

Notes on clauses

Income-tax

Clause 2, read with the First Schedule to the Bill, specifies the rates at which income-tax is to be levied on income chargeable to tax for the assessment year 2017-2018. Further, it lays down the rates at which tax is to be deducted at source during the financial year 2017-2018 from income other than "Salaries" subject to such deductions under the Income-tax Act; and the rates at which "advance tax" is to be paid, tax is to be deducted at source from, or paid on, income chargeable under the head "Salaries" and tax is to be calculated and charged in special cases for the financial year 2017-2018.

Rates of income-tax for the assessment year 2017-2018

Part I of the First Schedule to the Bill specifies the rates at which income is liable to tax for the assessment year 2017-18. These rates are the same as those specified in Part III of the First Schedule to the Finance Act, 2016 as amended by the Taxation Laws (Second Amendment) Act, 2016 (48 of 2016), for the purposes of deduction of tax at source from "Salaries", computation of "advance tax" and charging of income-tax in special cases during the financial year 2016-2017.

Rates for deduction of tax at source during the financial year 2017-2018 from income other than "Salaries"

Part II of the First Schedule to the Bill specifies the rates at which income-tax is to be deducted at source during the financial year 2017-2018 from income other than "Salaries". The rates are the same, as those specified in Part II of the First Schedule to the Finance Act, 2016 for the purposes of deduction of income tax at source during the financial year 2016-2017.

The amount of tax so deducted shall be increased by a surcharge in the case of—

(i) every non-resident being an individual or Hindu undivided family or association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act,—

(a) at the rate of ten per cent. of such tax, where the income or the aggregate of income paid or likely to be paid and subject to deduction exceeds fifty lakh rupees but does not exceed one crore rupees;

(b) at the rate of fifteen per cent. of such tax, where the income or the aggregate of income paid or likely to be paid and subject to deduction exceeds one crore rupees;

(ii) every non-resident being a co-operative society or firm or local authority at the rate of twelve per cent. where the income or the aggregate of income paid or likely to be paid and subject to deduction exceeds one crore rupees;

(iii) every company other than a domestic company at the rate of two per cent. where the income or the aggregate of income paid or likely to be paid and subject to deduction exceeds one crore rupees but does not exceed ten crore rupees;

(iv) every company other than a domestic company at the rate of five per cent. where the income or the aggregate of income paid or likely to be paid and subject to deduction exceeds ten crore rupees.

Rates for deduction of tax at source from "Salaries", computation of "advance tax" and charging of income-tax in special cases during the financial year 2017-2018

Part III of the First Schedule to the Bill specifies the rates at which income-tax is to be deducted at source from, or paid on, income under the head "Salaries" and also the rates at which "advance tax" is to be paid and income-tax is to be calculated or charged in special cases for the financial year 2017-2018.

Paragraph A of this Part specifies the rates of income-tax as under:—

(i) in the case of every individual [other than those specifically mentioned in sub-para (ii) and (iii)] or Hindu undivided family or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of this Part applies:—

Up to Rs. 2,50,000	Nil
Rs. 2,50,001 to Rs. 5,00,000	5 per cent.
Rs. 5,00,001 to Rs. 10,00,000	20 per cent.
Above Rs. 10,00,000	30 per cent.;

(ii) In the case of every individual, being a resident in India, who is of the age of sixty years or more but less than the age of eighty years at any time during the previous year:—

Up to Rs. 3,00,000	Nil
Rs. 3,00,001 to Rs. 5,00,000	5 per cent.
Rs. 5,00,001 to Rs. 10,00,000	20 per cent.
Above Rs. 10,00,000	30 per cent.;

(iii) In the case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year:—

Up to Rs. 5,00,000	Nil
Rs. 5,00,001 to Rs. 10,00,000	20 per cent.
Above Rs. 10,00,000	30 per cent.

The surcharge in cases of persons referred to in this paragraph, having total income above fifty lakh but not above one crore rupees, shall be levied at the rate of ten per cent. In cases of persons referred to in this paragraph, having total income above one crore rupees, surcharge shall be levied at the rate of fifteen per cent. Marginal relief will be provided.

Paragraph B of this Part specifies the rates of income-tax in the case of every co-operative society. In such cases, the rates of tax will continue to be the same as those specified for assessment year 2017-2018. The surcharge in cases of co-operative societies, having income above one crore rupees shall be levied at the rate of twelve per cent. Marginal relief will be provided.

Paragraph C of this Part specifies the rate of income-tax in the case of every firm. In such cases, the rate of tax will continue to be the same as that specified for assessment year 2017-2018. The surcharge in cases of firms, having income above one crore rupees shall be levied at the rate of twelve per cent. Marginal relief will be provided.

Paragraph D of this Part specifies the rate of income-tax in case of every local authority. In such cases, the rate of tax will continue to be the same as that specified for the assessment year 2017-2018. The surcharge in cases of local authorities, having income above one crore rupees shall be levied at the rate of twelve per cent. Marginal relief will be provided.

Paragraph E of this Part specifies the rates of income-tax in case of companies. In the case of domestic companies the rate of income-tax shall be twenty-five per cent. of the total income where the total turnover or gross receipts of previous year 2015-2016 does not exceed fifty crore rupees and in all other cases the rate of income-tax shall be thirty per cent. of the total income. In the case of companies other than domestic companies, the rate of tax will continue to be the same as that specified for assessment year 2017-2018.

Surcharge in the case of domestic companies having total income above one crore rupees but not above ten crore rupees shall be levied at the rate of seven per cent. In the case of domestic companies having total income above ten crore rupees, surcharge shall be levied at the rate of twelve per cent. In the case of companies other than domestic companies having income above one crore rupees but not above ten crore rupees, surcharge shall be levied at the rate of two per cent. In the case of companies other than domestic companies having total income above ten crore rupees, surcharge shall be levied at the rate of five per cent. Marginal relief will be provided.

In all other cases (including sections 115-O, 115QA, 115R, 115TA, 115TD, etc.), the surcharge will be applicable at the rate of twelve per cent.

"Education Cess" at the rate of two per cent. and "Secondary and Higher Education Cess" at the rate of one

per cent. shall continue to be levied in all cases covered under Part III of the First Schedule. In the cases covered under Part II of the First Schedule, there will be no levy of the Education Cess and Secondary and Higher Education Cess on tax deducted or collected at source in the case of domestic company and any other person who is resident in India. Both the cesses would continue to apply on tax deducted at source in the case of salary payments. These would also continue to be levied in the cases of persons not resident in India and companies other than domestic company.

Clause 3 of the Bill seeks to amend section 2 of the Income-tax Act relating to definitions.

The existing provisions contained in clause (42A) of the said section defines the expression "short-term capital asset" to be a capital asset held by an assessee for not more than thirty-six months immediately preceding the date of its transfer. Further *Explanation 1* of the said clause provides for determining the period for which the capital asset is held by the assessee.

It is proposed to amend the third proviso to the said clause so as to provide that in the case of an immovable property being land or building or both, the aforesaid period of holding shall be less than twenty-four months for it to be treated as short term capital asset.

It is also proposed to insert a new sub-clause (hf) in *Clause (i) of Explanation 1* of the said clause so as to provide that in the case of a capital asset being equity shares in a company, which becomes the property of the assessee in consideration of a transfer referred to in clause (xb) of section 47, there shall be included the period for which the preference shares were held by the assessee.

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

It is also proposed to amend clause (i) of the said *Explanation* to insert clause (hg) so as to provide that in the case of a capital asset, being a unit or units, which becomes the property of the assessee in consideration of a transfer referred to in clause (xix) of section 47, there shall be included the period for which the unit or units in the consolidating plan of the mutual fund scheme were held by the assessee.

This amendment will take effect from 1st April, 2017 and will, accordingly, apply in relation to the assessment year 2017-2018 and subsequent years.

Clause 4 of the Bill seeks to amend section 9 of the Income-tax Act relating to income deemed to accrue or arise in India.

Clause (i) of sub-section (1) of the said section provides that certain incomes mentioned therein shall be deemed to accrue or arise in India. *Explanation 5* to the said clause provides that an asset or capital asset being any share or interest in a company or entity registered or incorporated

outside India shall be deemed to be and shall always be deemed to have been situated in India, if the share or interest derives, directly or indirectly, its value substantially from the assets located in India.

It is proposed to insert a new *Explanation 5A* so as to clarify that the *Explanation 5* shall not apply to an asset or capital asset mentioned therein and held by a non-resident by way of investment, directly or indirectly, in a Foreign Institutional Investor, as referred to in clause (a) of the *Explanation* to section 115AD, and registered as Category-I or Category-II foreign portfolio investor under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014 made under the Securities and Exchange Board of India Act, 1992. The proposed amendment is clarificatory in nature.

This amendment will take effect retrospectively from 1st April, 2012 and will, accordingly, apply in relation to the assessment year 2012-2013 and subsequent years.

Clause 5 of the Bill seeks to amend section 9A of the Income-tax Act relating to certain activities not to constitute business connection in India.

Sub-section (3) of the said section 9A provides for the conditions to be fulfilled for being an eligible investment fund. Clause (j) of the said sub-section and the proviso provides that the monthly average of the corpus of the fund shall not be less than one hundred crore rupees except where the fund has been established or incorporated in the previous year, in which case, the corpus of fund shall not be less than one hundred crore rupees at the end of such previous year.

It is proposed to insert another proviso to clause (j) of the said sub-section so as to provide that the provisions of the said clause shall not be applicable to a fund which has been wound up in the previous year.

This amendment will take effect retrospectively from 1st April, 2016 and will, accordingly, apply in relation to the assessment year 2016-2017 and subsequent years.

Clause 6 of the Bill seeks to amend section 10 of the Income-tax Act relating to incomes not included in total income.

The existing provisions contained in the said section provide that in computing the total income of a previous year of any person, certain categories of income shall not be included in total income.

Further, sub-clause (ii) of clause (4) of the said section refers to any income of an individual by way of interest on moneys standing to his credit in a Non-Resident (External) Account in any bank in India in accordance with the Foreign Exchange Management Act, 1999 (42 of 1999), and the rules made thereunder. The proviso to the said sub-clause refers individual to be a person resident outside India, as defined in clause (q) of section 2 of Act 46 of 1973, which stands repealed and re-enacted as Act 42 of 1999. The

definition of person outside India is occurring in clause (w) of Act 42 of 1999.

It is proposed to amend the proviso to sub-clause (ii) of clause (4) of the said section so as to reflect the correct definition of the expression "person resident outside India" and is clarificatory in nature.

This amendment will take effect retrospectively from 1st April, 2013, the date on which sub-clause (ii) of clause (4) of the said section was brought into force.

Further, clause (12A) of the said section provides exemption up to forty per cent. of the total amount payable from National Pension System Trust paid to an employee at the time of closure or his opting out of the scheme.

It is also proposed to insert a new clause (12B) in the said section so as to provide exemption from tax at the time of partial withdrawal by an employee from National Pension System Trust in accordance with the terms and conditions specified under Pension Fund Regulatory Development Authority Act, 2013 and regulations made thereunder, to the extent it does not exceed twenty-five per cent. of the amount of contributions made by him.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

The provisions contained in clause (23C) of the said section, provide exemption in respect of income of certain funds which, *inter alia*, include, the Prime Minister's National Relief Fund. However, the Chief Minister's Relief Fund or the Lieutenant Governor's Relief Fund referred to in sub-clause (iiihf) of clause (a) of sub-section (2) of section 80G, are not exempt under the said clause (23C).

It is further proposed to insert a new sub-clause (iiiaaaa) in clause (23C) so as to provide the benefit of exemption also to the Chief Minister's Relief Fund or the Lieutenant Governor's Relief Fund.

This amendment will take effect retrospectively from 1st April, 1998, the date on which sub-clause (iiihf) of clause (a) of sub-section (2) of section 80G relating to deduction in any sum paid to the Chief Minister's and Lieutenant Governor's Relief Fund came into force, and will, accordingly, apply in relation to assessment year 1998-1999 and subsequent years.

Clause (23C) of said section provides that donations made by entities referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) to any trust or institution registered under section 12AA, except those made out of accumulated income, is considered as application of income for the purposes of its objects.

It is also proposed to insert a new proviso in the said clause (23C) so as to provide restriction in respect of any amount credited or paid out of income, being voluntary contributions

with specific direction that they shall form part of the corpus, to any trust or institution registered under section 12AA by not treating the said contribution of amount as application of income to the objects of such entities.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

It is also proposed to insert a new clause (37A) in the said section so as to provide that any income chargeable under the head "Capital gains" in respect of transfer of a specified capital asset arising to an assessee, being an individual or a Hindu undivided family, was the owner of such specified capital asset as on the 2nd June, 2014 and transfers such land under the Land Pooling Scheme covered under the Andhra Pradesh Capital City Land Pooling Scheme (Formulation and Implementation) Rules, 2015 made under the provisions of the Andhra Pradesh Capital Region Development Authority Act, 2014 and the rules, regulations and schemes made under the said Act, shall not be included in the total income of the assessee. It is also proposed to clarify the term "specified capital asset" in this regard.

This amendment will take effect retrospectively from 1st April, 2015 and will, accordingly, apply in relation to the assessment year 2015-2016 and subsequent years.

Clause 38 of the said section, *inter alia*, provides for an exemption from tax on the income arising from the transfer of a long-term capital asset, being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust, where such transaction is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004.

It is proposed to amend the said clause (38) so as to provide that any income arising from the transfer of a long term capital asset, being an equity share in a company shall not be exempted, if the transaction of acquisition, other than the acquisition notified by the Central Government in this behalf, of such equity share is entered into on or after the 1st day of October, 2004 and such transaction is not chargeable to securities transaction tax under Chapter VII of the Finance (No. 2) Act, 2004.

Clause (48A) of said section provides that any income accruing or arising to a foreign company on account of storage of crude oil in a facility in India and sale of crude oil therefrom to any person resident in India shall be exempt, if the said storage and sale is pursuant to an agreement or an arrangement entered into by the Central Government or approved by the Central Government; and having regard to the national interest, the said foreign company and the said agreement or arrangement is notified by the Central Government in that behalf.

It is also proposed to insert a new clause (48B) in the said section so as to provide for exemption of any income accruing or arising to a foreign company on account of sale of leftover

stock of crude oil, if any, from the facility in India after the expiry of the agreement or the arrangement referred to in clause (48A), subject to such conditions as may be notified by the Central Government in this behalf.

These amendments will take effect, from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 7 of the Bill seeks to amend section 10AA of the Income-tax Act relating to special provisions in respect of newly established Units in Special Economic Zones.

Under the existing provisions of the said section, deduction for fifteen consecutive years is provided from the total income of an assessee in respect of profits and gains from his Unit operating in Special Economic Zone which are engaged in manufacturing or production of articles or things or providing any services, subject to fulfilment of the conditions mentioned in that section.

It is proposed to insert a new *Explanation* after sub-section (1) of the said section so as to provide that the amount of deduction referred to in that section shall be allowed from the total income of the assessee computed in accordance with the provisions of the Income-tax Act, before giving effect to the provisions of the said section and the deduction under the said section shall not exceed such total income of the assessee.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 8 of the Bill seeks to amend section 11 of the Income-tax Act relating to income from property held for charitable or religious purposes.

Sub-section (1) of the said section provides that voluntary contributions made by a trust to any other trust or institution, except those made out of accumulated income, is considered as application of income for the purposes of its objects.

It is proposed to insert a new *Explanation 2* under the said sub-section so as to provide that in respect of any amount credited or paid, out of income referred to in clause (a) or clause (b) read with *Explanation 1*, being contributions with a specific direction that they shall form part of the corpus of the trust or institution shall not be treated as application of such contribution to charitable or religious purposes.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply to the assessment year 2018-2019 and subsequent years.

Clause 9 of the Bill seeks to amend section 12A of the Income-tax Act relating to conditions for applicability of sections 11 and 12.

It is proposed to insert a new clause (ab) in sub-section (1) of said section so as to provide another condition for applicability of sections 11 and 12, where a trust or an

institution has been granted registration under section 12AA or has obtained registration at any time under section 12A [as it stood before its amendment by the Finance (No. 2) Act, 1996], and, subsequently, it has adopted or undertaken modification of the objects which do not conform to the conditions of registration, it shall be required to make an application for registration in the prescribed form and manner, within a period of thirty days from the date of such adoption or modification in the objects, and that it is registered under section 12AA.

It is also proposed to insert a new clause (c) in sub-section (1) of the said section so as to provide that the person in receipt of the income shall furnish the return of income referred to in sub-section (4A) of section 139 within the time allowed under that section.

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to assessment year 2018-2019 and subsequent years.

Clause 10 of the Bill seeks to amend section 12AA of the Income-tax Act relating to procedure for registration.

It is proposed to amend sub-sections (1) and (2) of the said section so as to give reference of newly inserted clause (ab) in section 12A .

The proposed amendment is consequential in nature.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to assessment year 2018-2019 and subsequent years.

Clause 11 of the Bill seeks to amend section 13A of the Income-tax Act relating to special provision relating to incomes of political parties.

Section 13A of the Income-tax Act, *inter alia*, provides that any income of a political party which is chargeable under the head "Income from house property" or "Income from other sources" or "Capital gains" or any income by way of voluntary contributions received by a political party from any person shall be excluded in computing the total income of the previous year of such political party subject to the conditions that such political party keeps and maintains such books of account and other documents, maintains a record of voluntary contribution in excess of twenty thousand rupees and the accounts are audited by an accountant as defined in the *Explanation* below sub-section (2) of section 288 and furnishes a report under sub-section (3) of section 29C of the Representation of the People Act, 1951 to the Election Commission.

It is proposed to amend the said section so as to provide, *inter alia*, that political party shall be eligible for exemption of income-tax under section 13A if,—

(i) no donation exceeding two thousand rupees is received otherwise than by an account payee cheque

drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through electoral bond;

(ii) it furnishes a return of income for the previous year in accordance with the provisions of sub-section (4B) of section 139 on or before the due date as per section 139.

It is further proposed to provide that any contributions received by way of electoral bond shall be excluded from reporting as per clause (b) of said section.

It is also proposed to define the expression "electoral bond".

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 12 of the Bill seeks to amend section 23 of the Income-tax Act relating to annual value how determined.

It is proposed to insert a new sub-section (5) in the said section so as to provide that where the property consisting of any building and land appurtenant thereto is held as stock-in-trade and the property or any part of the property is not let during the whole or any part of the previous year, the annual value of such property or part of the property, for the period up to one year from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority, shall be taken to be *nil*.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 13 of the Bill seeks to amend section 35AD of the Income-tax Act relating to deduction in respect of expenditure on specified business.

The existing provisions of the said section provides that deduction in respect of the whole of any expenditure of capital nature incurred, wholly and exclusively, for the purposes of any specified business carried on during the previous year in which such expenditure is incurred, is allowed to an assessee. Clause (f) of sub-section (8) of the said section provides for exclusion of any expenditure incurred on the acquisition of any land or goodwill or financial instrument from the purview of expenditure of capital nature accordingly, not be allowed as deduction.

It is proposed to amend the said clause (f) so as to provide that any expenditure in respect of which a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account, exceeds ten thousand rupees, no deduction shall be allowed in respect of such expenditure also.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 14 of the Bill seeks to amend section 36 of the Income-tax Act relating to other deductions.

The provisions of sub-clause (a) of clause (viiA) of sub-section (1) of the said section, *inter alia*, provide that a scheduled bank (not being a bank incorporated by or under the laws of a country outside India) or a non-scheduled bank or a co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank, shall be allowed deduction in respect of provision for bad and doubtful debts. Further, the amount of such deduction is limited to seven and one-half per cent. of the amount of the total income (computed before making any deduction under the said clause and Chapter VIA) and an amount not exceeding ten per cent. of the aggregate average advances made by the rural branches of such bank computed in the prescribed manner.

It is proposed to amend the provisions of said sub-clause so as to enhance the limit from seven and one-half per cent. to eight and one-half per cent. of the amount of the total income (computed before making any deduction under the said clause and Chapter VIA).

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 15 of the Bill seeks to amend section 40A of the Income -tax Act relating to expenses or payments not deductible in certain circumstances.

Sub-section (3) of the said section provides that where the assessee incurs any expenditure in respect of which payment exceeding twenty thousand rupees is made otherwise than by an account payee cheque drawn on a bank or account payee bank draft to a person in a single day, no deduction shall be allowed in respect of such expenditure.

It is proposed to amend the said sub-section so as to provide that where the payments or aggregate of payments in a day to a person otherwise than by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account, exceeds ten thousand rupees in a day, no deduction shall be allowed under the said sub-section or, as the case may be, such payment shall be deemed to be the profits and gains of business or profession of the assessee.

Consequential amendments are also proposed to be made in sub-sections (3A) and (4) of the said section.

It is also proposed to amend the proviso to clause (a) of sub-section (2) which is consequential to the amendments proposed in section 92BA.

These amendments will take effect from 1st April, 2018

and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 16 of the Bill seeks to amend section 43 of the Income-tax Act relating to definitions of certain terms relevant to income from profits and gains of business or profession.

Clause (1) of the said section provides for the definition of "actual cost" for the purposes of claiming depreciation under section 32 of the Act.

It is proposed to insert a proviso before *Explanation 1* of clause (1) of said section so as to provide that where the assessee incurs any expenditure for acquisition of any asset in respect of which a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account, exceeds ten thousand rupees, such expenditure shall be ignored for the purposes of determination of actual cost.

It is also proposed to insert a proviso in *Explanation 13* of clause (1) of the said section so as to provide that where any capital asset in respect of which deduction or part of deduction allowed under section 35AD is deemed to be the income of the assessee in accordance with the provisions of sub-section (7B) of the said section, the actual cost of the asset to the assessee shall be the actual cost to the assessee, as reduced by an amount equal to the amount of depreciation calculated at the rate in force that would have been allowable had the asset been used for the purposes of business since the date of its acquisition.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 17 of the Bill seeks to amend section 43B of the Income-tax Act relating to certain deductions to be only on actual payment.

The said section *inter alia*, provides that any sum payable by the assessee by way of tax, cess, duty or fee, or interest on any loan or borrowing from any scheduled bank or public financial institution, etc., shall be allowed as deduction of the previous year in which the liability to pay such sum was incurred (relevant previous year) and if the same is actually paid on or before the due date of furnishing of the return of income.

It is proposed to amend the said section so as to provide that any sum payable by the assessee as interest on any loan or advances from a co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank shall also be allowed as deduction, if it is actually paid on or before the due date of furnishing the return of income of the relevant previous year.

It is further proposed to include the definitions of the expressions "co-operative bank", "primary agricultural credit

society" and "primary co-operative agricultural and rural development bank" in the said section.

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 18 of the Bill seeks to amend section 43D of the Income-tax Act relating to special provision in case of income of public financial institutions, public companies, etc.

The said section *inter alia*, provides that interest income in relation to certain categories of bad or doubtful debts received by certain institutions or banks or corporations or companies, as referred to in the *Explanation* to the said section, shall be chargeable to tax in the previous year in which it is credited to its profit and loss account for that year or actually received, whichever is earlier.

It is proposed to amend the said section so as to provide that the interest income in relation to certain categories of bad or doubtful debts received by a co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank shall also be chargeable to tax in the previous year in which it is credited to its profit and loss account for that year or actually received, whichever is earlier.

It is further proposed to include the definitions of the expressions "co-operative bank", "primary agricultural credit society" and "primary co-operative agricultural and rural development bank" in the said section.

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 19 of the Bill seeks to amend section 44AA of the Income-tax Act relating to maintenance of accounts by certain persons carrying on profession or business.

Clause (i) of sub-section (2) of the said section, provides that certain persons carrying on business or profession are required to maintain books of account and such other documents if the income from business or profession exceeds one lakh twenty thousand rupees or total sales, turnover or gross receipts, as the case may be, in business or profession exceed or exceeds ten lakh rupees in any one of the three years immediately preceding the previous year to enable the Assessing Officer to compute total income.

Clause (ii) of sub-section (2) of the said section, provides that certain persons carrying on newly set up business or profession in any previous year, are required to maintain books of account and such other documents if the income from such business or profession is likely to exceed one lakh twenty thousand rupees or total sales, turnover or gross receipts, as the case may be, in business or profession are, or is, likely to exceed ten lakh rupees, during such previous year to enable the Assessing Officer to compute his total income.

It is proposed to amend sub-section (2) of the said section so as to provide that the monetary limits of income and total sales, turnover or gross receipts specified in clauses (i) and (ii) shall be enhanced from one lakh twenty thousand rupees to two lakh fifty thousand rupees and from ten lakh rupees to twenty-five lakh rupees, respectively, in the case of an individual and a Hindu undivided family.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 20 of the Bill seeks to amend section 44AB of the Income-tax Act relating to audit of accounts of certain persons carrying on business or profession.

Section 44AB, *inter alia*, provides that every person carrying on business is required to get his accounts audited before a specified date, if the total sales, turn over or gross receipts in a previous year, as the case may be, exceed or exceeds one crore rupees.

It is proposed to amend the said section so as to insert a new proviso to provide that this section shall not apply to the person, who declares profits and gains for the previous year in accordance with the provisions of sub-section (1) of section 44AD and his total sales, turnover or gross receipts, as the case may be, in business does not exceed two crore rupees in such previous year.

This amendment will take effect from 1st April, 2017 and will, accordingly, apply in relation to the assessment year 2017-2018 and subsequent years.

Clause 21 of the Bill seeks to amend section 44AD of the Income-tax Act relating to special provision for computing profits and gains of business on presumptive basis.

The provisions contained in the said section (as amended by the Finance Act, 2016), provides that notwithstanding anything to the contrary contained in sections 28 to 43C, in the case of an eligible assessee engaged in an eligible business, having total turnover or gross receipts not exceeding two crore rupees, a sum equal to eight per cent. of the total turnover or gross receipts of the assessee in the previous year on account of such business, or, as the case may be, a sum higher than the aforesaid sum claimed to have been earned by the eligible assessee, shall be deemed to be the profits and gains of such business chargeable to tax under the head "profits and gains of business or profession".

It is proposed to insert a proviso to the said sub-section (1) so as to reduce the existing rate of deemed total income of eight per cent. to six per cent., in respect of the amount of total turnover or gross receipts which is received by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account during the previous year or before the due date specified in sub-section (1) of section 139 in respect of that previous

year. However, the existing rate of deemed profit and gains of eight per cent. referred to in the provisions of the said section, shall continue to apply in respect of total turnover or gross receipts received in any other mode.

This amendment will take effect from 1st April, 2017 and shall accordingly, apply in relation to assessment year 2018-2019 and subsequent years.

Clause 22 of the Bill seeks to amend section 45 of the Income-tax Act relating to Capital gains.

Under the existing provisions of the said section, the Capital gains is chargeable in the year in which transfer takes place except in certain cases as provided in the said section.

It is proposed to insert a new sub-section (5A) in the said section so as to provide that where the Capital gains arises to an assessee being an individual or Hindu undivided family, from the transfer of a Capital asset, being land or building or both, under a specified agreement, the capital gains shall be chargeable to income-tax as income of the previous year in which the certificate of completion for the whole or part of the project is issued by the competent authority.

It is further proposed to provide that the stamp duty value of his share, being land or building or both, in the project on the date of issuing of said certificate as increased by consideration received in cash, if any, shall be deemed to be the full value of the consideration received or accruing as a result of the transfer of the capital asset.

It is also proposed to provide that the provisions of this sub-section shall not apply where the assessee transfers his share in the project to any other person on or before the date of issue of said certificate of completion and the capital gains shall be deemed to be the income of the previous year in which such transfer took place and the provisions of the Act, other than the provisions of this sub-section, shall apply for the determination of the full value of consideration received or accruing as a result of such transfer.

It is also proposed to define the expressions "competent authority", "specified agreement" and "stamp duty value".

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 23 of the Bill seeks to amend section 47 of the Income-tax Act relating to transactions not regarded as transfer.

The said section provides that certain transfers of capital assets are not chargeable to tax under section 45 of the Act.

Further, under the existing provisions of clause (x) of the said section, any transfer by way of conversion of bonds or debentures, debenture-stock or deposit certificates in any form, of a company into shares or debentures of that company is not regarded as transfer.

It is proposed to insert a new clause (*viiaa*) in section 47 so as to provide that any transfer made outside India of a capital asset being rupee denominated bond of Indian company issued outside India, by a non-resident to another non-resident shall not be regarded as transfer.

It is also proposed to insert a new clause (*xb*) in the said section so as to provide that the conversion of preference shares of a company into equity shares of that company shall also not be regarded as transfer.

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 24 of the Bill seeks to amend section 48 of the Income-tax Act relating to mode of computation.

The fifth proviso to the said section provides that in case of an assessee being a non-resident, any gains arising on account of appreciation of rupee against a foreign currency at the time of redemption of rupee denominated bond of an Indian company subscribed by him, shall be ignored for the purposes of computation of full value of consideration.

Further, under the existing provisions of the said section, "indexed cost of acquisition" is defined to be an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index for the year in which the asset is transferred bears to the Cost Inflation Index for the first year in which the asset was held by the assessee or for the year beginning on the 1st day of April, 1981, whichever is later.

It is proposed to amend the said proviso so as to provide that in case of an assessee being a non-resident, any gains arising on account of appreciation of rupee against a foreign currency at the time of redemption of rupee denominated bond of an Indian company held by him, shall be ignored for the purposes of computation of full value of consideration.

It is also proposed to make consequential amendments to the said section so as to replace the reference of 1st day of April, 1981 with the 1st day of April, 2001.

These amendments will take effect from 1st April, 2018 and will, accordingly, apply to the assessment year 2018-2019 and subsequent years.

Clause 25 of the Bill seeks to amend section 49 of the Income-tax Act relating to cost with reference to certain modes of acquisition.

The existing provisions contained in sub-section (1) of the said section provides that where the capital asset became the property of the assessee under certain situations, the cost of acquisition of the asset shall be deemed to be the cost for which the previous owner of the property acquired it, as increased by the cost of any improvement of the assets incurred or borne by the previous owner or the assessee, as the case may be.

It is proposed to amend sub-clause (e) of clause (iii) of said sub-section (1) so as to include the transfer referred to in clause (vic) of section 47 also within the purview of the said sub-section (1).

It is further proposed to insert a new sub-section (2AE) in the said section so as to provide that where the capital asset, being equity share of a company, became the property of the assessee in consideration of a transfer as referred to in clause (xb) of section 47, the cost of acquisition of the asset shall be deemed to be the cost of the preference share in relation to which such asset is acquired by the assessee.

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

It is also proposed to insert a new sub-section (2AF) so as to provide that where the capital asset, being a unit or units in a consolidated plan of a mutual fund scheme, became the property of the assessee in consideration of a transfer referred to in clause (xix) of section 47, the cost of acquisition of the asset shall be deemed to be the cost of acquisition to him of the unit or units in the consolidating plan of the scheme of the mutual fund.

This amendment will take effect from 1st April, 2017 and will, accordingly, apply in relation to the assessment year 2017-2018 and subsequent years.

It is also proposed to insert a new sub-section (6) in the said section so as to provide that where the capital gain arises from the transfer of specified capital asset referred to in clause (c) of the *Explanation* to clause (37A) of section 10, received under the Land Pooling Scheme covered under the Andhra Pradesh Capital City Land Pooling Scheme (Formulation and Implementation) Rules, 2015 made under the provisions of Andhra Pradesh Capital Region Development Authority Act, 2014 and the rules, regulations and schemes made under the said Act, which has been transferred after the expiry of two years from the end of the financial year in which the possession of such specified capital asset was handed over to the assessee, the cost of acquisition of that specified capital asset shall be deemed to be the stamp duty value of the said specified capital asset as on the last day of the second financial year after the end of the financial year in which the possession of the said specified capital asset was handed over to the assessee.

It is also proposed to define "stamp duty value".

It is also proposed to insert a new sub-section (7) in the said section so as to provide that the cost of acquisition of the share in the project, in the form of land or building or both, as referred to in sub-section (5A) of section 45, not being the capital asset referred to in the proviso of the said sub-section, shall be the amount which is deemed as full value of consideration in that sub-section.

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

It is also proposed to amend the said section by insertion of a new sub-section so as to provide that where the capital gain arises from the transfer of an asset, being the asset held by a trust or an institution in respect of which accreted income has been computed, and the tax has been paid thereon in accordance with the provisions of Chapter XII-EB, the cost of acquisition of such asset shall be deemed to be the fair market value of the asset which has been taken into account for computation of accreted income as on the specified date referred to in sub-section (2) of section 115TD.

The proposed amendment is consequential in nature.

This amendment will take effect retrospectively from 1st June, 2016.

Clause 26 of the Bill seeks to insert a new section 50CA in the Income-tax Act relating to special provision for full value of consideration for transfer of share other than quoted share.

It is proposed to provide that in case of transfer of shares of a company other than quoted share, the fair market value of such shares determined in the prescribed manner shall be deemed to be the full value of consideration for the purpose of computing income chargeable to tax as capital gains.

It is also proposed to define the term "quoted share".

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 27 of the Bill seeks to amend section 54EC of the Income-tax Act relating to capital gain not to be charged on investment in certain bonds.

The existing provisions contained in clause (ba) of sub-section (3) of the said section define long-term specified asset for making any investment under the said section on or after the 1st day of April, 2007 means any bond, redeemable after three years and issued on or after the 1st day of April, 2007 by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988 or by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

It is proposed to amend the said clause (ba) so as to include any other bond as notified by the Central Government in this behalf.

This amendment will take effect, from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 28 of the Bill seeks to amend section 55 of the Income-tax Act relating to meaning of "adjusted", "cost of improvement" and "cost of acquisition".

Under the existing provisions of the said section, the cost

of long-term capital asset acquired before the 1st day of April, 1981 is taken to be the cost of acquisition to the assessee or the fair market value of the asset on that date, at the option of the assessee. The cost of improvement is also taken into account after the assessee has acquired the asset on or after 1st April, 1981.

It is proposed to amend the said section so as to advance the aforesaid cut-off date to 1st day of April, 2001. Where the long-term capital asset has been acquired before the 1st day of April, 2001, then, the cost of acquisition will be taken to be the value of the asset as on the 1st day of April, 2001. Similarly, in such cases the cost of improvement will be taken to be the cost of improvement after this date.

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 29 of the Bill seeks to amend section 56 of the Income-tax Act relating to income from other sources.

The existing provisions of clause (vii) of sub-section (2) of the said section provide for taxability in the hands of individual or Hindu undivided family on receipt of any money or immovable property or specified movable property without or inadequate consideration, if the value of such receipt exceeds rupees fifty thousand. Further, clause (viiia) of sub-section (2) of the said section 56 provides for the taxability of receipt of shares of a closely held company by a firm or a closely held company for without or inadequate consideration, if the fair market value of shares exceeds fifty thousand rupees. However, the taxability under clause (vii) and clause (viiia) of sub-section (2) of the said section is subject to certain specified exceptions.

It is proposed to insert a new clause (x) in sub-section (2) of the said section so as to expand the scope of the provisions of the said section to all categories of assesseees so that the assets received without or inadequate consideration may be brought to the tax. Further, the existing exception contained in the said section is proposed to be rationalised by including certain additional exceptions consequently, it is proposed to sun set clauses (vii) and (viiia) of sub-section (2) of the said section.

This amendment will take effect from 1st April, 2017.

Clause 30 of the Bill seeks to amend section 58 of the Income-tax Act relating to amounts not deductible.

The provisions of the said section specify the amounts which are not deductible in computing the income from other sources.

It is proposed to amend sub-section (1A) of the said section so as to provide that the provisions of sub-clause (ia) of clause (a) of section 40 shall also apply in computing the income chargeable under the head "Income from other sources" as they apply in computing the income chargeable under the head "Profit and gains of business or profession".

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 31 of the Bill seeks to amend section 71 of the Income-tax Act relating to set off of loss from one head against income from another.

It is proposed to insert a new sub-section (3A) in the aforesaid section to provide that notwithstanding anything contained in sub-section (1) or sub-section (2) of the said section, set off of loss under the head "Income from house property" against any other head of income shall be restricted to two lakh rupees for any assessment year.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 32 of the Bill seeks to substitute section 79 of the Income-tax Act relating to carry forward and set off of losses in the case of certain companies.

It is proposed to provide that where a change in shareholding has taken place in a previous year in the case of a company, not being a company in which the public are substantially interested, no loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year unless on the last day of the previous year the shares of the company carrying not less than fifty-one per cent. of the voting power were beneficially held by persons who beneficially held shares of the company carrying not less than fifty-one per cent. of the voting power on the last day of the year or years in which the loss was incurred.

It is further proposed to provide that where a change in shareholding has taken place in a previous year in the case of a company, not being a company in which the public are substantially interested but being an eligible start-up as referred to in section 80-IAC, the loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year, if, all the shareholders of such company which held shares carrying voting power on the last day of the year or years in which the loss was incurred, being the loss incurred during the period of seven years beginning from the year in which such company is incorporated, continue to hold those shares on the last day of such previous year.

It is also proposed to provide that the provisions of this section shall not apply to a case where a change in the voting power and shareholding, as aforesaid, takes place in a previous year consequent upon the death of a shareholder or on account of transfer of shares by way of gift to any relative of the shareholder making such gift.

It is also proposed to provide that nothing contained in this section shall apply to any change in the shareholding of an Indian company which is a subsidiary of a foreign company as a result of amalgamation or demerger of a foreign

company subject to the condition that fifty-one per cent. shareholders of the amalgamating or demerged foreign company continue to be the shareholders of the amalgamated or the resulting foreign company.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 33 of the Bill seeks to amend section 80CCD of the Income-tax Act relating to deduction in respect of contribution to pension scheme of the Central Government.

Sub-section (1) of the said section *inter alia*, provides that in the case of an individual employed by the Central Government on or after the 1st day of January, 2004 or, being an individual employed by any other employer, or any other assessee, being an individual who has in the previous year paid or deposited any amount in his account under a pension scheme notified or as may be notified by the Central Government, he shall be allowed a deduction of an amount not exceeding ten per cent. of his salary in the previous year. In case of any other assessee, the deduction is limited to ten per cent. of gross total income in the previous year.

It is proposed to amend sub-section (1) so as to increase the upper limit of gross total income from ten per cent. to twenty per cent. in case of an individual other than employee.

This amendment will take effect, from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 34 of the Bill seeks to amend section 80CCG of the Income-tax Act relating to deduction in respect of investment made under an equity savings scheme.

The existing provisions of the said section provides that where an assessee, being a resident individual, has, in a previous year, acquired listed equity shares or listed units of an equity oriented fund in accordance with a scheme, as may be notified by the Central Government, he shall, subject to certain conditions, be allowed a deduction, in the computation of his total income of the assessment year relevant to such previous year, of fifty per cent. of the amount invested in such equity shares or units to the extent such deduction does not exceed twenty-five thousand rupees.

It is proposed to insert a new sub-section (5) in the said section so as to provide that no deduction under the said section shall be allowed in respect of any assessment year commencing on or after the 1st day of April, 2018. However, an assessee who has acquired shares or units in accordance with the aforesaid scheme and claimed deduction under the provisions of the said section for any assessment year commencing on or before the 1st day of April, 2017 shall be allowed deduction under the said section till the assessment year commencing on the 1st day of April, 2019, if he is otherwise eligible to claim the deduction in accordance with the other provisions of this section.

This amendment will take effect, from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 35 of the Bill seeks to amend section 80G of the Income-tax Act relating to deduction in respect of donations to certain funds, charitable institutions, etc.

Under the existing provisions contained in sub-section (5D) of the said section, no deduction is allowed in respect of donation of any sum exceeding ten thousand rupees unless such sum is paid by any mode other than cash.

It is proposed to amend the said sub-section so as to provide that no deduction is allowed in respect of donation of any sum exceeding two thousand rupees unless such sum is paid by any mode other than cash.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 36 of the Bill seeks to amend section 80-IAC of the Income-tax Act relating to special provision in respect of specified business.

The existing provisions of said section, *inter alia*, provide that where the gross total income of an assessee, being an eligible start-up, includes any profits and gains derived from eligible business, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction of an amount equal to one hundred per cent. of the profits and gains derived from such business for three consecutive assessment years and at the option of the assessee the said deduction may be claimed for any three consecutive assessment years out of five years beginning from the year in which the eligible start-up is incorporated subject to the condition that it is incorporated.

It is proposed to amend the said sub-section so as to provide that the deduction shall be allowed for any three consecutive assessment years out of seven years instead of five years, beginning from the year in which such eligible start-up is incorporated.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 37 of the Bill seeks to amend section 80-IBA of the Income-tax Act relating to deductions in respect of profits and gains from housing projects.

The said section provides for hundred per cent. deduction of the profits and gains of an assessee developing and building housing projects subject to certain conditions which, *inter alia*, include that the upper limit for the built-up area of residential unit comprised in the housing project does not exceed thirty square metres in the cities of Chennai, Delhi, Kolkata and Mumbai and any place, within the distance of

twenty-five kilometres, measured aerially, from the municipal limits of the said cities; and sixty square metres in any other place; and the project shall be completed within a period of three years.

It is proposed to amend the said section so as to substitute the expression "built-up area" with the words "carpet area" and also to do away with the restriction of aerial distance of twenty-five kilometres from the municipal limits of the above said cities and further to extend the period of completion of the housing project from three years to five years for eligibility under the section.

It is also proposed to provide the definition of "carpet area" as provided in the Real Estate (Regulation and Development) Act, 2016.

These amendments will take effect, from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 38 of the Bill seeks to amend section 87A of the Income-tax Act relating to rebate of income-tax in case of certain individuals.

The existing provisions contained in the said section provide that an assessee, being an individual resident in India, whose total income does not exceed five hundred thousand rupees, shall be entitled to a deduction, from the amount of income-tax (as computed before allowing the deductions under Chapter VIII) on his total income with which he is chargeable for any assessment year, of an amount equal to one hundred per cent. of such income-tax or an amount of five thousand rupees, whichever is less.

It is proposed to amend the said section so as to provide that the deduction under the said section shall be allowed to an assessee, being an individual resident in India, whose total income does not exceed three hundred fifty thousand rupees, upto hundred percent. of income chargeable for any assessment year or two thousand five hundred rupees, whichever is less.

This amendment will take effect, from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 39 of the Bill seeks to amend section 90 of the Income-tax Act relating to agreement with foreign countries or specified territories.

The existing provisions of the said section confers power upon the Central Government to enter into an agreement with the Government of any country or specified territory outside India for granting of relief in respect of income on which income-tax has been paid both under the Income-tax Act and income-tax in that country or specified territory. It is further provided that any term used but not defined in this Act or in the agreement referred to in sub-section (1) of the said section shall have the meaning assigned to it in the notification issued by the Central Government in the Official

Gazette in this behalf, unless the context otherwise requires, provided the same is not inconsistent with the provisions of the Income-tax Act or the said agreement.

It is proposed to provide that where any term used in an agreement entered into under sub-section (1) of the said section is defined under the said agreement, the said term shall have the same meaning as assigned to it in the agreement; and where the term is not defined in the said agreement, but defined in the Income-tax Act, it shall have the same meaning as assigned to it in the said Act and any *Explanation* given to it by the Central Government.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 40 of the Bill seeks to amend section 90A of the Income-tax Act relating to adoption by Central Government of agreement between specified associations for double taxation relief.

Under the provisions of section 90A, the Central Government may make necessary provisions for adopting and implementing an agreement entered into by any specified association in India with any specified association in the specified territory outside India, for granting of relief in respect of which income-tax has been paid both under the Income-tax Act and income-tax in that specified territory outside India, for the avoidance of double taxation of income, exchange of information for the prevention of evasion or avoidance of income-tax or recovery of income-tax. It is further provided that any term used but not defined in Income-tax Act or in the agreement referred to in sub-section (1) of the said section shall have the meaning assigned to it in the notification issued by the Central Government in the Official Gazette in this behalf, unless the context otherwise requires, provided the same is not inconsistent with the provisions of Income-tax Act or the said agreement.

It is proposed to provide that where any term used in an agreement entered into under sub-section (1) of the said section is defined under the said agreement, the said term shall have the same meaning as assigned to it in the agreement; and where the term is not defined in the said agreement, but is defined in the Income-tax Act, it shall have the same meaning as assigned to it in the said Act and any *Explanation* to it by the Central Government.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 41 of the Bill seeks to amend section 92BA of the Income-tax Act relating to meaning of specified domestic transaction.

The provisions of the said section, *inter alia*, provides that any transaction entered into by the assessee exceeding the monetary threshold of twenty crore rupees in aggregate during a previous year for the purposes of clause (b) of sub-

section (2) of section 40A, shall come within the meaning of "specified domestic transaction" and shall accordingly, be required to be computed having regard to arm's length principle.

It is proposed to amend the said section so as to omit clause (i) of the said section so as to exclude the expenditure in respect of which payment has been made or to be made by the assessee to a person referred to in clause (b) of sub-section (2) of section 40A, from the scope of section 92BA of the Income-tax Act.

This amendment will take effect from 1st April, 2017 and will, accordingly, apply in relation to the assessment year 2017-2018 and subsequent years.

Clause 42 of the Bill seeks to insert a new section 92CE in the Income-tax Act relating to secondary adjustments in certain cases.

The proposed new section 92CE provides that a secondary adjustment shall be made where a primary adjustment to transfer price, has been made *suo motu* by the assessee in his return of income; or made by the Assessing Officer has been accepted by the assessee; or is determined by an advance pricing agreement entered into by the assessee under section 92CC; or is made as per the safe harbour rules framed under section 92CB; or is arising as a result of resolution of an assessment by way of the mutual agreement procedure under an agreement entered into under section 90 or 90A for avoiding double taxation.

It is further proposed to provide that where as a result of primary adjustment to the transfer price, there is an increase in the total income or reduction in the loss, as the case may be, of the assessee, the excess money which is available with its associated enterprise, if not repatriated to India within the time as may be prescribed, shall be deemed to be an advance made by the assessee to such associated enterprise and the interest on such advance, shall be computed in such manner as may be prescribed.

It is also proposed to provide that the provisions of this section shall apply, if, the amount of primary adjustment made in case of the assessee in any previous year, exceeds one crore rupees.

It is also proposed to provide that the provisions of this section shall not apply to such assesseees in whose case the primary adjustment is made in respect of an assessment year commencing on or before 1st April, 2016.

It is also proposed to define the term "associate enterprise", "arm's length price", "excess money", "primary adjustment" and "secondary adjustment".

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 43 of the Bill seeks to insert a new section 94B in the Income-tax Act relating to limitation on interest deduction in certain cases.

Sub-section (1) of the said section seeks to provide that where an Indian company, or a permanent establishment of a foreign company in India being the borrower, pays interest or similar consideration exceeding one crore rupees which is deductible in computing income chargeable under the head "Profits and gains of business or profession" in respect of any debt issued by a non-resident, being an associated enterprise of such borrower, interest shall not be deductible in computation of income under the said head to the extent that it arises from excess interest, as specified in sub-section (2).

It is further proposed to provide that where the debt issued by a lender which is not associated but an associated enterprise either provides an implicit or explicit guarantee such lender or deposits a corresponding and matching amount of funds with the lender, such debt shall be deemed to have been issued by an associated enterprise.

Sub-section (2) of the said section seeks to provide that for the purposes of sub-section (1), the expression "excess interest" shall mean an amount of total interest paid or payable in excess of thirty per cent. of earnings before interest, taxes, depreciation, and amortisation of the borrower in the previous year or interest paid or payable to associated enterprises for that previous year, whichever is less.

Sub-section (3) of the said section seeks to provide that nothing contained in sub-section (1) shall apply to an Indian company or a permanent establishment of a foreign company which is engaged in the business of banking or insurance.

Sub-section (4) of the said section seeks to provide that where for any assessment year, the interest expenditure is not wholly deducted against income under the head "Profits and gains of business or profession", so much of the interest expenditure as has not been so deducted, shall be carried forward to the following assessment year or assessment years, and it shall be allowed as deduction against the profits and gains, if any, of any business or profession carried on by him and assessable for that assessment year to the extent of maximum allowable interest expenditure in accordance with sub-section (2). It is further provided that no interest expenditure shall be carried forward under this section for more than eight assessment years immediately succeeding the assessment year for which the excess interest expenditure was first computed.

Sub-section (5) of the said section seeks to define the expressions "associated enterprise", "debt" and "permanent establishment".

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 44 of the Bill seeks to amend section 115BBDA of the Income-tax Act relating to tax on certain dividends received from domestic companies.

Under the existing provisions of section 115BBDA, in case of an assessee, being an individual, Hindu undivided family or a firm, resident in India, tax is charged at the rate of ten per cent. on income by way of dividend exceeding ten lakh rupees.

It is proposed to amend the said section so as to provide that this section shall be applicable to all resident persons other than a domestic company, a fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10 or a trust or institution registered under section 12AA of the Income-tax Act.

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 45 of the Bill seeks to insert a new section 115BBG in the Income-tax Act relating to tax on income from transfer of carbon credits.

The proposed new section 115BBG seeks to provide that in case of an assessee whose total income includes any income by way of transfer of carbon credits, the income-tax payable shall be the aggregate of the amount of income-tax calculated on the income by way of transfer of carbon credits at the rate of ten per cent., and the amount of income-tax with which the assessee would have been chargeable had his total income been reduced by the amount of income by way of transfer of carbon credit.

It is further proposed to provide that the assessee shall not be eligible for deduction in respect of any expenditure or allowance under any provision of the Income-tax Act in computing his income referred to in clause (a) of sub-section (1) of the proposed section.

It is also proposed to define the expression "carbon credits" in the said section.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 46 of the Bill seeks to amend section 115JAA of the Income-tax Act relating to tax credit in respect of tax paid on deemed income relating to certain companies.

Sub-section (2A) of the said section provides that the tax credit to be allowed under sub-section (1A) shall be the difference of the tax paid for any assessment year under sub-section (1) of section 115JB and the amount of tax payable by the assessee on his total income computed in accordance with the other provisions of the Income-tax Act.

It is proposed to amend the said sub-section so as to provide that where the amount of tax credit in respect of any income-tax paid in any country or specified territory outside India allowed against the tax payable by the assessee under the provisions of section 115JB exceeds the amount of such tax credit admissible against the tax payable by the assessee on its income in accordance with the other provisions of this Act, then, while computing the amount of credit under the said sub-section, such excess amount shall be ignored.

It is further proposed to amend sub-section (3A) of the said section so as to extend the period for carry forward of tax credit from tenth assessment year to fifteenth assessment year.

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 47 of the Bill seeks to amend section 115JB of the Income-tax Act relating to special provision for payment of tax by certain companies.

The said section provides for levy of tax on certain companies on the basis of book profit which is determined after making certain adjustments to the net profit disclosed in the profit and loss account prepared in accordance with the provisions of the Companies Act, 1956.

It is proposed to amend the section so as to align the provisions of section 115JB for the company preparing financial statements in accordance with the provisions of Indian Accounting Standards and to update the provisions of the Companies Act, 1956 referred in the said section in accordance with the provisions of the new Companies Act, 2013.

The amendment will take effect from 1st April, 2017 and will, accordingly, apply in relation to the assessment year 2017-2018 and subsequent years.

Clause 48 of the Bill seeks to amend section 115JD of the Income-tax Act relating to tax credit for alternate minimum tax.

Sub-section (2) of the said section provides that tax credit of an assessment year shall be the excess of the alternate minimum tax paid over the regular income-tax payable for that year and sub-section (4) provides that such tax credit is allowed to be carried forward for a period of ten years.

It is proposed to amend the said sub-sections so as to provide that where the amount of tax credit in respect of any income-tax paid in any country or specified territory outside India allowed against the alternate minimum tax payable exceeds the amount of tax credit admissible against the regular income-tax payable by the assessee on his income in accordance with the other provisions of this Act, such excess amount shall be ignored, while computing the amount of credit and the period for carry forward of tax credit shall be extended from tenth assessment year to fifteenth assessment year.

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 49 of the Bill seeks to amend section 119 of the Income-tax Act relating to instructions to subordinate authorities.

Sub-clause (a) of sub-section (2) of the said section empowers the Board to issue orders setting forth directions or instructions (not being prejudicial to assessee) to be followed by the subordinate authorities in the work relating to assessment or collection of revenue or the initiation of proceedings for the imposition of penalties.

It is proposed to insert reference of sections 271C and 271CA in the said sub-section, so as to empower the Board to issue directions or instructions in respect of the said sections also.

This amendment will take effect from 1st April, 2017.

Clause 50 of the Bill seeks to amend section 132 of the Income-tax Act relating to search and seizure.

Sub-section (1) of the said section provides that where an income-tax authority mentioned therein, based on the information in his possession, has reason to believe of circumstances specified therein, he may authorise an authority specified therein to carry out search and seizure.

It is proposed to insert an *Explanation* after the fourth proviso to the said sub-section (1) so as to provide that the reason to believe recorded by the income-tax authority specified therein under the said sub-section shall not be disclosed to any person or any authority or the Appellate Tribunal.

This amendment will take effect retrospectively from 1st April, 1962, the date of commencement of the Income-tax Act, 1961.

Sub-section (1A) of the said section provides that where an authority mentioned therein, based on the information in his possession, has reason to suspect of the circumstances specified therein, he may authorise an authority specified therein to carry out search and seizure.

It is proposed to insert an *Explanation* in the said sub-section (1A) so as to declare that reason to suspect recorded by the income-tax authority specified therein under the provisions of the said sub-section shall not be disclosed to any person or any authority, or the Appellate Tribunal.

This amendment will take effect retrospectively from 1st October, 1975.

It is further proposed to insert sub-section (9B) in the said section, to provide that in a search case, where the authorised officer is satisfied that for the purpose of protecting the interest of revenue and for reasons to be recorded in writing it is necessary so to do he may, by order in writing, attach provisionally any property belonging to the assessee with the prior approval of Principal Director General or Director General or Principal Director or Director.

It is also proposed to insert sub-section (9C) in the said section, so as to provide that such provisional attachment shall cease to have effect after the expiry of six months from the date of order of attachment.

It is also proposed to insert sub-section (9D) in the said section, to provide that in a search case, the authorised officer for estimation of fair market value of a property, may make a reference to a Valuation Officer referred to in section 142A, for valuation in the manner provided under the said sub-section. It is also proposed that the Valuation Officer shall furnish the valuation report within sixty days of receipt of such reference.

It is also proposed to amend *Explanation 1* to section 132,

so as to provide that for the purposes of sub-section (9A), sub-section (9B) and sub-section (9D), with respect to "execution of an authorisation for search" the provisions of sub-section (2) of section 153B shall apply.

These amendments will take effect from 1st April, 2017.

Clause 51 of the Bill seeks to amend section 132A of the Income-tax Act relating to powers to requisition books of account, etc.

Sub-section (1) of the said section provides that the specified income-tax authority, based on the information in his possession, has reason to believe of circumstances specified therein, may authorise other income-tax authority mentioned therein to requisition from other officer or authority referred to in clauses (a) to (c) of the said sub-section to deliver books of account, documents or assets of the assessee to the income-tax authority so authorised.

It is proposed to insert an *Explanation* in the said sub-section, so as to declare that the reason to believe for making the requisition as recorded by the income-tax authority shall not be disclosed to any person or any authority or the Appellate Tribunal.

This amendment will come into effect retrospectively from 1st October, 1975.

Clause 52 of the Bill seeks to amend section 133 of the Income-tax Act relating to power to call for information.

The said section empowers certain income-tax authorities to call for information for the purpose of any inquiry or proceeding under the Act.

It is proposed to amend the first proviso of the said section so as to provide that the power in respect of inquiry or proceeding under the Act, as referred to in clause (6) of the said section, may also be exercised by the Joint Director, Deputy Director or Assistant Director.

It is further proposed to amend the second proviso of the said section, so as to provide that the Joint Director, Deputy Director or Assistant Director, in a case where no proceeding is pending, may exercise the powers in respect of inquiry without seeking prior approval of the authorities as specified in the said proviso.

These amendments will take effect from 1st April, 2017.

Clause 53 of the Bill seeks to amend section 133A of the Income-tax Act relating to power of survey.

The said section empowers an income-tax authority to survey a place, at which a business or profession is carried on, or at which any books of account or other documents or any part of cash or stock or other valuable article or thing relating to the business or profession are kept.

It is proposed to amend sub-section (1) of the said section, so as to provide that a place, at which an activity for charitable purpose is carried on may also be surveyed by an income-tax authority.

It is further proposed to insert the reference of activity for charitable purpose in the *Explanation* to sub-section (1) of the said section which is consequential in nature.

These amendments will take effect from 1st April, 2017.

Clause 54 of the Bill seeks to amend section 133C of the Income-tax Act relating to power to call for information by prescribed income-tax authority.

Sub-section (1) of the said section provides that a prescribed income-tax authority may issue a notice to any person, requiring him to submit information or documents for the purposes of verification of the information in the possession of such income-tax authority.

Sub-section (2) of the said section provides that the prescribed income-tax authority may process any information or document that has been received in response to a notice issued under sub-section (1) and provide the outcome of such processing to the Assessing Officer.

It is proposed to insert a new sub-section (3) in the said section so as to provide that the Central Board of Direct Taxes may make a scheme for enabling the centralised issuance of notice, processing of information or documents and for making available the outcome of the said processing to the Assessing Officer.

This amendment will take effect from 1st April, 2017.

Clause 55 of the Bill seeks to amend section 139 of the Income-tax Act relating to return of income.

Sub-section (4C) of the said section mandates filing of return by certain entities which are exempted under section 10.

It is proposed to amend the said sub-section so as to provide that any person referred to in clause (23AAA), Investor Protection Fund referred to in clause (23EC) or clause (23ED), Core Settlement Guarantee Fund referred to in clause (23EE) and Board or Authority referred to in clause (29A) of section 10 shall also be mandatorily required to file return of income.

Sub-section (5) of the said section 139 provides that a person can furnish a revised return, in case he discovers any omission or wrong statement in his return of income already furnished, within one year from the end of the relevant assessment year or before completion of assessment, whichever is earlier.

It is proposed to amend the said sub-section (5) so as to provide that the time for furnishing of revised return shall be available upto the end of the relevant assessment year or before the completion of assessment, whichever is earlier.

These amendments will take effect from 1st April, 2018 and will, accordingly apply in relation to assessment year 2018-2019 and subsequent years.

Clause 56 of the Bill seeks to amend section 140A of the Income-tax Act relating to self-assessment.

The said section provides that the assessee shall be liable to pay tax together with interest payable under any provision of the Income-tax Act as reduced by the amounts specified therein before furnishing a return under the said Act. It also provides the manner of calculation of the amount so payable and consequence of non-payment of the said amount.

It is proposed to amend the said section to include that in case of delay in furnishing of return of income, alongwith the tax and interest payable as aforesaid, fee for delay in furnishing of return of income shall also be payable.

The proposed amendment is consequential to the insertion of a new section 234F which provides for fee for delay in furnishing of return of income.

This amendment will take effect from 1st April, 2018 and will, accordingly apply in relation to assessment year 2018-2019 and subsequent years.

Clause 57 of the Bill seeks to amend section 143 of the Income-tax Act relating to assessment.

Sub-section (1) of the said section provides the manner of processing of a return furnished under section 139 or in response to a notice under sub-section (1) of section 142.

It is proposed to amend the said sub-section to provide that in computation of amount payable or refund due, as the case may be, on account of processing of return under the said sub-section, the fee payable under section 234F shall also be considered.

The proposed amendment is consequential to the insertion of a new section 234F which provides for fee for delay in furnishing of return of income.

This amendment will take effect from 1st April, 2018 and will, accordingly apply in relation to assessment year 2018-2019 and subsequent years.

Sub-section (1D) of the said section (as substituted by section 68 of the Finance Act, 2016) is proposed to be substituted by a new sub-section so as to provide that the processing of a return shall not be necessary, where a notice has been issued to the assessee under sub-section (2) of the said section.

It is proposed to provide that the provisions of the said sub-section shall not apply in relation to any return furnished for the assessment year commencing on or after the 1st day of April, 2017.

This amendment will take effect from 1st April, 2017.

Clause 58 of the Bill seeks to amend section 153 of the Income-tax Act relating to time-limit for completion of assessment, reassessment and recomputation.

The said section provides for time-limit for completion of assessment, reassessment and recomputation in certain cases mentioned therein.

It is proposed to amend sub-section (1) of the said section to provide that for the assessment year 2018-2019, the time-limit for making an assessment order under section 143 or 144 shall be reduced from existing twenty-one months to eighteen months from the end of the assessment year, and for the assessment year 2019-2020 and onwards, the said time-limit shall be twelve months from the end of the assessment year in which the income was first assessable.

It is further proposed to amend sub-section (2) of the said section to provide that the time-limit for making an order of

assessment, reassessment or recomputation under section 147, in respect of notices served under section 148 on or after the 1st day of April, 2019 shall be twelve months from the end of the financial year in which notice under section 148 was served.

It is also proposed to amend sub-section (3) of the said section to provide that the time-limit for making an order of fresh assessment in pursuance of an order passed or received in the financial year 2019-2020 and onwards under section 254 or 263 or 264 shall be twelve months from the end of the financial year in which order under section 254 is received or order under section 263 or 264 is passed by the authority referred therein.

It is also proposed to amend the third proviso to *Explanation 1* of the said section to omit the reference of section 153B therein.

These amendments will take effect from 1st April, 2017.

It is also proposed to amend sub-section (5) of the said section to provide that where an order under section 250 or 254 or 260 or 262 or 263 or 264 requires verification of any issue by way of submission of any document by the assessee or any other person or where an opportunity of being heard is to be provided to the assessee, the time-limit relating to fresh assessment provided in sub-section (3) shall apply to the order giving effect to such order.

It is also proposed to amend sub-section (9) of the said section to provide that where a notice under sub-section (1) of section 142 or sub-section (2) of section 143 or section 148 has been issued prior to the 1st day of June, 2016 and the assessment or reassessment has not been completed by such date due to exclusion of time referred to in *Explanation 1*, such assessment or reassessment shall be completed in accordance with the provisions of section 153 as it stood immediately before its substitution by the Finance Act, 2016.

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

Clause 59 of the Bill seeks to amend section 153A of the Income-tax Act, 1961 relating to assessment in case of search or requisition.

Sub-section (1) of the aforesaid section provides that where a search is conducted under section 132 or requisition is made under section 132A, a notice shall be issued to such person to furnish the return of income in respect of each assessment year falling within six assessment years immediately preceding the assessment year relevant to the previous year in which search is conducted or requisition is made. It also provides for assessment or reassessment of total income of the said years.

It is proposed that issuance of notice and assessment or reassessment under the said section can also be made for an assessment year preceding the assessment year relevant to the previous year in which search is conducted or requisition is made which falls beyond six assessment years but not beyond ten assessment years from the assessment year relevant to the previous year in which search is conducted or requisition is made, provided that—

(i) the Assessing Officer has in his possession books of account or other documents or evidence which reveal that the income which has escaped assessment amounts to or is likely to amount to fifty lakh rupees or more in one year or in aggregate in the relevant assessment years;

(ii) such income escaping assessment is represented in the form of asset which shall include immovable property being land or building or both, shares and securities, deposits in bank account, loans and advances;

(iii) the income escaping assessment or part thereof relates to such year or years; and

(iv) search under section 132 is initiated or requisition under section 132A is made on or after the 1st day of April, 2017.

It is further proposed to make consequential amendment to the provisos of the said sub-section.

It is also proposed to define the expression "relevant assessment year" and "asset" in the form of *Explanation*.

These amendments will take effect from 1st April, 2017.

Clause 60 of the Bill seeks to amend section 153B of the Income-tax Act, 1961 relating to time-limit for completion of assessment under section 153A.

Clause (a) of sub-section (1) of the said section provides that in respect of each assessment year falling within six assessment years referred to in *clause (b)* of sub-section (1) of section 153A, the order of assessment or reassessment shall be made within a period of twenty-one months from the end of the financial year in which the last of the authorisations for search under section 132 or for requisition under section 132A was executed.

It is proposed to amend the above clause to provide that the time-limit for assessment and reassessment as specified therein shall also apply in respect of the relevant assessment year referred to in sub-section (1) of section 153A.

The proposed amendment is consequential to the amendment to section 153A of the Income-tax Act.

It is further proposed to amend sub-section (1) to provide that for search and seizure cases conducted in the financial year 2018-2019, the time-limit for making an assessment order under section 153A shall be reduced from existing twenty-one months to eighteen months from the end of the financial year in which the last of the authorisations for search under section 132 or for requisition under section 132A was executed. It is further proposed that for search and seizure cases conducted in the financial year 2019-2020 and onwards, the said time-limit shall be further reduced to twelve months from the end of the financial year in which the last of the authorisations for search under section 132 or for requisition under section 132A was executed.

It is also proposed to provide that period of limitation for making the assessment or reassessment in case of other person referred to in section 153C, shall be as available in case of person on whom search is conducted or twelve months from the end of the financial year in which books of

account or documents or assets seized or requisitioned are handed over under section 153C to the Assessing Officer having jurisdiction over such other persons, whichever is later.

It is also proposed to insert a proviso to the *Explanation* of the said section so as to provide that where a proceeding before the Settlement Commission abates under section 245HA, the period of limitation available under this section for assessment or reassessment shall after the exclusion of the period under sub-section (4) of section 245HA shall not be less than one year; and where such period of limitation is less than one year, it shall be deemed to have been extended to one year.

These amendments will take effect from 1st April, 2017.

It is also proposed to amend sub-section (3) of the said section to provide that that where a notice under section 153A or section 153C has been issued prior to the 1st day of June, 2016 and the assessment has not been completed by such date due to exclusion of time referred to in the *Explanation*, such assessment shall be completed in accordance with the provisions of this section as it stood immediately before its substitution by the Finance Act, 2016.

This amendment will take effect retrospectively from 1st June, 2016.

Clause 61 of the Bill seeks to amend section 153C of the Income-tax Act, 1961 relating to assessment of income of any other person.

It is proposed to amend the second proviso to sub-section of the said section so as to provide a reference to the relevant assessment year as referred to in sub-section (1) of section 153A.

The proposed amendment is consequential to the amendment to section 153A of the Income-tax Act and shall apply in respect of search conducted or requisition made on or after the 1st day of April, 2017.

This amendment will take effect from 1st April, 2017.

Clause 62 of the Bill seeks to amend section 155 of the Income-tax Act relating to other amendments.

It is proposed to insert a new sub-section (14A) in the said section so as to provide that where credit for income-tax paid in any country outside India or a specified territory outside India, referred to in section 90, section 90A or section 91, has not been given in the order of assessment for the relevant assessment year on the grounds that the payment of such tax was in dispute, then, the Assessing Officer shall rectify the order of assessment or an intimation under sub-section (1) of section 143, if the assessee, within six months from the end of the month in which the dispute is settled, furnishes proof of settlement of such dispute and evidence of payment of such tax along with an undertaking that no credit of such amount of tax has been directly or indirectly claimed or shall be claimed for any other assessment year.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to assessment years 2018-2019 and subsequent years.

Clause 63 of the Bill seeks to insert a new section 194-IB of the Income-tax Act relating to payment of rent by certain individuals or Hindu undivided family.

The proposed new section provides that any person, being an individual or a Hindu undivided family (other than those referred to in second proviso of section 194-I), responsible for paying to a resident any income by way of rent exceeding fifty thousand rupees for a month or part of a month during the previous year, shall deduct an amount equal to five per cent. of such income as income-tax thereon.

It is further proposed to provide that income-tax referred to in sub-section (1) shall be deducted on such income at the time of credit of rent, for the last month of the previous year or the last month of tenancy, if the property is vacated during the year, as the case may be, to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier.

It is also proposed to provide that the provisions of section 203A shall not apply to a person required to deduct tax in accordance with the provisions of this section.

It is also proposed to provide that where the tax is required to be deducted as per the provisions of section 206AA, such deduction shall not exceed the amount of rent payable for the last month of the previous year or the last month of the tenancy, as the case may be.

It is also proposed to define the term "rent" for the purposes of this section to mean any payment, by whatever name called, under any lease, sub-lease, tenancy or any other agreement or arrangement for the use of any land or building or both.

This amendment will take effect from 1st June, 2017.

Clause 64 of the Bill seeks to insert a new section 194-IC in the Income-tax Act relating to deductions in respect of payment under specified agreement.

The proposed new section seeks to provide that notwithstanding anything contained in section 194-IA, any person responsible for paying to resident any sum by way of consideration, not being consideration in kind, under the agreement referred to in sub-section (5A) of section 45, shall, at the time of credit of such sum to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct an amount equal to ten per cent. of such sum as income-tax thereon.

This amendment will take effect from 1st April, 2017.

Clause 65 of the Bill seeks to amend section 194J of the Income-tax Act which provides for deduction of tax at source on fees for professional or technical services.

The said section provides that a person, not being an individual or a Hindu undivided family, who is responsible for paying to a resident any sum by way of fees for professional or technical services or other services mentioned therein shall deduct an amount equal to ten per cent. of such sum as income-tax on income comprised therein.

It is proposed to insert a proviso in the said section so as to reduce the rate of tax deduction at source to two per cent. from ten per cent. in case of payments received or credited to a payee, who is engaged only in the business of operation of call centre.

This amendment will take effect from 1st June, 2017.

Clause 66 of the Bill seeks to amend section 194LA of the Income-tax Act relating to payment of compensation on acquisition of certain immovable property.

The said section, *inter alia*, provides that any person responsible for paying compensation to a resident shall deduct tax at source at the rate of ten per cent. on the compensation or enhanced compensation or consideration on account of compulsory acquisition of any immovable property (other than agricultural land) under any law for the time being in force subject to certain conditions specified therein.

It is proposed to amend the said section so as to insert a new proviso to provide that no deduction of tax at source shall be made under this section, where such payment is made in respect of any award or agreement which has been exempted from the levy of income-tax under section 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013.

This amendment will take effect from 1st April, 2017.

Clause 67 of the Bill seeks to amend section 194LC of the Income-tax Act relating to income by way of interest from Indian company.

The existing provisions contained in sub-section (2) of the said section, specify the interest eligible for lower withholding tax at the rate of five per cent. It shall be the interest income payable by the specified company on borrowings made by it in foreign currency from sources outside India under a loan agreement or by way of issue of any long-term bonds including long-term infrastructure bonds subject to the approval by the Central Government.

Sub-clauses (a) and (c) of clause (i) of the said sub-section further provides that the borrowing shall be made, under a loan agreement at any time on or after the 1st day of July, 2012, but before the 1st day of July, 2017; and by way of any long-term bond including long-term infrastructure bond on or after the 1st day of October, 2014, but before the 1st day of July, 2017, respectively.

It is proposed to amend sub-clauses (a) and (c) of clause (i) of sub-section (2) of the said section to provide that the borrowings can be made before the 1st day of July, 2020 instead of the 1st day of July, 2017.

These amendments will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

It is also proposed to insert a new clause (ia) in sub-section (2) of the said section to extend the benefit of the said section to the rupee denominated bond issued outside India before 1st July, 2020 also.

This amendment will take effect retrospectively from 1st April, 2016 and will, accordingly, apply in relation to the assessment year 2016-2017 and subsequent years.

Clause 68 of the Bill seeks to amend section 194LD of the Income-tax Act relating to income by way of interest on certain bonds and Government securities.

Under the existing provisions contained in sub-section (2) of the said section, the interest income eligible for lower withholding tax rate of five per cent. as provided in sub-section (1) has been specified to be the interest payable on or after the 1st day of June, 2013 but before 1st day of July, 2017.

It is proposed to amend the aforesaid sub-section so as to provide concessional rate of five per cent. withholding tax on interest payment in respect of investments in Government securities and rupee denominated corporate bonds to be made available on interest payable before 1st day of July, 2020.

This amendment will take effect from 1st April, 2018 and will, accordingly, apply in relation to the assessment year 2018-2019 and subsequent years.

Clause 69 of the Bill seeks to amend section 197A of the Income-tax Act relating to no deduction to be made in certain cases.

The existing provisions contained in sub-sections (1A) and (1C) of the aforesaid section provide that no deduction of tax shall be made under the various sections referred to in the said sub-sections (1A) and (1C) of section 197A, if the persons referred to in the said sub-sections furnish to the persons responsible for paying any income of the nature referred to in specified sections, a declaration in writing in duplicate in the prescribed form and verified in the prescribed manner 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*.

It is proposed to amend the said sub-sections (1A) and (1C) of the said section so as to cover deduction at source under section 194D also.

This amendment will take effect from 1st June, 2017.

Clause 70 of the Bill seeks to amend section 204 of the Income-tax Act relating to meaning of "person responsible for paying".

It is proposed to insert a new clause (iib) in the said section so as to provide that in the case of furnishing of information relating to payment to a non-resident, not being a company, or to a foreign company, of any sum, whether or not chargeable under the provisions of this Act, the payer himself, or, if the payer is a company, the company itself including the principal officer thereof shall also be the person responsible for paying, within the meaning of definition under this section.

This amendment will take effect from 1st April, 2017.

Clause 71 of the Bill seeks to amend section 206C of the Income-tax Act relating to profits and gains from the business of trading in alcoholic liquor, forest produce, scrap, etc.

Clause (i) of sub-section (1D) of the said section provides for tax collection at source at the rate of one per cent. of sale consideration on cash sale of jewellery exceeding five lakh rupees. It is proposed to omit the said clause in view of restriction on cash transactions as proposed to be provided under section 269ST.

The proposed amendment is consequential to the insertion of a new section 269ST in the Income-tax Act.

Sub-section (1F) of the said section, *inter alia*, provides that the seller who receives any amount as consideration for sale of a motor vehicle of the value exceeding ten lakh rupees, shall at the time of receipt of such amount, collect from the buyer a sum equal to one per cent. of the sale consideration as income-tax.

It is further proposed to insert a new sub-clause (iii) in clause (aa) of the *Explanation* to section 206C to exempt the following class of buyers from the provision of sub-section (1F) of the said section, namely:—

(i) the Central Government, a State Government and an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; or

(ii) local authority as defined in the *Explanation* to clause (20) of section 10; or

(iii) a public sector company which is engaged in the business of carrying passengers.

It is also proposed to omit the reference of sub-section (1F) in sub-clause (ii) in the *Explanation* to section 206C.

These amendments will take effect from 1st April, 2017.

Clause 72 of the Bill seeks to insert a new section 206CC after section 206CB of the Income-tax Act relating to requirement to furnish Permanent Account Number by collectee.

The proposed sub-section (1) of the said section specifies that any person paying any sum or amount, on which tax is collectible at source under Chapter XVII BB (herein referred to as collectee) shall furnish his Permanent Account Number to the person responsible for collecting such tax (herein referred to as collector), failing which tax shall be collected at twice the rate mentioned in the relevant section or at the rate of five per cent., whichever is higher.

The proposed sub-section (2) provides that the declaration filed under sub-section (1A) of section 206C shall not be valid unless the person filing the declaration furnishes his Permanent Account Number in such declaration.

The proposed sub-section (3) provides that in case any declaration becomes invalid under sub-section (2), the collector shall collect the tax at source in accordance with the provisions of sub-section (1).

The proposed sub-section (4) provides that no certificate under sub-section (9) of section 206C shall be granted unless it contains the Permanent Account Number of the applicant.

The proposed sub-section (5) provides that the collectee

shall furnish his Permanent Account Number to the collector who shall indicate the same in all its correspondence, bills, vouchers and other documents which are sent to each other.

The proposed sub-section (6) of the said section provides that where the Permanent Account Number provided by the collectee is invalid or it does not belong to the collectee, then it shall be deemed that Permanent Account Number has not been furnished to the collector and the tax shall be collected under sub-section (1).

The proposed sub-section (7) provides that the new section 206CC shall not apply to a non-resident who does not have permanent establishment in India and also to explain the expression 'permanent establishment'.

This amendment will take effect from 1st April, 2017.

Clause 73 of the Bill seeks to amend section 211 of the Income-tax Act relating to instalments of advance tax and due dates.

Clause (a) of sub-section (1) of the said section provides that all the assessee, except those referred to in clause (b), are liable to pay advance tax in four instalments during each financial year and also provides the due dates for the payments and amounts payable.

Clause (b) of sub-section (1) of the said section provides that an eligible assessee engaged in an eligible business referred to in section 44AD is liable to pay advance tax in a single instalment on or before the 15th of March every financial year.

It is proposed to amend the said clause (b) so as to provide that the assessee who declares profits and gains in accordance with the provisions of sub-section (1) of section 44ADA, shall also be liable to pay advance tax in one instalment on or before the 15th of March every financial year.

This amendment will take effect from 1st April, 2017 and will, accordingly, apply in relation to the assessment year 2017-2018 and subsequent years.

Clause 74 of the Bill seeks to amend section 234C of the Income-tax Act relating to interest for deferment of advance tax.

It is proposed to provide that in respect of an assessee referred to in section 44ADA, interest under the aforesaid section shall be levied, if the advance tax paid on or before the 15th day of March, is less than the tax due on the returned income. The said amendment is consequential to the amendment of section 211.

Tax on certain dividends received from domestic companies is being levied under section 115BBDA with effect from the 1st April, 2017, if such income exceeds ten lakh rupees. The first proviso to sub-section (1) of section 234C lays down exceptions to the applicability of the said sub-section to short fall in the payment of advance tax in case of certain incomes. It is proposed to amend the aforesaid proviso so as to provide that no interest under said section shall be levied on the income referred to in sub-section (1)

of section 115BBDA subject to the conditions specified therein.

These amendments will take effect from 1st April, 2017 and will, accordingly, apply in relation to the assessment year 2017-2018 and subsequent years.

Clause 75 of the Bill seeks to insert section 234F of the Income-tax Act relating to fee for default in furnishing return of income.

It is proposed to provide that a fee for delay in filing of return shall be paid for assessment year 2018-2019 and onwards in a case where the return is not filed within the due dates specified for filing of return under sub-section (1) of section 139. It is further proposed that a fee of five thousand rupees be payable, if the return is furnished after the due date but on or before the 31st day of December of the assessment year. A fee of ten thousand rupees is proposed to be payable in any other case. However, in a case where the total income does not exceed five lakh rupees, it is proposed that the fee amount shall not exceed one thousand rupees.

This amendment will take effect from 1st April, 2018 and will, accordingly apply in relation to assessment year 2018-2019 and subsequent years.

Clause 76 of the Bill seeks to insert a new section 241A in the Income-tax Act relating to withholding of refund in certain cases.

It is proposed to provide that, for every assessment year commencing on or after the 1st day of April, 2017, where refund of any amount becomes due to the assessee under the provisions of sub-section (1) of section 143 and the Assessing Officer is of the opinion that grant of the refund may adversely affect the recovery of revenue, he may, for the reasons to be recorded in writing and with the previous approval of the Principal Commissioner or Commissioner, withhold the refund up to the date on which the assessment is made.

This amendment will take effect from 1st April, 2017 and will, accordingly, apply in relation to the assessment year 2017-2018 and subsequent years.

Clause 77 of the Bill seeks to amend section 244A of the Income-tax Act relating to interest on refunds.

The said section provides that an assessee is entitled to receive interest on refund arising out of excess payment of advance tax, tax deducted or collected at source, etc.

It is proposed to insert a new sub-section (1B) in the said section so as to provide that where refund of any amount becomes due to the deductor, then such person shall be entitled to receive, in addition to the refund, simple interest on such refund, calculated at the rate of one-half per cent. for every month or part of a month comprised in the period, from the date on which claim for refund is made in the prescribed form or for giving effect to an order under section 250 or 254 or 260 or 262 from the date on which the tax is paid up to the date on which refund is granted.

It is also proposed to amend sub-section (2) of the said

section to give reference of the deductor in addition to the assessee and to provide that the interest shall not be allowed for the period for which the delay in the proceedings resulting in the refund is attributable to the deductor.

These amendments will take effect from 1st April, 2017.

Clause 78 of the Bill seeks to amend section 245A of the Income-tax Act relating to definitions for the purposes of Chapter XIX-A relating to settlement of cases.

Clause (b) of the said section provides definition of "case". Clause (iv) of the *Explanation* to the said clause (b) provides that unless as otherwise specified, in case where no assessment is made, proceedings shall be deemed to have concluded on the expiry of two years from the end of the relevant assessment year.

It is proposed to amend the said clause (iv) to the *Explanation* so as to provide that conclusion of proceedings shall be construed in accordance with the time specified for making assessment under sub-section (1) of section 153.

The proposed amendment is consequential to the amendment to section 153 and section 153B of the Income-tax Act.

This amendment will take effect from 1st April, 2017.

Clause 79 of the Bill seeks to amend section 245N of the Income-tax Act relating to the definitions under Chapter XIX-B relating to advance rulings.

Clause (b) of the said section provides the definition of the term "applicant".

It is proposed to amend the said clause so as to include within the scope of the definition of "applicant" an applicant as in section 28E of the Customs Act, 1962, section 23A of the Central Excise Act, 1944 and section 96A of the Finance Act, 1994.

This amendment will take effect from 1st April, 2017.

Clause 80 of the Bill seeks to amend section 245-O of the Income-tax Act relating to the Authority for Advance Rulings.

Clause (a) of sub-section (3) of the aforesaid section provides that the Chairman of the Authority for Advance Rulings shall be a person who has been a Judge of the Supreme Court.

It is proposed to amend the said clause (a) so as to provide that a person who has been the Chief Justice of a High Court or a Judge of a High Court for at least seven years shall also be eligible to be appointed as the Chairman of the Authority for Advance Rulings.

Clause (c) of sub-section (3) of the aforesaid section provides that the revenue Member of the Authority for Advance Rulings shall be a person from the Indian Revenue Service, who is of the rank of Principal Chief Commissioner or Principal Director General or Chief Commissioner or Director General.

It is proposed to amend the said clause (c) so as to provide that an officer from the Indian Revenue Service who is, or is

qualified to be, a Member of the Central Board of Direct Taxes or an officer from the Indian Customs and Central Excise Service, who is, or is qualified to be, a Member of the Central Board of Excise and Customs as on the date of occurrence of the said vacancy shall be eligible to be appointed as the revenue Member of the Authority for Advance Rulings.

It is further proposed to amend clause (d) of the said sub-section (3) so as to provide that eligibility for appointment of law Member shall also be determined on the date of occurrence of vacancy.

It is also proposed to insert sub-sections (6A) and (6B) in the aforesaid section so as to provide that in the event the office of Chairman falls vacant or in case the Chairman is unable to discharge his duties, the senior-most Vice-chairman shall act as Chairman or shall discharge the functions of the Chairman till such time the new Chairman enters upon his office or the Chairman resumes his duties, as the case may be.

This amendment will take effect from 1st April, 2017.

Clause 81 of the Bill seeks to amend section 245Q of the Income-tax Act relating to the application for advance ruling.

Sub-section (1) of the aforesaid section provides that an applicant desirous of obtaining an advance ruling under Chapter XIX-B of the Income-tax Act may make an application in such form and in such manner as may be prescribed.

It is proposed to amend the said section so as to provide that an application for advance ruling may also be made under Chapter V of the Customs Act, 1962 or under Chapter IIIA of the Central Excise Act, 1944 or under Chapter VA of the Finance Act, 1994.

This amendment will take effect from 1st April, 2017.

Clause 82 of the Bill seeks to amend section 253 of the Income-tax Act relating to Appeals to the Appellate Tribunal.

Sub-clause (f) of sub-section (1) of the aforesaid section provides that an order passed by the prescribed authority under sub-clause (vi) or sub-clause (via) of clause (23C) of section 10 shall be appealable before the Appellate Tribunal.

It is proposed to insert sub-clause (iv) and sub-clause (v) of clause (23C) in the aforesaid section, so as to make an order passed by the prescribed authority under said sub-clauses also appealable before the Appellate Tribunal.

This amendment will take effect from 1st April, 2017.

Clause 83 of the Bill seeks to insert a new section 269ST in the Income-tax Act relating to mode of undertaking transactions.

It is proposed to provide that no person shall receive an amount of three lakh rupees or more, in aggregate from a person in a day; or in respect of a single transaction; or in respect of transactions relating to one event or occasion from a person, otherwise than by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account.

It is further proposed to provide that the said restriction shall not apply to Government, any banking company, post office savings bank or co-operative bank, any receipt from sale of agricultural produce by any person being an individual or Hindu Undivided family in whose hands such receipts constitutes agricultural income and in respect of transactions of the nature referred to in section 269SS; and such other persons or class of persons or receipts, as may be specified by the Central Government by notification in the Official Gazette.

This amendment will take effect from 1st April, 2017.

Clause 84 of the Bill seeks to insert a new section 271DA of the Income-tax Act relating to penalty for failure to comply with provisions of section 269ST.

It is proposed to provide that if a person receives any sum in contravention of the provisions of section 269ST, he shall be liable to pay, by way of penalty, a sum equal to the amount of such receipt. It is further proposed that the penalty shall not be imposable if such person proves that there were good and sufficient reasons for the contravention. It is also proposed that any such penalty shall be imposed by the Joint Commissioner.

This amendment will take effect from 1st April, 2017.

Clause 85 of the Bill seeks to amend section 271F of the Income-tax Act relating to penalty for failure to furnish return of income.

The said section provides for penalty for failure to furnish return of income.

It is proposed to provide that the provisions of the said section shall not apply in respect of assessment year 2018-2019 and subsequent years.

This amendment will take effect from 1st April, 2018 and will, accordingly apply in relation to assessment year 2018-2019 and subsequent years.

Clause 86 of the Bill seeks to insert a new section 271J in the Income-tax Act relating to penalty for furnishing incorrect information in reports or certificates.

It is proposed to provide that if an accountant or a merchant banker or a registered valuer furnishes incorrect information in a report or certificate under any provisions of the Act or the rules made thereunder, the Assessing Officer or the Commissioner (Appeals), without prejudice to the provisions of the Income tax Act, may direct him to pay, by way of penalty, a sum of ten thousand rupees for each such report or certificate. It is also proposed to define the expressions of "accountant", "merchant banker" and "registered valuer".

This amendment will take effect from 1st April, 2017.

Clause 87 of the Bill seeks to amend section 273B in the Income-tax Act relating to penalty not to be imposed in certain cases.

It is proposed that penalty shall not be imposable in respect of the proposed section 271J also, if the person proves that there was reasonable cause for the failure referred to in the said section.

This amendment is consequential in nature.

This amendment will take effect from 1st April, 2017.

Customs

Clause 88 of the Bill seeks to amend section 2 of the Customs Act. It is proposed to amend clauses (13), (16), (20) and (26) and to insert new clauses (3A), (20A), (28A) and (30B) therein.

Clause 89 of the Bill seeks to amend section 7 of the Customs Act so as to insert new clauses (e) and (f) in sub-section (1) to provide for appointment of foreign post offices and international courier terminals.

Clause 90 of the Bill seeks to amend section 17 of the Customs Act so as to substitute sub-section (3) thereof to simplify the production of document or information by the importer or exporter or any other person for verification of self-assessment under sub-section (2) of the said section.

Clause 91 of the Bill seeks to amend section 27 of the Customs Act so as to insert a new clause (g) therein to exclude certain category of refunds from the scope of unjust enrichment.

Clause 92 of the Bill seeks to amend section 28E of the Customs Act, so as to substitute the definition of "Authority" in clause (e) of the said section.

Clause 93 of the Bill seeks to substitute section 28F of the Customs Act so as to provide that the Authority for Advance Rulings constituted under section 245-O of the Income-tax Act shall be the Authority for giving advance rulings for the purposes of the Customs Act. It further seeks to provide that the Member of the Indian Revenue Service (Customs and Central Excise), who is qualified to be a Member of the Board, shall be the revenue Member of the Authority for the purposes of the Customs Act.

It also seeks to provide for transferring the applications pending before the erstwhile Authority for Advance Rulings (Central Excise, Customs and Service Tax) to the Authority constituted under section 245-O of the Income-tax Act from the stage at which such application or proceeding stood as on the date on which the Finance Bill, 2017 receives the assent of the President.

Clause 94 of the Bill seeks to omit section 28G of the Customs Act.

Clause 95 of the Bill seeks to amend section 28H of the Customs Act so as to enhance the application fee to rupees ten thousand.

Clause 96 of the Bill seeks to amend section 28-I of the Customs Act so as to extend the time-limit to six months for the Authority to pronounce its rulings.

Clause 97 of the Bill seeks to insert a new section 30A in the Customs Act so as to make it obligatory on the person-in-charge of a conveyance that enters India from any place outside India or any other person as may be specified by the Central Government by notification in the Official Gazette, to deliver to the proper officer the passenger and crew arrival

manifest before arrival in the case of an aircraft or a vessel and upon arrival in the case of a vehicle; and passenger name record information of arriving passengers in such form, containing such particulars, in such manner and within such time as may be prescribed. It is proposed to impose such penalty not exceeding fifty thousand rupees as may be prescribed, in case of delay in delivering the information.

Clause 98 of the Bill seeks to insert a new section 41A in the Customs Act so as to make it obligatory on the person-in-charge of a conveyance that departs from India to a place outside India or any other person as may be specified by the Central Government by notification in the Official Gazette, to deliver to the proper officer the passenger and crew departure manifest and passenger name record information of departing passengers before the departure of the conveyance in such form, containing such particulars, in such manner and within such time as may be prescribed. It is also proposed to impose a penalty not exceeding fifty thousand rupees as may be prescribed in case of delay in delivering the information.

Clause 99 of the Bill seeks to amend section 46 of the Customs Act so as to provide that the bill of entry for imported goods shall be presented before the end of the next day following the day on which the aircraft or vessel or vehicle carrying the goods arrives at a customs station at which such goods are to be cleared for home consumption or warehousing and that in the case of default, he shall pay such charge for late presentation as may be prescribed.

Clause 100 of the Bill seeks to amend section 47 of the Customs Act so as to provide the manner of payment of interest in the case of self-assessed bills of entry or, as the case may be, assessed, reassessed or provisionally assessed bills of entry.

Clause 101 of the Bill seeks to substitute section 49 of the Customs Act so as to provide for storage of imported goods in a public warehouse pending removal.

Clause 102 of the Bill seeks to substitute clause (a) of sub-section (1) of section 69 of the Customs Act so as to substitute the reference of section 82 therein to section 84.

Clause 103 of the Bill seeks to omit section 82 of the Customs Act.

Clause 104 of the Bill seeks to substitute clause (a) of section 84 of the Customs Act so as to provide for the form and manner in which an entry may be made in respect of goods imported or to be exported by post.

Clause 105 of the Bill seeks to amend section 127B of the Customs Act so as to insert a new sub-section (5) therein to enable any person, other than applicant referred to in sub-section (1), to make an application to the Settlement Commission.

Clause 106 of the Bill seeks to amend sub-section (3) of section 127C of the Customs Act, so as to substitute certain words therein. It further seeks to insert a new sub-section (5A) therein to enable the Settlement Commission to amend the order passed by it under sub-section (5) to rectify any error apparent on the face of record.

Clause 107 of the Bill seeks to amend section 157 of the Customs Act so as to empower the Board to make regulations for prescribing the form, particulars, manner and time of providing the passenger and crew manifest for arrival and departure and passenger name record information and penalty in the case of delay in delivering the information.

Customs Tariff

Clause 108 of the Bill seeks to amend clause (c) of sub-section (3) of section 9 of the Customs Tariff Act so as to withdraw the exemption to three categories of non-actionable subsidies specified therein, from the scope of anti-subsidy investigations.

Clause 109 of the Bill seeks to amend the First Schedule to the Customs Tariff Act,—

(i) in the manner specified in the Second Schedule so as to revise tariff rates in respect of certain tariff items;

(ii) in the manner specified in the Third Schedule so as to harmonise certain entries with Harmonised System of Nomenclature and also to amend Chapter 98.

Clause 110 of the Bill seeks to amend the Second Schedule to the Customs Tariff Act in the manner specified in the Fourth Schedule so as to fix a tariff rate of export duty of 30% in respect of tariff item 2606 00 90 relating to other aluminium ores and concentrates.

Excise

Clause 111 of the Bill seeks to amend section 23A of the Central Excise Act so as to substitute the definition of “Authority” in clause (e) of the said section.

Clause 112 of the Bill seeks to omit section 23B of the Central Excise Act.

Clause 113 of the Bill seeks to amend sub-section (3) of section 23C of the Central Excise Act so as to enhance the application fee to rupees ten thousand.

Clause 114 of the Bill seeks to amend sub-section (6) of section 23D of the Central Excise Act so as to extend the time-limit to six months for the Authority to pronounce its rulings.

Clause 115 of the Bill seeks to insert a new section 23-I in the Central Excise Act so as to provide for transferring the pending applications before the erstwhile Authority for Advance Rulings (Central Excise, Customs and Service Tax) to the Authority constituted under section 245-O of the Income-tax Act, from the stage at which such proceedings stood as on the date on which the Finance Bill, 2017 receives the assent of the President.

Clause 116 of the Bill seeks to amend section 32E of the Central Excise Act so as to insert a new sub-section (5) therein, to enable any person, other than assessee referred to in sub-section (1), to make an application to the Settlement Commission.

Clause 117 of the Bill seeks to amend sub-section (3) of section 32F of the Central Excise Act so as to substitute certain words therein. It further seeks to insert a new sub-

section (5A) therein to enable the Settlement Commission to amend the order passed by it under sub-section (5) to rectify any error apparent on the face of record.

Central Excise Tariff

Clause 118 of the Bill seeks to amend the First Schedule to the Central Excise Tariff Act in the manner specified in the Fifth Schedule so as to revise the tariff rates in respect of certain tariff items.

Clause 119 of the Bill seeks to amend the First Schedule to the Central Excise Tariff Act so as to substitute excise duty on motor vehicles falling under tariff items 8702 90 21, 8702 90 22, 8702 90 28 and 8702 90 29 retrospectively with effect from the 1st day of January, 2017.

Service Tax

Clause 120 of the Bill seeks to amend section 65B of the 1994 Act so as to omit clause (40) thereof.

Clause 121 of the Bill seeks to amend section 66 D of the 1994 Act so as to omit clause (f) thereof.

Clause 122 of the Bill seeks to amend section 96A of the 1994 Act so as to substitute the definition of “Authority” in clause (e) of the said section.

Clause 123 of the Bill seeks to omit section 96B of the 1994 Act.

Clause 124 of the Bill seeks to amend sub-section (3) of section 96C of the 1994 Act so as to enhance the application fee to rupees ten thousand.

Clause 125 of the Bill seeks to amend sub-section (6) of section 96D of the 1994 Act so as to extend the time-limit to six months for the Authority to pronounce its rulings.

Clause 126 of the Bill seeks to insert a new section 96HA in the 1994 Act so as to provide for transferring the pending applications and proceedings before the erstwhile Authority for Advance Rulings (Central Excise, Customs and Service Tax) to the Authority constituted under section 245-O of the Income-tax Act, from the stage at which such application or proceeding stood as on the date on which the Finance Bill, 2017 receives the assent of the President.

Clause 127 of the Bill seeks to insert new sections 104 and 105 in the 1994 Act so as to—

(a) exempt service tax leviable on one-time upfront amount (premium, salami, cost, price, development charge or by whatever name called) in respect of taxable service provided or agreed to be provided by a State Government industrial development corporation or undertaking to industrial units by way of grant of long-term lease of thirty years or more of industrial plots, during the period commencing from the 1st day of June, 2007 and ending with the 21st day of September, 2016 (both days inclusive);

(b) extend service tax exemption on taxable services provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds by way of life insurance to members of the Army, Navy and Air Force under the

Group Insurance Schemes of the Central Government during the period commencing from the 10th day of September, 2004 and ending with the 1st day of February, 2016 (both days inclusive).

Clause 128 of the Bill seeks to retrospectively amend rule 2A of the Service Tax (Determination of Value) Rules, 2006 in the manner specified in column (3) of the Sixth Schedule with retrospective effect, on and from and up to the date specified in column (4) thereof, so as to make it clear that value of service portion in execution of a works contract, which involves transfer of land or undivided share of land, as the case may be, shall not include value of property in land or undivided share of land so transferred.

Miscellaneous

Clauses 129 and 130 seek to amend section 20 of the Indian Trusts Act, 1882 [as substituted by section 2 of the Indian Trusts (Amendment) Act, 2016], relating to investment of trust money.

The provisions of the aforesaid section, *inter alia*, provides that where trust-property consists of money and cannot be applied immediately or at an early date, the trustee shall, subject to any direction contained in the instrument of trust, invest the money in any of the securities or class of securities expressly authorised by the instrument of trust or as specified by the Central Government, by notification in the Official Gazette.

The said section further provides that where there is a person competent to contract and entitled in possession to receive the income of the trust-property for his life or any greater estate, no investment in any of the securities or class of securities mentioned above shall be made without his consent in writing.

It is proposed to amend the said section so as to provide that the trustee can make investment of such money as expressly authorised by the instrument of trust or in any of the securities or class of securities as specified by the Central Government by notification in the Official Gazette.

It is further proposed to amend the proviso to the said section so as to omit the expression "in any of the securities or class of securities mentioned above" occurring therein, which is consequential in nature.

This amendment shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

Clauses 131 and 132 of the Bill seek to amend section 7 of the Indian Post Office Act, 1898 relating to power to fix rates of inland postage.

The aforesaid section, *inter alia*, provides that the Central Government may, by notification in the Official Gazette, fix the rates of postage and other sums to be charged in respect of postal articles sent by the inland post under the said Act, provided that the highest rate of postage when pre-paid, shall not exceed the rate set forth for each class of postal articles in the First Schedule.

It is proposed to substitute the proviso to sub-section (1)

of the said section of the said Act so as to provide that till the issuance of notification in the Official Gazette, by the Central Government, to fix the rates of postage and other sums of postal articles, in accordance with provisions of sub-section (1) of the said section, the rates set forth in the First Schedule shall be the rates chargeable under the said Act.

It is further proposed to omit sub-section (2) of the said section which is consequential in nature.

These amendments will take effect from 1st April, 2017.

Clauses 133 and 134 of the Bill seek to amend section 31 of the Reserve Bank of India Act, 1934 relating to issue of demand bills and notes.

It is proposed to insert a new sub-section (3) to the said section so as to provide that the Central Government may authorise any scheduled bank to issue electoral bond as referred to in the proposed clause (d) of the first proviso to section 13A of the Income-tax Act.

It is also proposed to define the expression "electoral bond".

This amendment is consequential in nature.

This amendment will come into force from 1st April, 2017.

Clauses 135 and 136 of the Bill seek to amend section 29C of the Representation of the People Act, 1951 relating to declaration of donation received by the political parties.

Sub-section (3) of section 29C of the Representation of the People Act, 1951, *inter alia*, provides that every political party shall furnish a report to the Election Commission with regard to the details of contributions received by it in excess of twenty thousand rupees from any person in order to avail the income-tax relief as per the provisions of Income-tax Act, 1961.

It is proposed to provide that the contributions received by way of "electoral bond" shall be excluded from the scope of sub-section (3) of section 29C of the said Act. It is also proposed to define the term "electoral bond" which is consequential in nature.

This amendment will take effect from 1st April, 2017.

Clauses 137 and 138 of the Bill seek to amend section 18 of the Oil Industry (Development) Act, 1974 relating to Oil Industry Development Fund.

Sub-section (2) of section 18 of the said Act provides for application of the Oil Industry Development Fund for certain purposes. It is proposed to expand the scope of the said section, so as to utilise the said Fund for meeting any expenditure incurred by any Central Public Sector Undertaking in the oil and gas sector, on behalf of the Central Government and for meeting expenditure on any scheme or activity by the Central Government relating to oil and gas sector.

This amendment will come into force from 1st April, 2017.

Clauses 139 to 142 of the Bill seek to repeal the Research and Development Cess Act, 1986.

The Research and Development Cess Act, 1986 provides for the levy and collection of a cess on all payments made for the import of technology for the purposes of encouraging the commercial application of indigenously developed technology and for adapting imported technology to wider domestic application and for matters connected therewith or incidental thereto.

It is proposed to repeal the said Act, and to make budgetary allocation for Research and Development.

This amendment will come into force from 1st April, 2017.

Clauses 143 to 145 of the Bill seek to amend certain provisions of the Securities and Exchange Board of India Act, 1992.

It is proposed to amend section 2 of the Act so as to insert therein definitions of the expressions "Insurance Regulatory and Development Authority", "Judicial Member", "Pension Fund Regulatory and Development Authority" and "Technical Member". It is proposed to substitute section 15K relating to the establishment of Securities Appellate Tribunal, section 15L relating to the composition of the Appellate Tribunal, section 15M relating to the qualifications for appointment as Presiding Officer and Judicial Member. It is further proposed to insert new sections 15MA, 15MB and section 15MC relating to appointment of Presiding Officer, Judicial Members, Search-cum-Selection Committee for appointment of Technical Members, vacancy not to invalidate selection proceedings. It is also proposed to substitute section 15N relating to tenure of the office of Presiding Officer, Judicial Members and Technical Members. It is also proposed to insert a new section 15PA authorising the Member to act as Presiding Officer in certain circumstances. It is also proposed to substitute sub-section (2) of section 15Q relating to removal of Presiding Officer, Judicial Member or Technical Member of the Tribunal. It is also proposed to make certain consequential amendments in section 15T in view of the above amendments. New sub-sections (4) to (6) are proposed to be inserted in section 15U relating to distribution of business amongst Benches, transfer cases from one Bench to another Bench.

Clause 146 of the Bill seeks to amend the Seventh Schedule to the Finance Act, 2005 so as to revise the rates of certain tariff items as specified in the Seventh Schedule.

Clauses 147 to 149 of the Bill seek to amend certain provisions of the Payment and Settlement Systems Act, 2007 (hereinafter referred to as the said Act) which provides for the regulation and supervision of payment systems in India.

The existing provisions of Chapter II of the said Act relates to Designated Authority and its Committee. It is proposed to substitute the said Chapter so as to provide that instead of the existing Board for Regulation and Supervision of

Payments and Settlement, the Payments Regulatory Board will exercise the functions relating to the regulation and supervision of payments and settlement systems under the Act. The proposed new Board shall consist of the Governor, Reserve Bank as Chairperson, Deputy Governor Reserve Bank who is in-charge of Payment and Settlement Systems as Member, one officer of the Reserve Bank to be nominated by the Central Board of the Reserve Bank as Member of the Board and three persons to be nominated by the Central Government as Members. It is also proposed to empower the said Board to devise the procedures to be followed in the meetings, venue of the meetings and other matters, incidental thereto by regulations.

It is also proposed to make consequential amendments in section 38 of the Act, so as to give reference of the Board in that section and reference of sub-section (1).

These amendments shall come into force on such date as the Central Government may, by notification, in the Official Gazette, appoint.

Clause 150 of the Bill seeks to amend the Finance Act, 2016.

Section 50 of the said Act amended sub-clause (iii) of clause (c) of sub-section (1) of section 112 of Income-tax Act to provide that with effect from the 1st day of April, 2017, the long-term capital gains arising from transfer of a capital asset being shares of a company not being a company in which the public are substantially interested, shall also be chargeable to tax at the rate of ten per cent.

It is now proposed to amend the said section 50 so as to provide that the above said amendments shall be effective from 1st April, 2013 instead of 1st April, 2017.

This amendment will take effect, retrospectively from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-2014 and subsequent years.

Clause (c) of the section 197 of the said Act provides that where any income has accrued, arisen or received or any asset has been acquired out of such income prior to commencement of the Income Declaration Scheme, 2016, and no declaration in respect of such income is made under the said Scheme, then such income shall be deemed to have accrued, arisen or received, as the case may be, in the year in which a notice under sub-section (1) of section 142, sub-section (2) of section 143 or section 148 or section 153A or section 153C of the Income-tax Act, 1961 is issued by the Assessing Officer, and provisions of the said Act shall apply accordingly.

It is proposed to omit clause (c) of the said section.

This amendment will take effect retrospectively from 1st June, 2016.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 9 of the Bill seeks to amend section 12A of the Income-tax Act relating to conditions for applicability of sections 11 and 12.

The said clause, *inter alia*, seeks to insert a new clause (ab) in sub-section (1) of the said section to provide that provisions of sections 11 and 12 shall not apply in relation to income of the trust or institution, unless the person in receipt of the income has made an application for registration of the trust or the institution which has adopted or undertaken modifications in the objects which do not conform to the conditions of registration, in the prescribed form and manner to the Principal Commissioner or Commissioner.

Clause 26 of the Bill seeks to insert a new section 50CA in the Income-tax Act relating to special provision for full value of consideration for transfer of share other than quoted shares.

In the said new section, it is proposed to provide that in case of transfer of shares of a company other than quoted shares, the full value of consideration for the purpose of computing income chargeable to tax as capital gain shall be the fair market value of such shares determined in accordance with such manner as may be prescribed.

Clause 42 of the Bill seeks to insert a new section 92CE of the Income-tax Act relating to secondary adjustment in certain cases.

Sub-section (2) of the proposed new section, *inter alia*, seeks to provide that where, as a result of primary adjustment to the transfer price, there is an increase in the total income or reduction in the loss, as the case may be, of the assessee, the excess money which is available with its associated enterprise, shall be deemed to be an advance made by the assessee to such associated enterprise, if it is not repatriated within the time as may be prescribed and shall be computed in such manner as may be prescribed.

Clause 99 of the Bill seeks to amend section 46 of the Customs Act so as to substitute sub-section (3) thereof. The second proviso to the said sub-section

empowers the Board to make regulations to prescribe the charges for late presentation of bill of entry.

Clause 105 of the Bill seeks to insert a new sub-section (5) in section 127B of the Customs Act. The said sub-section empowers the Central Government to make rules to specify the manner in which and the conditions subject to which an application may be made by any person, other than the applicant, before the Settlement Commission.

Clause 107 of the Bill seeks to insert a new clause (ab) in sub-section (2) of section 157 of the Customs Act relating to power to make regulations. The said clause empowers the Board to make regulations to provide for the form, the particulars, the manner and the time of delivering the passenger and crew manifest for arrival and departure and the passenger name record information and the penalty, for the delay in furnishing such information under sections 30A and 41A thereof.

Clause 116 of the Bill seeks to insert a new sub-section (5) in section 32E of the Central Excise Act. The said sub-section empowers the Central Government to make rules to specify the manner in which and the conditions subject to which an application may be made by any person, other than an assessee, before the Settlement Commission.

Clause 148 of the Bill seeks to substitute Chapter II of the Payment and Settlement Systems Act, 2007 relating to Designated Authority which, *inter alia*, seeks to substitute section 3 of the said Act. The proposed sub-section (4) provides that the powers and functions of the Board, the time and venue of its meeting, the procedure to be followed in such meetings (including the quorum at such meetings) and other matters incidental thereto shall be such as may be prescribed.

2. The matters in respect of which rules or regulations may be made in accordance with the provisions of the Bill are matters of procedure and detail and it is not practicable to provide for them in the Bill.

3. The delegation of legislative power is, therefore, of a normal character.

LOK SABHA

A

BILL

to give effect to the financial proposals of the Central Government
for the financial year 2017-2018.

*(Shri Arun Jaitley,
Minister of Finance.)*