, in charge of the NFAC has to, with the prior approval of the CBDT, lay down the standards, procedures and processes for effective functioning of the NFAC, RFACs and the unit set up, in an automated and mechanised environment, including format, mode, procedure and processes in respect of the following:

- service of the notice, order or any other communication
- receipt of information or documents from the person in response to notice, order or any other communication
- issue of acknowledgement of the response furnished by the person
- provision of "e-proceeding" facility including login account facility, tracking status of assessment, display of relevant details, and facility of download
- accessing, verification and authentication of information and response including documents submitted during the assessment proceedings
- receipt, storage and retrieval of information or documents in a centralised manner
- circumstances in which enquiry or verification may be conducted by the Verification Unit otherwise than by electronic mode
- circumstances in which personal hearing shall be approved
- general administration and grievance redressal mechanism in the respective Centres and units

**Section 151A: Faceless assessment of Income Escaping Assessment (w.e.f. 1.11.2020)**

- Central Government may make a scheme, by notification in the Official Gazette, for assessment, reassessment or re-computation u/s 147 or issuance of notice u/s 148 or sanction for issue of such notice u/s 151, so as to impart greater efficiency, transparency and accountability by

eliminating the interface between income-tax authority and assessee or any other person to the extent technologically feasible	optimising utilisation of the resources through economies of scale and functional specialisation	introducing team-based assessment, reassessment, re-computation or issuance or sanction of notice with dynamic jurisdiction
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- Central Government may, by notification in the Official Gazette, direct that any of the provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations.:
- No direction shall be issued after **31st March, 2022**.
- Every notification issued shall, as soon as may be after the notification is issued, be laid before each House of Parliament.

**Note:** The Scheme is not yet notified.

### Powers of Income Tax Authorities

#### **Section 133C: Power to call for information by prescribed Income-Tax Authority (Highlighted points w.e.f. 1.11.2020)**

- Prescribed income-tax authority, may for verification of information in its possession relating to any person, issue a notice to such person requiring him to furnish information or documents verified in the manner specified therein, which may be useful for, or relevant to, any inquiry or proceeding.
- If information received in response to a notice, the prescribed income-tax authority may process such information or document and make available the outcome of such processing to AO **and utilise such information and document in accordance with the scheme notified or provisions of section 135A.**
- The Board may make a scheme for centralised issuance of notice and for processing of information or documents and making available the outcome of the processing to the Assessing Officer. **This scheme shall cease to have effect from the date on which the scheme notified under section 135A in respect of this section comes into effect.**
- Section 272A(2): Penalty for failure to comply with section 134 is Rs. 100 per day of failure.

#### **Section 133A: Power of Survey**

**Till 31.10.2020**

Case	IT Authority who can carry out survey	Approval of
Information has been received from Prescribed Authority	Officer below rank of Joint Director or Joint Commissioner i.e. Assistant or	Joint Director or Joint Commissioner
Other Case	Deputy Dir or AO or TRO or Inspector	Director or Commissioner

**From 1.11.2020**

**Income Tax Authority** who can exercise the power of Survey means

Power to be exercised	IT Authority who can carry out survey	Subordinate to
All the powers under this section	Principal Commissioner or Commissioner, Principal Director or Director, Joint Commissioner or Joint Director, Assistant Director or Deputy Director or Assessing Officer, or Tax Recovery Officer	Principal Director General of Income-tax (Investigation) or the Director General of Income-tax (Investigation) or the Principal Chief Commissioner of Income-tax (TDS) or the Chief Commissioner of Income-tax (TDS)
<ul style="list-style-type: none"> <li>• Power of Inspection of Books of Accounts and other documents</li> <li>• Place Identification marks or make copies or extracts</li> <li>• Power of Survey after Function</li> </ul>	Inspector of Income-tax	

No action under this section shall be taken by an income-tax authority without approval of Principal Director General or Director General or Principal Chief Commissioner or Chief Commissioner.

**Section 130: Faceless Jurisdiction of Income-Tax Authorities (w.e.f. 1.11.2020)**

Central Government may make a scheme, by notification in the Official Gazette, for the purposes of

- a) exercise of all or any of the powers and performance of all or any of the functions conferred on, or assigned to income-tax authorities by or under this Act as per section 120 or
- b) vesting the jurisdiction with the Assessing Officer as referred to in section 124 or
- c) exercise of power to transfer cases under section 127 or
- d) exercise of jurisdiction in case of change of incumbency as referred to in section 129 so as to impart greater efficiency, transparency and accountability by

Eliminating interface between income-tax authority and assessee or any other person to the extent technologically feasible	optimising utilisation of resources through economies of scale and functional specialisation	introducing a team-based exercise of powers and performance of functions by two or more income-tax authorities, concurrently, in respect of any area or persons or classes of persons or incomes or classes of income or cases or classes of cases, with dynamic jurisdiction.
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- The Central Government may, for the purpose of giving effect to the scheme made, by notification in the Official Gazette, direct that any of the provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification:
- No direction shall be issued after the **31st day of March, 2022**.
- Every notification issued shall, as soon as may be after the notification is issued, be laid before each House of Parliament.

**Section 142B: Faceless Inquiry or Valuation (w.e.f. 1.11.2020)**

- The Central Government may make a scheme, by notification in the Official Gazette, for the purposes of issuing notice u/s 142(1) or making inquiry before assessment u/s 142(2), or directing the assessee to get his accounts audited u/s 142(2A), or estimating the value of any asset, property or investment by a Valuation Officer u/s 142A, so as to impart greater efficiency, transparency and accountability by

eliminating the interface between the income-tax authority or Valuation Officer and the assessee or any person to the extent technologically feasible	optimising utilisation of resources through economies of scale and functional specialisation	introducing a team-based issuance of notice or making of enquiries or issuance of directions or valuation with dynamic jurisdiction
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- The Central Government may, for the purpose of giving effect to the scheme made, by notification in the Official Gazette, direct that any of the provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification.
- No direction shall be issued after **31st March, 2022**.
- Every notification issued shall, as soon as may be after the notification is issued, be laid before each House of Parliament.

**Section 135A: Faceless collection of Information (w.e.f. 1.11.2020)**

- The Central Government may make a scheme, by notification in the Official Gazette, for the purposes of calling for information u/s 133, collecting certain information u/s 133B, or calling for information by prescribed income-tax authority u/s 133C or exercise of power to inspect register of companies u/s 134 or exercise of power of Assessing Officer u/s 135 so as to impart greater efficiency, transparency and accountability by

eliminating interface between income-tax authority and assessee or any other person to the extent technologically feasible	optimising utilisation of resources through economies of scale and functional specialisation	introducing a team-based exercise of powers, including to call for, or collect, or process, or utilize, the information, with dynamic jurisdiction
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- The Central Government may, for the purpose of giving effect to the scheme made, by notification in the Official Gazette, direct that any of the provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification:
  - No direction shall be issued after **31st March, 2022**.
  - Every notification issued shall, as soon as may be after the notification is issued, be laid before each House of Parliament.

**Note:** Schemes as per section 130, 142B and 135A are not yet notified.

**Penalties and Prosecution****Section 274(2A): Faceless Penalty (w.e.f. 1.4.2020)**

Central Government may make a scheme, by notification in the Official Gazette, for imposing penalty so as to impart greater efficiency, transparency and accountability by

eliminating interface between <b>income-tax authority and the assessee</b> or any other person in the course of proceedings to the extent technologically feasible	optimising utilisation of the resources through economies of scale and functional specialisation	introducing a mechanism for imposing of penalty with dynamic jurisdiction in which penalty shall be imposed by one or more income-tax authorities
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Central Government may, by notification in the Official Gazette, direct that any of the provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification. No direction shall be issued after the **31.3.2022**.

Every notification issued shall, as soon as may be after it is issued, be laid before each House of Parliament.

**Section 279(4): Faceless sanction of Prosecution / Compounding (w.e.f. 1.11.2020)**

- Central Government may make a scheme, by notification in the Official Gazette, for granting sanction or compounding so as to impart greater efficiency, transparency and accountability by

eliminating interface between income-tax authority and assessee or any other person to the extent technologically feasible	optimising utilisation of resources through economies of scale and functional specialisation	introducing a team-based sanction to proceed against, or for compounding of, an offence, with dynamic jurisdiction
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- The Central Government may, by notification in the Official Gazette, direct that provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations.

- No direction shall be issued after **31st March, 2022**.
- Every notification issued shall, as soon as may be after the notification is issued, be laid before each House of Parliament.

**Note:** Schemes under section 274(2A) and 279(4) are not yet notified.

## Appeals, Revision and Rectification

### Revision u/s 263 / 264

W.e.f 1.11.2020, Power of Revision u/s 263 and 264 can be exercised by Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner. Earlier it could be exercised only by Principal Commissioner or Commissioner.

### **Section 253(8): Faceless Appeals before Appellate Tribunal (w.e.f. 1.11.2020)**

- The Central Government may make a scheme, by notification in the Official Gazette, for the purposes of appeal to the Appellate Tribunal, so as to impart greater efficiency, transparency and accountability by
  - optimising utilisation of the resources through economies of scale and functional specialization
  - introducing a team-based mechanism for appeal to Appellate Tribunal, with dynamic jurisdiction
- The Central Government may, by notification in the Official Gazette, direct that provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations.
- No direction shall be issued after **31st March, 2022**.
- Every notification issued shall, as soon as may be after the notification is issued, be laid before each House of Parliament.

### **Section 264A: Faceless revision of orders (w.e.f. 1.11.2020)**

- The Central Government may make a scheme, by notification in the Official Gazette, for the purposes of revision of orders under section 263 or section 264, so as to impart greater efficiency, transparency and accountability by

eliminating interface between income-tax authority and assessee or any other person to the extent technologically feasible	optimising utilisation of resources through economies of scale and functional specialisation	introducing a team-based revision of orders, with dynamic jurisdiction
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- The Central Government may, by notification in the Official Gazette, direct that provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations.
- No direction shall be issued after **31st March, 2022**.
- Every notification issued shall, as soon as may be after the notification is issued, be laid before each House of Parliament.

### **Section 264B: Faceless effect of orders (w.e.f. 1.11.2020)**

- The Central Government may make a scheme, by notification in the Official Gazette, for the purposes of giving effect to an order under section 250, 254, 260, 262, 263 or 264, so as to impart greater efficiency, transparency and accountability by

eliminating interface between income-tax authority and assessee or any other person to the extent technologically feasible	optimising utilisation of resources through economies of scale and functional specialisation	introducing a team-based giving of effect to orders, with dynamic jurisdiction
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- The Central Government may, by notification in the Official Gazette, direct that provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations.
- No direction shall be issued after **31st March, 2022**.
- Every notification issued shall, as soon as may be after the notification is issued, be laid before each House of Parliament.

### **Section 293D: Faceless Approval or Registration (w.e.f. 1.11.2020)**

- The Central Government may make a scheme, by notification in the Official Gazette, for the purposes of granting approval or registration, as the case may be, by income-tax authority under any provision of the Act, so as to impart greater efficiency, transparency and accountability by

eliminating interface between income-tax authority and assessee or any other person to the extent technologically feasible	optimising utilisation of resources through economies of scale and functional specialisation	introducing a team-based grant of approval or registration, with dynamic jurisdiction
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- The Central Government may, by notification in the Official Gazette, direct that provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations.
- No direction shall be issued after **31st March, 2022**.
- Every notification issued shall, as soon as may be after the notification is issued, be laid before each House of Parliament.

### **Section 157A: Faceless rectification, amendments and issuance of notice or intimation (w.e.f. 1.11.2020)**

- The Central Government may make a scheme, by notification in the Official Gazette, for rectification of any mistake u/s 154 or other amendments u/s 155 or issue of notice of demand u/s 156 or intimation of loss u/s 157 so as to impart greater efficiency, transparency and accountability by

eliminating interface between income-tax authority and assessee or any other person to the extent technologically feasible	optimising utilisation of resources through economies of scale and functional specialisation	introducing a team-based grant of approval or registration, with dynamic jurisdiction
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- The Central Government may, by notification in the Official Gazette, direct that provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations.
- No direction shall be issued after **31st March, 2022**.
- Every notification issued shall, as soon as may be after the notification is issued, be laid before each House of Parliament.

**Note:** Schemes as per section 253(8), 264A, 264B, 293D and 157A are not yet notified.

### **Section 231: Faceless Collection and Recovery of Tax (w.e.f. 1.11.2020)**

- The Central Government may make a scheme, by notification in the Official Gazette, for the purposes of issuance of certificate for deduction of income-tax at any lower rates or no deduction of income-tax under section 197, or deeming a person to be an assessee in default u/s 201(1) or 206C(6A), issuance of certificate for lower collection of tax u/s 206C(9) or passing of order or amended order u/s 210(3)/(4), or reduction or waiver of the amount of interest paid or payable by an assessee u/s

220(2A), or extending the time for payment or allowing payment by instalment u/s 220(3), or treating the assessee as not being in default u/s 220(6) or 220(7) or levy of penalty u/s 221, or drawing of certificate by the Tax Recovery Officer u/s 222, or jurisdiction of Tax Recovery Officer u/s 223, or stay of proceedings in pursuance of certificate and amendment or cancellation thereof by the Tax Recovery Officer u/s 225, or other modes of recovery u/s 226 or issuance of tax clearance certificate u/s 230 so as to impart greater efficiency, transparency and accountability by

eliminating interface between income-tax authority and assessee or any other person to the extent technologically feasible	optimising utilisation of resources through economies of scale and functional specialisation	introducing a team-based issuance of certificate for deduction or collection of income-tax at lower rate, or for no deduction, or for deeming a person to be an assessee in default, or for passing of an order or amended order, or extending the time for payment, or allowing payment by instalment, or reduction or waiver of interest, or for treating the assessee as not being in default, or for levy of penalty or for drawing of certificate or stay of proceedings in pursuance of certificate and amendment or cancellation thereof, by, or jurisdiction of TRO or other modes of recovery or issuance of tax clearance certificate, with dynamic jurisdiction.
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- The Central Government may, by notification in the Official Gazette, direct that provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations.
- No direction shall be issued after **31st March, 2022**.
- Every notification issued shall, as soon as may be after the notification is issued, be laid before each House of Parliament.

**Note:** The Scheme is not yet notified.

## Chapter VI-A Deductions

### Section 80G: Deduction for Donations to Certain Funds, charitable institutions

**Category I: Various Funds/ institutions, which are eligible to 100% deduction without any limit**  
**PM Care Fund (Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund)**

### Residential Status and Accrual of Income

#### Section 6: Residence in India (Highlighted points added w.e.f. AY 2021-22)

**Rule 1:** To determine whether an Individual is a Resident or not

Section 6(1)		Section 6(1A)
Option 1	Option 2	Option 3 – Deemed Resident (Overrides Option 1/2)
He/She is in India for a period/s amounting to 182 days or more during the PY	He/She is in India for period/s amounting to a) 60 days or more in the PY <b>AND</b> b) 365 days or more during 4 years preceding PYs	<b>Indian citizen having total income, other than the income from foreign sources exceeding Rs. 15 lakhs during the previous year shall be deemed to be resident in India if he is not liable to tax in any other country or territory by reason of his domicile or residence or any other criteria of similar nature. (Sec 6(1A)). He will be considered as R- NOR</b>

**Section 6(1A) shall not this clause shall not apply in case of an individual who is said to be resident in India in the previous year under section 6(1). It implies that section 6(1A) should be checked only if the person is Non Resident as per section 6(1).**

**Option 2 will not apply**

An Indian citizen who <b>leaves India</b> during the previous year <ul style="list-style-type: none"> <li>for employment outside India</li> <li>as a member of the crew of an Indian ship as defined in section 3(18) of the Merchant Shipping Act, 1958</li> </ul>	Indian citizen or a Person of Indian origin (PIO) who comes on a visit to India during the previous year <b>and having total income, other than the income from foreign sources</b>	
	Upto Rs. 15 Lakhs	<b>Exceeding Rs. 15 Lakhs</b>
Such person has to be in India for <b>182 days</b> or more to be Resident	For <b>182 days</b> or more	<b>For 120 days or more</b>

**Income from foreign sources means income which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India) and which is not deemed to accrue or arise in India.**

**Rule 2:** If Individual is a resident as per Rule 1, then he/she is not ordinarily resident (RNOR) if

(a) He/She has been Non-resident in India in <b>9 out of 10</b> preceding PYs OR (b) has been in India for <b>729 or less days</b> during 7 years immediately preceding PYs.	Citizen of India, or PIO having total income, other than income from foreign sources, exceeding <b>Rs. 15 Lakhs</b> during PY who has been in India for a period/s amounting in all to <b>120 days or more</b> but less than <b>182 days</b>	<b>Citizen of India who is deemed to be resident in India as per section 6(1A).</b>
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**Special Provisions for Non Residents and Foreign Company**

<b>10(23FE)</b> <b>(w.e.f. AY 2021-22)</b>	Dividend, Interest or Long-Term Capital Gains earned by specified person arising from an investment made by it in India, whether in the form of debt or equity, if the investment				
	<p>A. is made on or after 1.4.2020 till 31.3.2024</p> <p>B. held for at least 3 years</p> <p>C. is in</p> <table border="1"> <tr> <td>(a) Business Trust referred to in section 2(13A)(i) i.e. InVIT</td> <td>(b) is in a company or enterprise carrying on business of developing or operating and maintaining, or developing, operating and maintaining any infrastructure facility as defined in section 80-IA or such other notified business**</td> <td>(c) Category-I or Category-II Alternative Investment Fund regulated under SEBI (Alternative Investment Fund) Regulations, 2012 having 100% investment in one or more of the company or enterprise or entity as in item (b)</td> </tr> </table>			(a) Business Trust referred to in section 2(13A)(i) i.e. InVIT	(b) is in a company or enterprise carrying on business of developing or operating and maintaining, or developing, operating and maintaining any infrastructure facility as defined in section 80-IA or such other notified business**
(a) Business Trust referred to in section 2(13A)(i) i.e. InVIT	(b) is in a company or enterprise carrying on business of developing or operating and maintaining, or developing, operating and maintaining any infrastructure facility as defined in section 80-IA or such other notified business**	(c) Category-I or Category-II Alternative Investment Fund regulated under SEBI (Alternative Investment Fund) Regulations, 2012 having 100% investment in one or more of the company or enterprise or entity as in item (b)			
** <b>Notified business:</b> Business as per infrastructure sub-sectors mentioned in Updated Harmonised Master List of Infrastructure Sub-sectors in specified notification.					
<b>Specified person</b> means					
D. <b>Wholly Owned Subsidiary of the Abu Dhabi Investment Authority</b> which					
is a resident of the United Arab Emirates		makes investment, directly or indirectly, out of the fund owned by the Government of <b>UAE Abu Dhabi</b>			
E. <b>Sovereign Wealth Fund</b> which satisfies the following conditions					
a. it is wholly owned and controlled, directly or indirectly, by the Government of a foreign country					



	<p>b. it is set up and regulated under the law of such foreign country;</p> <p>c. its earnings are credited either to the account of the Government of that foreign country or to any other account designated by that Government so that no portion of the earnings inures any benefit to any private person</p> <p>d. its asset vests in the Government of such foreign country upon dissolution</p> <p>e. it does not undertake any commercial activity whether within or outside India and</p> <p>f. it is specified by the Central Government, by notification in Official Gazette and <b>fulfils conditions specified in such notification</b></p> <p><b>F. Pension Fund</b> which</p> <p>a. is created or established under the law of foreign country including laws made by any of its political constituents being a province, state or local body</p> <p>b. is not liable to tax in such foreign country</p> <p>c. satisfies such other conditions as may be prescribed and</p> <p>d. is specified by Central Government, by notification in the Official Gazette, for this purpose.</p> <p>If any difficulty arises regarding interpretation or implementation of these provisions, the Board may, with the approval of the Central Government, issue guidelines for the purpose of removing the difficulty.</p> <p>Every such guideline issued shall be laid before each House of Parliament and shall be binding on the income-tax authority and the specified person.</p> <p>Where any income has not been included in the total income of the specified person due to these provisions and subsequently during any previous year the specified person fails to satisfy any of the conditions so that the said income would not have been eligible for such non-inclusion, such income shall be chargeable to income-tax as the income of the specified person of that previous year.</p>
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### **Section 47(viib)**

Transfer of <ul style="list-style-type: none"> <li>• Foreign Currency Convertible Bonds</li> <li>• Global Depository Receipts</li> <li>• Rupee denominated bond of Indian company</li> <li>• Derivative</li> <li>• Other notified Securities (Not. 16/2020)</li> </ul>	Made by <ul style="list-style-type: none"> <li>• non-resident or</li> <li>• specified fund on a recognised stock exchange located in any International Financial Services Centre</li> </ul>	Consideration is paid or payable in foreign currency
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**Specified fund** means a fund established or incorporated in India in the form of a trust or a company or a LLP or a body corporate

which has been granted a certificate of registration as a <b>Category III Alternative Investment Fund</b> and is regulated under SEBI (Alternative Investment Fund) Regulations, 2012	which is located in International Financial Services Centre	which is deriving income solely in convertible foreign exchange	of which all the units are held by non-residents
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### **Notification no. 16/2020: Notified Securities**

Foreign Currency Denominated Bond	Unit of a (a) Mutual Fund or (b) Business Trust or (c) Alternative Investment Fund	Foreign Currency Denominated Equity Share of a company
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which are listed on a recognised stock exchange located in any International Financial Services Centre in as per Regulations made by SEBI or IFSC Authority under the IFSC Authority Act 2019.

**Section 10(4D) – Highlighted points added w.e.f. 1.4.2021**

Following Income of a specified fund (Category III Investment Fund referred to sec 47(viiab)) is exempt

Income from transfer of capital asset referred to section 47(viiab), on a recognised stock exchange located in IFSC and where the consideration is paid or payable in <b>convertible foreign exchange</b>	<b>Income from transfer of securities (other than shares in a company resident in India)</b>	<b>Income from securities issued by a non-resident (not being a permanent establishment of a non-resident in India) and where such income otherwise does not accrue or arise in India</b>	<b>Income from a securitisation trust which is chargeable under the head PGBP to the extent such it is attributable to units held by non-resident (not being the permanent establishment of a non-resident in India) computed in the prescribed manner</b>
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**Section 10(23FBC) (w.e.f. 1.4.2021)**

**Any income accruing or arising to, or received by, a unit holder from a specified fund (referred to in section 10(4D)) or on transfer of units in a specified fund shall be exempt. (w.e.f. AY 2021-22)**

**Section 115JEE (w.e.f. 1.4.2021)**

The provisions of AMT shall not apply to specified fund referred to in section 10(4D).

**Section 196D (w.e.f. 1.11.2020)**

- Where any income in respect of securities referred to in section 115AD(1)(a), not being income by way of interest referred to in section 194LD, is payable to a specified fund referred to in section 10(4D), the person responsible for making the payment shall, at the time of credit of such income to the account of the payee, or at the time of payment thereof by any mode, whichever is earlier, deduct the income-tax thereon at the rate of **10%**.
- No deduction shall be made in respect of an income exempt under section 10(4D).

**Summary**

Category of AIF	Nature of Income	Tax implication in hands of AIF	Tax implication in hands of unit-holders
Category I / II	Business Income	Taxable as per applicable tax rate if AIF is a Company or a Firm Taxable at a maximum marginal rate of 42.744% if AIF is registered as any other body corporate (Section 115UB)	Exempt [Section 10(23FBB)]
	Other than business income	Exempt [Section 10(23FBA)]	Taxable as per applicable tax rate [Section 115UB]
Category III as per section 10(4D)	Income from securities	Unless exempt under section 10(4D), taxable as per section 115AD: (a) Interest or Dividend: 10%; (b) Short-term capital gain: 15% or 30%; (c) Long-term capital gain: 10%	Exempt [Section 10(23FBC)]
	Other than income from securities	Taxable as per applicable tax rate	Exempt [Section 10(23FBC)]

Income	Tax Rate	ROI exemption
<b>Section 115AD:</b> LTCG on sale of securities by FII / FPI registered under SEBI / <b>Specified Fund</b>	10%	No
LTCG on securities specified u/s 112A (in excess of Rs. 1 Lakh)	10%	No
STCG u/s 111A by FII	15%	No
STCG on sale of other securities by FII	30%	No
Income from Securities - Interest or Dividend <del>other than as per sec 115-O</del> <b>(deleted w.e.f. AY 2021-22)</b> received in respect of securities (other than units covered u/s 115AB) – (TDS u/s 196D – 20%; No TDS on Capital Gains referred to above)	20%	No
Interest referred to in section 194LD (TDS – 5%)	5%	<b>Yes</b>
<b>Income from Securities – received by Specified Fund (Category III Alternative Investment Fund located on IFSC as per section 10(4D)) (w.e.f. 1.4.2021) (TDS u/s 196D – 10%; No TDS from income exempt u/s 10(4D))</b>	<b>10%</b>	<b>No</b>

#### **For Specified Fund (w.e.f. 1.4.2021)**

The provision of section 115AD shall apply only to the extent of income that is attributable to units held by non-resident (not being a permanent establishment of a non-resident in India) calculated in the prescribed manner.

#### **Surcharge Rates for sec 115AD for Individual / HUF / AOP / BOI / AJP – Foreign Portfolio Investors Net Taxable Income including Capital Gains on Securities / Dividend is**

Upto Rs. ₹ 50 Lacs	exceeds ₹ 50 Lacs up to ₹ 1 crore	exceeds ₹1 Crore up to ₹ 2 Cr	Exceeds ₹ 2 Cr		
			Other Income is less than ₹ 2 Cr	Other Income exceeds ₹2 Crores but is up to ₹5 Cr	Other Income exceeds ₹5 Crores
<b>0</b>	<b>10%</b>	<b>15%</b>	<b>15%</b> on TOI	<b>25%</b> on TOI	<b>37%</b> on TOI
<b>15%</b> Surcharge on Tax on CG on Securities					

TOI – Tax on Other Income

#### **Section 92CA: Faceless Reference to Transfer Pricing Officer (w.e.f. 1.11.2020)**

- The Central Government may make a scheme, by notification in the Official Gazette, for the purposes of determination of the arm's length price, so as to impart greater efficiency, transparency and accountability by
  - eliminating the interface between the Transfer Pricing Officer and the assessee or any other person to the extent technologically feasible
  - optimising utilisation of the resources through economies of scale and functional specialisation
  - introducing a team-based determination of arm's length price with dynamic jurisdiction.
- The Central Government may, for the purpose of giving effect to the scheme made, by notification in the Official Gazette, direct that any of the provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification
- No direction shall be issued after the 31st day of March, 2022.

- Every notification issued shall, as soon as may be after the notification is issued, be laid before each House of Parliament.

**Section 144C: Faceless Reference to DRP (w.e.f. 1.11.2020)**

- The Central Government may make a scheme, by notification in the Official Gazette, for the purposes of issuance of directions by the dispute resolution panel, so as to impart greater efficiency, transparency and accountability by
  - a) eliminating the interface between the dispute resolution panel and the eligible assessee or any other person to the extent technologically feasible;
  - b) optimising utilisation of the resources through economies of scale and functional specialisation;
  - c) introducing a mechanism with dynamic jurisdiction for issuance of directions by dispute resolution panel.
- The Central Government may, for the purpose of giving effect to the scheme made, by notification in the Official Gazette, direct that any of the provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification:
- No direction shall be issued after the 31st day of March, 2022.
- Every notification issued shall, as soon as may be after the notification is issued, be laid before each House of Parliament.