

BUDGET DECODED



Budget 2018 Views

Budget 2018 has been criticized by many experts, media & especially stock market has reacted in worst manner. However, the Finance Minister has amicably tried to balance demands of various sectors.

In this article,I have covered up Direct Tax/Income Tax changes only. I have tried to cover assessee wise benefits available so that you can derive the most from it which is of your relevance

I will be happy to receive your valued feedback and suggestions on the compilation.

Thanks

Bhavik A Nagori

(ACA,CISA(USA),BCOM)

PARTNER

SHAH & NAGORI

CHARTERED ACCOUNTANTS

Contact:

Email:bhaviknagori@shahnagori.in

Ph:079-26565206

Visit us:www.shahnagori.in

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TAX RATES SCHEDULES

TABLE-1 : INCOME TAX RATE FOR NON-CORPORATE ASSESSEE

Taxable Income	Existing rate for A.Y.2018-19	Proposed rate for A.Y. 2019-20
For Individuals (other than specified note below), HUF,AOP and BOI		
Up to ` 2,50,000/-	NIL	NO CHANGE
From `2,50,001 to 5,00,000	5%	
From `5,00,001 to 10,00,000	20%	
From `10,00,001 to 1 crore	30%	
Cess:		
Education Cess	2%	2%
Secondary & Higher Edu. Cess	1%	1%
Health Cess	-	1%
Surcharge:		
From ` 50 lakhs to 1 Crore	10%	NO CHANGE
Above ` 1 Crore	15%	
For Local authorities & Firms		
Flat Rate	30%	NO CHANGE
For Co-operative Societies		
Up to ` 10,000	10%	NO CHANGE
From `10,001 to 20,000	20%	
From `20,001 to 1 Crore	30%	

Notes :

- Surcharge for Local Authorities, Firms & Co-operative Societies applicable @ 12% if Total Income exceeds 1 Crore.
- For Senior Citizen Aged 60 years but less than 80 years - No Tax upto Rs 3,00,000/-.
- For Very Senior Citizen aged 80 years and above – No tax upto Rs 5,00,000/-.
- For Assesseees having total taxable income not exceeding 3,50,000/- rebate upto 2500.

For Salaried Assessee:

- For Salaried Employees Standard Deduction of Rs. 40,000 in place of the present exemption allowed for transport allowance and reimbursement of miscellaneous medical expenses.

Implications

- The simplicity of calculation of standard deduction was its main advantage. It was given as a straight deduction from the income chargeable under the head salary. It did not require any disclosures, investment proofs or bills.
- **Pensioners** will benefit substantially as earlier they did not get any standard deduction or any of the other allowances given to salaried employees. They would save tax payable on this entire amount of deduction
- The current tax-free limit for medical expense reimbursement of 15,000 p.a. and transport allowance exemption of Rs 1,600 p.m. is anyway leading to a total tax-free salary of Rs 34,200 p.a. is done away with this budget

Lets understand this by an example

For taxable salary income of Rs 5 lakh-Resident Individual

<u>Particulars</u>	<u>Pre Budget</u>	<u>Post Budget</u>
SALARY+DA	310533	310533
Conveyance allowance	19200(Not Taxable)	
Medical reimbursement	15000(Not Taxable)	
Other Taxable Allowance	<u>189467</u>	<u>223667</u>
Gross Salary	500000	534200
Standard Deduction		(40000)
Income from Salary	500000	494200
Income Tax@ 5%	12500	12210
Less Rebate u/s 87A	-----	-----
Surcharge	-----	-----
EC@3%	375	366
Health Cess@1%	-----	122
Total Tax	12875	12698
Tax Saved		177

However as per analysis done for Income above 5 lacs, Tax liability will be **Increased due to Health Cess Introduction.**

Hence higher table income will end up with paying more taxes

- Transport allowance at enhanced rate is proposed to be continued for differently abled persons.

Senior Citizens

- It would not be wrong to say that this budget is of Senior citizens as far as direct tax is concerned
- Exemption of interest income on deposits with banks and post offices are proposed to be increased from Rs. 10,000 to Rs. 50,000.
- TDS on Interest on deposits shall not be required to be deducted under section 194A upto Rs. 50000.
- Hike in deduction limit for health insurance premium and/ or medical expenditure from Rs. 30,000 to Rs. 50,000 under section 80D.
- Increase in deduction limit for medical expenditure increased to Rs. 1 lakh under section 80DDB.
- Moreover, many of the pensioners would be senior citizens only. They will benefit of Rs 40000 standard deduction
- Lets understand mediclaim benefit u/s 80D

Amount Spent	For Family Members		For Parents	
	Age Below 60 years	Age Above 60 years	Age Below 60 years	Age Above 60 years
Medical Insurance	25,000	50,000	25,000	50,000
CGHS	25,000	50,000	-	-
Health Check-up	5,000	5,000	5,000	5,000
Medical Expenditure	-	50,000	-	50,000

Further, the Finance Bill also proposes that in case of single premium health insurance policies which covers more than one year, deduction shall be allowed on proportionate basis for all those years for which health insurance cover is provided, subject to the specified monetary limit.

➤ **Deduction limit under section 80DDB is enhanced :**

This deduction is allowed when an individual or HUF taxpayer pays for the medical treatment of critical illness for himself or family members.

Particular	Earlier Deduction	Proposed Deduction
Senior Citizen	Rs.60,000	Rs.1,00,000
Very Senior Citizen	Rs.80,000	
Other than above	Rs.40,000	Rs.40,000

➤ Deduction for senior citizens in respect of bank interest:

SECTION	80TTA	80TTB
Eligible Assessee	<ul style="list-style-type: none"> Individual (other than Senior Citizen) HUF 	<ul style="list-style-type: none"> Senior Citizen
Deductions	Interest on Deposits in Saving A/c from <ul style="list-style-type: none"> Banks Banking Co-Op Society Post Office 	Interest on Deposits in Saving A/c and Deposit A/c from <ul style="list-style-type: none"> Banks Banking Co-Op Society Post Office
Maximum Deductions	Rs. 10,000	Rs. 50,000

For Capital Gains & Business Heads:

Withdrawal of exemption provided U/s.10 (38) of LTCG on sale of Equity Shares:

Currently, long term capital gains arising from transfer of listed equity shares or units of equity oriented fund or units of business trusts, are exempt from income-tax under Section 10(38) of the Act. In order to minimize the economic distortions and curb erosion of tax base, it is proposed to withdraw this exemption and to introduce a new section 112A in the Act.

As per new proposed Section 112A, long term capital gains arising from transfer of an equity share, or a unit of an equity oriented fund or a unit of a business trust shall be taxed at 10% of such capital gains. The tax on capital gains shall be levied in excess of Rs. 1 lakh. This concessional rate of 10% will be applicable **if STT** has been paid on **both acquisition and transfer** of such capital asset, in case of equity shares, and paid at the time of transfer in case of unit of equity oriented fund or a unit of a business trust.

Though the tax rate has been kept at 10% but it shall be charged on the capital gains as computed **without giving the benefit of indexation** to the investor.

This new provision to tax the long-term capital gains arising from transfer of listed equity shares shall be applicable for all those share trades which are done on or after April 1, 2018.

The cost of acquisitions of a listed equity share acquired by the taxpayer before the February 1, 2018, shall be deemed to be the higher of following:

- a) The actual cost of acquisition of such asset; or
- b) Fair market value of such shares or actual sales consideration accruing on its transfer, whichever is lower.

The Fair market value of listed equity share shall mean its **highest price quoted** on the stock exchange on January 31, 2018. However, if there is no trading in such shares on such exchange on January 31, 2018, the highest price of such asset on such exchange on a date immediately preceding January 31, 2018.

While in case of units which are not listed on recognized stock exchange, the net asset value of such units as on January 31, 2018 shall be deemed to be its FMV.

Particulars	Case1	Case 2	Case 3	Case 4	Case 5
Sales Consideration (A)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Date of Sale	31-03-18	01-04-18	01-04-18	01-04-18	01-04-19
Actual Cost of Acquisition (B)	800,000	800,000	800,000	800,000	800,000
Date of Purchase	01-01-17	01-01-17	01-01-17	01-01-17	01-03-18
Quoted Price on Stock Exchange as on 31/01/2018 (C)	850,000	750,000	900,000	1,100,000	1,100,000
Deemed Cost of Acquisition (D)*	800,000	800,000	900,000	1,000,000	800,000
Long-term Capital Gains (E = D-A)	200,000	200,000	100,000	-	200,000
Exemption for Capital Gains (F = E - 1,00,000)	200,000	100,000	100,000	-	100,000
Tax on Capital Gains (F * 10%)	-	10,000	-	-	10,000

This capital gain has been kept out of preview of Chapter VIA deductions and relief under Section 87A. It means a taxpayer cannot claim any deduction under Sections 80C to 80U or relief under Section 87A from the gross total income to the extent of such capital gains.

It is advisable to approach your consultants regarding these transactions for Tax planning & calculations.

➤ **Variation of sales consideration from stamp value is acceptable (Sec 43CA,50C 56):**

As per the current provisions, when a taxpayer claims that the sales consideration received by him from transfer of an immovable property is less than the value adopted by the Stamp authorities, then the stamp value is deemed as the actual sales consideration. Deeming the stamp value as the sales consideration result in higher amount of capital gains even if the seller has not gained anything due to such higher stamp valuation. (50C,43CA)

Further, such difference in the stamp value and the actual consideration disclosed by the parties is also taxed in the hands of the buyer.(56)

It is generally pointed out that this variation can occur in respect of similar properties in the same area because of a variety of factors, including shape of the plot or location. In order to minimize hardship in case of genuine transactions in the real estate sector, it is proposed to provide that no adjustments shall be made in a case where the variation between stamp duty value and the sale consideration is not more than five percent of the sale consideration.

➤ **For Corporate Assessee**

- Reduced Corporate Tax of 25 % extended to companies with turnover up to Rs. 250 crore.

➤ **INDIAN CORPORATES :**

Corporate tax rate reduced to 25% (plus applicable surcharge, education cess) for domestic companies whose total turnover/gross receipts in F.Y. 2016-17 does not exceed `250 Crores. In other cases, the tax rates remain unchanged at 30% (plus applicable surcharge and education cess). Effective tax rates are as under:

Particulars	Turnover / Gross Receipts < ` 250 Crores in F.Y. 2016-17		Turnover / Gross Receipts > ` 250 Crores in F.Y. 2016-17		
	Taxable income < ` 1 Crore	Taxable income > ` 1 Crore, but < ` 10 Crore	Taxable Income < ` 1 Crore	Taxable income > ` 1 Crore, but < ` 10 Crore	Taxable income > ` 10 Crore
Corporate tax	25.00%	25.00%	30.00%	30.00%	30.00%
Surcharge	-	7.00%	-	7.00%	12.00%
Corporate tax + Surcharge	25.00%	26.75%	30.00%	32.10%	33.60%
Education Cess Thereon	3.00%	3.00%	3.00%	3.00%	3.00%
Effective tax rate	25.75%	27.55%	30.90%	33.06%	34.61%

FOREIGN CORPORATES :

Corporate tax rates remain unchanged at 40% (plus applicable surcharge and education cess). Effective tax rates remain unchanged as under:

Particulars	Taxable Income < ` 1 Crore	Taxable income > ` 1 Crore, but < ` 10 Crore	Taxable Income > ` 10 Crore
Corporate tax	40.00%	40.00%	40.00%
Surcharge	-	2.00%	5.00%
Corporate tax + Surcharge	40.00%	40.80%	42.00%
Education Cess Thereon	3.00%	3.00%	3.00%
Effective tax rate	41.20%	42.02%	43.26%

➤ **Compensation covered within the tax ambit: [Sec. 2(24), 28 & 56]:**

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

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

➤ **No-deferment of tax on conversion of stock-in-trade into capital asset : [Section 2(24), 2(42A), 28, 49]**

There were not any defined provisions with respect to taxability in case of conversion of stock-in-trade into capital asset.

Necessary amendments had been brought up to provide symmetrical tax treatment on converting the inventory into capital asset. Following amendments have been proposed:

a) Any profit or gains arising from conversion of inventory into capital asset shall be charged to tax as business income under Section 28. For the purpose of computing the business profits, the FMV of the inventory as on the date of conversion, shall be deemed to be the full value of the consideration of such inventory.

For the purposes of computation of capital gains arising from transfer of such converted capital assets, the FMV as on the date of conversion shall be the cost of acquisition as per Section 49 and the period of holding for such capital asset shall be reckoned from the date of conversion or treatment.

Trading in agricultural commodity derivatives are not speculative transaction [Section 43(5)]

As per Sec. 43(5)(e), trading in commodity derivatives carried out through a recognised stock exchange shall be treated as non-speculative transaction, if the same is chargeable to commodity transaction tax.

It is noteworthy here that agricultural commodity derivatives are out of the purview of Commodity Transaction Tax (CTT). Thus trading in agricultural commodity derivatives are treated as speculative transactions.

The Finance Bill, 2018 proposes to amend section 43(5) to provide that transaction in agricultural commodity derivatives done through a registered stock exchange or registered association would be treated as non-speculative transaction even if the same is not chargeable to CTT.

➤ **Presumptive income under section 44AE in case of goods carriage:**

A taxpayer who owns not more than 10 goods carriage and is engaged in the business of plying, hiring or leasing of goods carriage, his income would be deemed as follows:-

1. Light Goods Vehicle (less than 12MT – Gross weight Vehicle) Rs. 7500 per vehicle per month.
2. Heavy goods vehicle (more than 12MT _ Gross Weight Vehicle) Rs. 1000 per ton per vehicle per month

➤ **Relaxation in provisions of carry forward and set off of losses for companies applied for Insolvency (Section 79) :**

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

This provision is a big hurdle for restructuring and rehabilitating the companies who have applied for insolvency and who have witnessed change in the beneficial ownership.

In order to address this problem, it is proposed that the rigors of section 79 shall be relaxed in case of those companies whose resolution plan has been approved under the Insolvency and Bankruptcy Code, 2016.

➤ **Exemption u/s.54EC for Immovable Properties:**

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

The Finance Bill has significantly curtailed the scope of this exemption. As per proposed amendment, exemption under Section 54EC shall be allowed only if long-term capital gains arising from transfer of an immovable property (land or building or both) is invested in the specified bonds. The lock-in period of such bonds has also been increased to 5 years.

➤ **Deductions under Section 80JJA is extended to footwear and leather industry:**

Eligible Assessee - Manufacturers who employ New Employees

Eligible Deduction- 30% of the additional employee cost incurred during the year.

Requirement of Minimum Period of Employment:

Industries	Existing	Proposed
Apparel Industry	150 days during the year	150 days during the year
Footwear and leather Industry	240 days during the year	150 days during the Year
Others	240 days during the year	240 days during the year

Manufacturers are often denied the deduction if an employee is employed in year 1 for a period of less than 240 days or 150 days, but continues to remain employed for more than 240 days or 150 days in year 2. To overcome some difficulties, the employment conditions has been proposed to be relaxed. Now in this situation the deduction shall be allowed to the manufacturer if an employee hired in last year continues to remain in employment in current year for more than 240 or 150 days, as the case may be.

➤ **Deduction in respect of certain incomes not to be allowed if return is not filed within due date:**

Existing	Proposed
No deduction would be admissible u/s	Scope of 80AC has been extended to all section covered under Chapter VI-A under the Heading C-“Deduction in respect of certain Income” (i.e. section 80H to 80RRB)
• 80-IA	
• 80-IAB	
• 80-IB	
if ROI is not furnished on or before the due date u/s. 139(1).	

➤ **Amendment in section 80-IAC to promote new start-ups:**

Eligible Deduction-100% of Income to eligible start-up for 3 consecutive AY out of 7 years at the option of such start-up.

Conditions:

Particulars	Existing	Proposed
Incorporation	Between 01/04/2016 and 31/03/2019	Benefit would also be available to startup incorporated between 01/04/2019 and 31/03/2021
Turnover	Shall not exceed Rs. 25 crores in any of the previous year 2016-17 to 2020-21	Shall not exceed Rs. 25 Crore in any of the 7 previous years commencing from the date of incorporation
Eligible Business	Business involving innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.	Business involving innovation, development or improvement of products or processes or services, or a scalable business model with a high potential of employment generation or wealth creation

➤ **Taxation of Long-Term capital gains in the case of Foreign Institutional Investor:**

The **existing provisions** of section 115AD of the Act *inter alia*, provide that where the total income of a Foreign Institutional Investor (FII) includes income by way of long-term capital gains arising from the transfer of certain securities, such capital gains shall be chargeable to tax at the rate of ten per cent. However, long term capital gains arising from transfer of long term capital asset being equity shares of a company or a unit of equity oriented fund or a unit of business trusts, is exempt from income-tax under clause (38) of section 10 of the Act.

Consequent to the proposal for withdrawal of exemption under clause (38) of section 10 of the Act, such long term capital gain will become taxable in the hands of FIIs also. As in the case of domestic investors, the FIIs will also be liable to tax on such long term capital gains only in respect of amount of such gains exceeding **one lakh rupees**. The provisions of section 115AD are proposed to be amended accordingly.

➤ **Rationalisation of Taxation provisions for Start-ups (section 115BA):**

As per Section 115BA, a domestic company can opt to pay tax at the rate of 25% if they are engaged in the business of manufacturing or production of any article or doing research in relation thereto.

There have been disputes and uncertainty on the taxability of other income earned by these start-ups. Whether other income of such entities are taxable at the rate of 25% or as per other applicable rates.

The Finance Bill provides a retrospective clarificatory amendment (effective from 01st April, 2017) that the beneficial rate of taxation of 25% is available only in respect of income arising from the business operations of manufacturing, production, etc.

➤ **No deduction of expense even if unexplained income is determined by Assessing Officer (Sec 115BBE):**

Any sum found credited in the books of the taxpayer, for which he offers no explanation about the nature and source thereof or the Assessing Officer (AO) are not satisfied by the explanation offered by the taxpayer, is termed as unexplained income. Such incomes are taxed at the flat rate of 60% under section 115BBE. It also provides that no deduction in respect of any expenditure shall be allowed to taxpayers from such unexplained income. However, the provision was silent whether taxpayer would get any deduction if tax officer has made additions in the total income of taxpayers which is deemed as unexplained income.

The Finance Bill, 2018 proposed that taxpayer would not be eligible to deduction even in this case where additions are made by the Assessing Officer for the unexplained income.

➤ **Deemed dividend isn't taxable in hands of receivers: (Sec.115-O ,115Q):**

Deemed dividend as specified in section 2(22)(e) were kept out of the ambit of Dividend Distribution Tax (DDT). Therefore, the deemed dividend as arising from payment of loan by closely held companies are taxable in the hands of the shareholders.

The taxability of deemed dividend in the hands of recipient has posed serious problem of collection of the tax liability and has also been the subject matter of extensive litigation.

Now it is proposed to bring deemed dividends also under the scope of dividend distribution tax. Therefore, companies are now liable to pay DDT on the deemed dividend.

The tax at the rate of 30% is proposed on such deemed dividend in order to prevent camouflaging of dividend in various ways such as loans or advances.

➤ **“Accumulated Profits” redefined for purpose of Deemed Dividend [Sec 2(22)(d)]**

Currently, any distribution of accumulated profits (whether capitalized or not) to the shareholders by a company is subject to Dividend Distribution Tax. Companies with large accumulated profits used to adopt the amalgamation route to reduce accumulated profits so as to bypass the provisions of deemed dividend under Section 2(22)(d).

With a view to prevent such abusive arrangements, a new Explanation 2A is proposed to be inserted in section 2(22) to widen the scope of the term 'accumulated profits'.

As per the new Explanation, the accumulated profits/losses of an amalgamated company shall be increased by the accumulated profits of the amalgamating company (whether capitalized or not) on the date of amalgamation.

➤ **Dividend payouts of equity oriented mutual fund subject to DDT (Sec 115R, 115T)**

Specified company or Mutual Fund shall be liable to pay tax on income distributed to its unit holders. However, in respect of any income distributed to a unit holder of equity oriented funds is currently not chargeable to Dividend Distribution Tax.

It is proposed to amend the section 115R to provide that where any income is distributed by a Mutual Fund, being an equity oriented fund, the fund shall be liable to pay additional income tax at the rate of 10% on income so distributed.

➤ **Non-Individual entity to obtain PAN (Sec 139A):**

Section 139A is proposed to be amended that every non-individual entity should have to obtain a PAN as its Unique Entity Number (UEN) if they enter into a financial transaction of an amount aggregating to Rs. 2.50 lakhs or more in a financial year. It is also proposed that the managing director, director, partner, trustee, author, founder, karta, CEO, principal officer or office bearer or any person competent to act on behalf of such entities will also have to apply for allotment of PAN.

For Trust:

➤ **Disallowance of expenditure paid in cash by Trusts:**

Currently, there are no restrictions on mode of payments by charitable or religious trusts or institutions. There are also no checks on whether such trusts or institutions follow TDS provisions or not. This has led to lack of an audit trail for verification of application of income.

In order to encourage a cash-less economy and to reduce the generation and circulation of black money, it is proposed that trusts or institutions will also be required to follow the provisions of TDS and will make all expenses in excess of Rs. 10,000 through banking channels.

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

For Agriculture:

➤ **New deduction introduced for Farm Producer Companies u/s 80PA:**

To promote agricultural activities a new section 80PA is proposed to be inserted.

Eligible Assessee - Farm Producer Companies

Amount of Deduction - 100% deductions of profits for a period of 5 years

Condition-

1. Total turnover less than Rs. 100 crores during the financial year.
2. Gross Total Income should include income from:
 - a. Marketing of agricultural produce grown by its members
 - b. Purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to its members
 - c. Processing of agricultural produce of its members.

Assessment Proceedings

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

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

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

➤ **E-Proceedings of all scrutiny assessments [Section 143(3A), 143(3B), 143(3C)]:**

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

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

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

➤ **Chartered Accountants can file appeal to ITAT (Sec. 253):**

A tax officer is authorized to levy a penalty on accountant/ merchant banker/ registered valuer, in case incorrect information is found in any report or certificate furnished by them in the course of any proceedings under Income-tax Act. By purview of Section 271J the penalty amount would be Rs. 10,000 for each such report or certificate.

These penalty orders under section 271J are currently not appealable to ITAT.

The Finance Bill, 2018 proposes to amend Section 253 so that an appeal can be filed with ITAT against the penalty order of Assessing Officer under section 271J.

➤ **Higher penalty for default in furnishing AIR u/s 285BA (Section 271FA)**

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

➤ **Stringent prosecution for not filing the ITR (Sec. 276CC):**

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

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

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

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

THANKS
