

V.O.CHIDAMBARANAR PORT TRUST

FINANCE DEPARTMENT

No.: FIN-OFFTX-TAX-CIRCU-V2-16 000 V2

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Amendments in the Income Tax Provision vide Finance Bill 2016

The salient features of the changes/amendments made in the Finance Bill 2016 are furnished below,

1. Income Tax slab rates remain the same for the Asst. Year 2017/18.
2. The Surcharge rate for Individuals/HUF/AOP/BOI/Artificial Judicial Person has been increased from 12% to 15% for the Asst. Year 2017/18.

3. Rationalization of tax deduction at Source (TDS) provisions

In order to rationalize the rates and base for TDS provisions, the threshold limits for deduction of tax at source and the rates for tax deduction have been modified as mentioned in table 1 and table 2 respectively.

Table 1: Increase in the threshold limit of deduction of tax at source:-

Section	Particulars	Up to 31 st May 2016 (Rs.)	From 1 st June 2016 (Rs.)
192A	Payment of accumulated balance due to an employee	30,000	50,000
194C	Payments to Contractors	Aggregate Annual limit 75,000	Aggregate Annual Limit 1,00,000
194LA	Payment of Compensation on acquisition of certain immovable property	2,00,000	2,50,000
194D	Insurance commission	20,000	15,000
194H	Commission or brokerage	5,000	15,000

Table 2: Revision in the rates for deduction of tax at source:-

Section	Particulars	Before 1 st April 2016	During 1 st April 2016 to 31 st May 2016	From 1 st June 2016
194DA	Payment of Life Insurance Policy	2%	2%	1%

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194EE	Payment in respect of NSS Deposits	20%	20%	10%
194D	Insurance commission			
	a) When recipient is a resident other than domestic company	10%	5%	5%
	b) When recipient is a domestic company	10%	10%	10%
194H	Commission or brokerage	10%	10%	5%

4. Modification in the scheme of Tax collection at Source

Sub section (1F) has been inserted to Section 206C, which provides that every person being a seller who receives any amount as consideration on sale of motor vehicle of value exceeding Rs.10,00,000/- shall collect the tax at the rate of 1% of sale consideration. This will be applicable whether payment is made by the purchaser in cash or by issue of a cheque or draft or any other mode. This amendment will take effect from 1st June, 2016.

5. Extension of scope of section 43B to include certain payments made to Railways

In order to ensure prompt payment of dues to railways for use of the railway assets, the scope of section 43B has been extended with effect from the Asst. Year 2017/18.

It is provided that any sum payable by the assessee to the Indian Railways for the use of railway assets will be allowed as deduction in the year in which the payment is made.

If however, payment is made after the end of the previous year but before the due date of submission of return of income under section 139(1), such expenditure will be deductible on accrual basis.

6. Rationalization of section 50C in case sale consideration is fixed under agreement executed prior to the date of registration of immovable property

- Section 50C is amended in line with section 43CA to provide that where the date of an agreement fixing the amount of consideration and the date of registration for the transfer of the capital asset are not the same, the stamp value duty adopted or assessed or assessable by the stamp

valuation authority on the date of agreement for transfer may be taken for the purposes of computing full value of consideration for such transfer.

- However this exception, shall apply only in those cases where the amount of consideration referred to therein, or a part thereof, has been received by way of an account payee cheque or draft or by use of electronic clearing system through a bank account, on or before the date of the agreement for transfer. This amendment will take effect from Asst. Year 2016/17.

7. Exemption of Central Government subsidy or grant or cash assistance, etc. towards corpus of fund established for specific purposes from the definition of income

Sec.2(24)(xviii) has been amended with effect from Asst. Year 2017/18, to provide that subsidy or grant by the Central Government for the purpose of the corpus of a trust or institution established by the Central Government or State government shall not form part of income.

8. Rationalisation of tax treatment of Recognised Provident Funds, Pension Funds and National Pension Scheme

The following amendments have been made to section 10(12A)/(13) with effect from the Asst. Year 2017/18 -

- Clause (12A) has been inserted in section 10 to provide that any payment from the National Pension Scheme to an employee on closure of account or his opting out of the pension scheme referred to in section 80CCD, to the extent it does not exceed 40% of the total amount payable to him at the time of closure or his opting out of the scheme, shall be exempt from tax.
- Section 10(13) has been amended to provide that any payment from an approved Superannuation fund by way of transfer to the account of the employee under NPS referred to in section 80CCD and notified by the Central Government shall be exempt from tax.
- Section 80CCD has been amended to provide that the whole amount received by the nominee from NPS, on death of the assessee shall be exempt from tax.
- The limit of employer's contribution to an approved Superannuation fund under section 17 has been increased from Rs.1,00,000 to Rs,1,50,000.
- Rule 8 of Part A of the Fourth Schedule has been amended to provide exemption to one-time portability from a Recognised Provident Fund to National Pension System even if the service rendered is less than 5 years.

9. Exemption to non-residents from requirement of furnishing PAN u/s 206AA

As per the Finance Bill, 2016 with effect from 1st June, 2016 it is provided that the provisions of Sec. 206AA, for furnishing of PAN to the deductor for deduction of tax at source will not apply to non-resident or to a foreign company, subject to such conditions as may be prescribed.

10. Installment of advance tax and due dates

Section 211(1) is amended with effect from 1st June, 2016 to provide that all Assesseees will have to pay Advance Tax in four installments as given in table below,

Advance Tax Installments Due date	Percentage of Tax to be paid
On or before June 15th	Upto 15%
On or before September 15th	Upto 45%
On or before December 15th	Upto 75%
On or before March 15th	Upto 100%

11. Filing of return of income

• **139(4) [Belated Return]**

Section 139(4) has been amended with effect from Asst. Year 2017/18 to provide that any person who has not furnished a return within the time allowed u/s 139(1) may furnish the return at any time of the following,

a) before the end of the relevant assessment year	whichever is earlier
b) before the completion of the assessment	

• **139(5) [Revised Return]**

Section 139(5) has been amended with effect from Asst. Year 2017/18 to provide that if any person has furnished the return u/s 139(1) or in pursuance of notice issued u/s 142(1) discovers any omission or any wrong statement therein, he may furnish a revised return at any time of the following.

a) before 1 year from the end of the relevant A.Y. (or)	whichever is earlier
b) before the completion of the assessment	

This is amended to provide that a return furnished u/s 139(4) can also be revised. Thus, now belated return can also be revised.

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- **139(9) [Defective Return]**

Section 139(9) has been amended with effect from Asst. Year 2017/18 to provide that a return of income which is otherwise valid would not be treated defective merely because self assessment tax and interest payable in accordance with the provisions of section 140A, have not been paid on or before the date of furnishing of the return.

12. Payment of interest on refund u/s 244A

Interest on refund for excess payment

Section 244A inter alia provides that an assessee is entitled to interest on refund arising out of excess payment of the following,

- i. Advance tax,
- ii. Tax deducted at source or
- iii. Tax collected at source.

Period for Interest

It also provides that the period for which the interest is paid on such excess payment begins from the 1st April of the assessment year to the date on which refund is granted.

- In order to ensure filing of return within the due date, section 244A is amended to provide that in cases where the return is filed after the due date, the period for grant of interest on refund may begin from the date of filing of return of income.

Interest on refund of self assessment tax

- In the interest of fairness and equity, it is further provided that an assessee shall be eligible to interest on refund of self-assessment tax u/s 140A.

Period for Interest

From	a) The date of payment of tax (or)	Whichever is later
	b) Filing of return	
To	The date on which refund is granted	

- It is also provided that where a refund arises out of appeal effect being delayed beyond the time prescribed under sub-section (5) of section 153, the assessee shall be entitled to receive, in addition to the interest

payable under sub-section (1) of section 244A, an additional interest on such refund amount calculated at the rate of 3% per annum, for the period beginning from the date following the date of expiry of the time allowed under sub-section (5) of section 153 to the date on which the refund is granted. It is clarified that in cases where extension is granted by the Principal Commissioner or Commissioner by invoking proviso to sub-section (5) of section 153, the period of additional interest, if any, shall begin from the expiry of such extended period.

These amendments will take effect from 1st day of June, 2016.

13. Legislative framework to enable and expand the scope of electronic processing of information- Section 143

In order to expeditiously remove the mismatch between the return and the information available with the Department, the scope of adjustments u/s 143(1)(a) has been extended with effect from Asst. Year 2017/18. After this modification, adjustments that can be made at the time of processing u/s 143(1)(a) shall further include adjustments as under –

- i. Disallowance of expenditure indicated in the Audit report but not taken into account in computing the total income in the return
- ii. Addition of Income appearing in Form Nos. 16, 16A, 26AS but not included in computing the total income in the return.

However, before making any such adjustments, intimation shall be given to the assessee either in writing or through electronic mode requiring him to explain and rectify the same within 30 days of issuance of such intimation. The response so received, if any, will be duly considered before making any adjustments. However, if no response is received within such time, the processing shall be carried out incorporating the adjustments.

14. Legal framework for automation of various processes and paperless assessment – Section 282A

Section 282A is amended with effect from 1st June, 2016 to provide that notices and documents required to be issued by income-tax authority under the Act shall be issued by such authority either in paper form or in electronic form in accordance with such procedure as may be prescribed.

15. Amendment of section 271AAB

Section 271AAB(1)(c) is amended to provide for fixed penalty of 60% of the undisclosed income in case when search has been initiated

16. Rationalisation of time limit for assessment, reassessment and recomputation and assessment in search cases

Section 153/ 153B is proposed to be substituted with the following changes in time limit from the existing time limits:-

Section reference	Old time limit	New time limit
Regular assessment u/s 143/ Best judgment assessment u/s 144	2 years from the end of the Asst. Year in which income was first assessable	Within 21 months from the end of the Asst. Year in which income was first assessable
Making Assessment/Reassessment u/s 147	1 year from the end of the financial year in which notice for reassessment is served	Within 9 months from the end of the financial year in which notice for reassessment is served
Fresh assessment as a result of an order u/s 254 or 263 or 264, setting aside or canceling an assessment	1 year from the end of the financial year in which such order is received by assessing officer	Within 9 months from the end of the financial year in which such order is received by prescribed authorities
Giving effect to an order u/s 250/254/260/262/263/264 otherwise than making a fresh assessment or reassessment	No time limit was prescribed	Within 3 months from the end of the month in which such order is received by prescribed authorities and additional period of six months, where it is not possible to pass such order by assessing officer for reasons beyond its control.
Assessment, reassessment or recomputation to give effect to any finding or direction contained in the order of CIT, CIT(A), ITAT or any court	No time limit was prescribed	Within 12 months from the end of the month in which such order is received. in which the order is received, whichever is later
Assessment u/s 153A	2 years from the end of the financial year in which the last of the authorizations for search u/s 132 or for requisition u/s 132A was executed	21 months from the end of the financial year in which the last of the authorizations for search u/s 132 or for requisition u/s 132A was executed

Amendments in deductions applicable for Individuals with effect from Asst. Year 2017/18

1. Enabling of Filing of Form 15G/15H for rental payments

Under section 197A, the recipient of income can submit a declaration in Form No. 15G/15H to the effect that the tax on his estimated total income of the previous year in which such income is to be included in computing his total income will be nil. After this declaration the payer of income will not deduct tax at source. This facility is available if tax is deductible under sections 192A, 194A, 194, 194DA and 194EE.

With effect from 1st June 2016, section 197A has been amended to give reference of section 194I (TDS on rental income) therein to provide that payments in the nature of rent may be allowed to be received without deduction of tax upon submission of declaration in Form no 15G/15H.

2. Deduction under section 80GG - Payment of rent

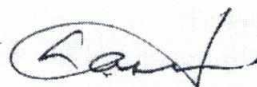
As per the amended Section 80GG, deduction of expenditure incurred by individual towards payment of rent in respect of furnished or unfurnished accommodation occupied by him if he is not granted house rent allowance ("HRA") by the employer is Rs.5,000/- per month or 25 percent of his total income whichever is less.

3. Increase in time period for acquisition or construction of self-occupied property for claiming deduction of interest - Section 24(b)

As per the amended Section 24(b), interest deduction of Rs.2,00,000/- is allowed on loans taken for self-occupied property provided that the acquisition or construction is completed within five years from the end of financial year in which the capital was borrowed.

4. Deduction under section 80EE

Section 80EE has been inserted with effect from Asst. Year 2017/18, to provide first home buyers availing home loans, a deduction of interest payable on the loan or Rs.50,000/- which ever is less.



Allowable Deduction:

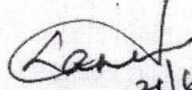
a)Interest payable (or)	Whichever is less
b)Rs.50,000/-	

Conditions for availing deduction:

- a) The value of the house property should be less than Rs.50,00,000/-
 - b) The loan amount sanctioned during the period from 01.04.2016 to 31.03.2017 should not exceed Rs.35,00,000/-.
- The deduction is over and above the limit of Rs.2,00,000/- provided for a self occupied property u/s 24 of the Act.

5. Rationalization of limit of rebate in income-tax allowable under Section 87A

- The rebate u/s 87A which is applicable for individuals whose total income is less than Rs.5,00,000/- is increased from Rs.2,000 to Rs.5,000.


21/6/16

Financial Advisor and
Chief Accounts Officer

To

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All Accounts Officers

Copy to:

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