DIRECT TAX (PAPER 7A)

Rate of Income Tax

Default Tax Regime for Individual / HUF / AOP / BOI / AJP [Sec. 115BAC]

Applicable to

Individual / HUF / AOP (other than co-operative society) / BOI / AJP

Rate of Tax

Under this tax regime, income tax shall be computed at the option of the assessee considering the following rate:

Total income	Rate of tax
Upto ₹ 3,00,000	Nil
From ₹ 3,00,001 to ₹ 7,00,000	5%
From ₹ 7,00,001 to ₹ 10,00,000	10%
From ₹ 10,00,001 to ₹ 12,00,000	15%
From ₹ 12,00,001 to ₹ 15,00,000	20%
Above ₹ 15,00,000	30%

Rebate u/s 87A for tax computed as per sec. 115BAC

Applicable to: Resident Individual

Conditions to be satisfied: Total income of the assessee does not exceed ₹ 7,00,000.

Quantum of Rebate: **Lower** of the following:

a. 100% of tax liability as computed above; or
b. ₹ 25,000/-

Marginal relief is available even total income exceeds ₹ 7,00,000 [available upto ₹ 7,27,770]

Marginal relief = Positive value of (Tax on income – Income in excess of ₹ 7,00,000)

Surcharge on tax after rebate u/s 87A

Surcharge at the following rate is also payable on tax as computed above after rebate u/s 87A

Total Income	Rate of Surcharge
Total income does not exceed ₹ 50 lacs	Nil
Total income exceeds ₹ 50 lacs but does not exceed ₹ 1 crore	10% of tax
Total income exceeds ₹ 1 crore but does not exceed ₹ 2 crores	15% of tax
Total income exceeds ₹ 2 crores	25% of tax*

Subject to Marginal Relief.

* Where the total income includes dividend, any income chargeable u/s 111A, 112 and 112A, the surcharge on the amount of income-tax computed on that part of income shall not exceed 15%. In other words, surcharge higher than 15% is applicable only on tax on income other than dividend, income covered u/s 111A, 112 and 112A. Moreover, in case of an AOP consisting of only companies as its members, the rate of surcharge on the amount of Income-tax shall not exceed 15%.

Health & Education Cess

Applicable on: All assessee

Rate of cess: 4% of Tax liability after Surcharge

Rate of tax under old tax regime

In that case, following tax rates are applicable:

Individual/HUF/Association of Persons/Body of Individuals/Artificial Juridical Person

In case of Super Senior citizen

Total Income Range	Rates of Income Tax
Up to ₹ 5,00,000	Nil
₹ 5,00,001 to ₹ 10,00,000	20% of (Total income – ₹ 5,00,000)
₹ 10,00,001 and above	₹ 1,00,000 + 30% of (Total income – ₹ 10,00,000)

Super Senior Citizen means an individual who is resident in India and is of at least 80 years of age at any time during the relevant previous year (i.e. any resident person, male or female, born before 02-04-1945).

In case of Senior citizen

Total Income Range	Rates of Income Tax
Up to ₹ 3,00,000	Nil
₹ 3,00,001 to ₹ 5,00,000	5% of (Total Income – ₹ 3,00,000)
₹ 5,00,001 to ₹ 10,00,000	₹ 10,000 + 20% of (Total income – ₹ 5,00,000)
₹ 10,00,001 and above	₹ 1,10,000 + 30% of (Total income – ₹ 10,00,000)

Senior Citizen means an individual who is resident in India and is of at least 60 years of age at any time during the relevant previous year. (i.e., a resident person, male or female, born on or after 02-04-1945 but before 02-04-1965)

In case of other Individual[1] / HUF / Association of Persons / Body of Individuals / Artificial Juridical Person

Total Income Range	Rates of Income Tax
Up to ₹ 2,50,000	Nil
₹ 2,50,001 to ₹ 5,00,000	5% of (Total Income – ₹ 2,50,000)
₹ 5,00,001 to ₹ 10,00,000	₹ 12,500 + 20% of (Total income – ₹ 5,00,000)
₹ 10,00,001 and above	₹ 1,12,500 + 30% of (Total income – ₹ 10,00,000)

[1]. born on or after 02-04-1965 or non-resident individual

Rebate u/s 87A

Applicable to: Resident Individual

Conditions to be satisfied: Total income of the assessee does not exceed ₹ 5,00,000.

Quantum of Rebate: **Lower** of the following:

a. 100% of tax liability as computed above; or

b. ₹ 12,500/-

Surcharge on tax after rebate u/s 87A

Surcharge at the following rate is also payable on tax as computed above after rebate u/s 87A

Total Income	Rate of Surcharge
Total income does not exceed ₹ 50 lacs	Nil
Total income exceeds ₹ 50 lacs but does not exceed ₹ 1 crore	10% of tax
Total income exceeds ₹ 1 crore but does not exceed ₹ 2 crores	15% of tax
Total income exceeds ₹ 2 crores but does not exceed ₹ 5 crores	25% of tax*
Total income exceeds ₹ 5 crores	37% of tax*

Surcharge is subject to marginal relief.

* Where the total income includes dividend, any income chargeable u/s 111A, 112 and 112A, the surcharge on the amount of income-tax computed on that part of income shall not exceed 15%. In other words, surcharge higher than 15% is applicable only on tax on income other than dividend, income covered u/s 111A, 112 and 112A. Moreover, in case of an AOP consisting of only companies as its members, the rate of surcharge on the amount of Income-tax shall not exceed 15%.

Health & Education Cess

Applicable on: All assessee

Rate of cess: 4% of Tax liability after Surcharge

Firm or Limited Liability Partnership (LLP)

A partnership firm (including limited liability partnership) is taxable at the rate of 30%

Surcharge: 12% of income-tax (if total income exceeds ₹ 1 crore otherwise Nil)

Marginal Relief: Available

Health & Education Cess: 4% of tax liability after surcharge

Company

Company	*Rate*
In the case of a domestic company	
- Where its total turnover or gross receipts during the previous year 2022-23	25%

does not exceed ₹ 400 crore	
- In any other case	30%
In the case of a foreign company	35%

Surcharge

Total Income	Domestic Company	Foreign Company
If total income exceeds ₹ 10 crore	12%	5%
If income exceeds ₹ 1 crore but does not exceed ₹ 10 crore	7%	2%
If income does not exceed ₹ 1 crore	Nil	Nil

Marginal Relief: Available at both points (i.e., income exceeds ₹ 1,00,00,000 or ₹ 10,00,00,000)

Health & Education Cess: 4% of tax liability after surcharge

Sec. 10

Amendment to sec. 10(4D)

The definition of specified fund u/s 10(4D) has been modified to include a fund established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate, which has been granted a certificate as a retail scheme or an Exchange Traded Fund, and is regulated under the International Financial Services Centres Authority (Fund Management) Regulations, 2022, made under the International Financial Services Centres Authority Act, 2019 and satisfies prescribed conditions

Further, the specified fund also includes the investment division of an offshore banking unit that commenced its operations on or before March 31, 2024. The said date has been extended to 31-03-2025.

Insertion of sec. 10(15B)

Income from lease rental of cruise ship [Sec. 10(15B)]

Any income of a foreign company from lease rentals (by whatever name called) of cruise ships, shall be exempted if the following conditions are satisfied:

Such income shall be received from a specified company which operates such ship(s) in India

Such foreign company and the specified company are subsidiaries of the same holding company; and

Such income is received or accrues or arises in India for any relevant assessment year beginning on or before 01-4-2030.

Taxpoint

- Specified company means any company, other than a domestic company which operates cruise ships in India and opts to pay tax in accordance with the provisions of sec. 44BBC
- Holding company, in relation to a foreign company or a specified company, means a company of which such companies are subsidiary companies
- Subsidiary company or "subsidiary", in relation to a holding company, means a company in which the holding company exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies;

Amendment to sec. 10(23C)

Merger of trusts under first regime with second regime

1. The Act puts in place two main regimes for trusts or funds or institutions to claim exemption. The first is contained in the provisions of sub-clause(s) (iv), (v), (vi) or (via) of clause (23C) of section 10. The second is contained in the provisions of sections 11 to 13 of the Act. The provisions of the respective regimes lay down the procedure for filing application for approval/ registration, the conditions subject to which such approval/ registration shall be granted or can be withdrawn etc.
2. As both the regimes intend to grant similar benefit, the procedure and conditions across the two regimes have been aligned, over the last few years, vide successive Finance Acts.
3. In order to take forward the process of simplification of procedures and to reduce administrative burden, it is provided that the first regime be sunset and trusts, funds or institutions be transited to the second regime in a gradual manner.
4. It is, therefore, provided that:
   - Applications seeking approval or provisional approval under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10, and filed on or after 1st October, 2024, shall not be considered.
   - Applications filed under these sub-clauses before 1st October, 2024, and which are pending would be processed and considered under the extant provisions of the first regime itself.
   - Approved trusts, funds or institutions would continue to get the benefit of exemption, as per the provisions of sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10, till the validity of the said approval.
   - They would be eligible to apply for registration, subsequently, under the second regime. Amendments have accordingly been made in section 12A.
   - Certain eligible modes of investment, under the first regime (*viz.* those specified in clause (b) of third proviso to clause (23C) of section 10) shall be protected in the second regime, by way of amendment in section 13.

Amendment to sec. 10(23EE)

Specified income of Core Settlement Guarantee Funds set up by recognised clearing corporations in IFSC, has been exempted by amending the definition of "recognised clearing corporation" and "regulations" in the Explanation to sec. 10(23EE).

Amendment to sec. 10(23FB)

The provision of sec. 10(23FB) have been amended to expand the scope of venture capital fund to include the venture capital fund referred to in regulation 18(2) of the International Financial Services Centres Authority (Fund Management) Regulation, 2022.

Amendment to sec. 10(34A)

With effect from 01-10-2024, any amount received in respect of any buyback of shares by a shareholder will not be exempt u/s 10(34A).

Amendment to sec. 10(50)

W.e.f. 01-08-2024, the exemption u/s 10(50) available to the e-commerce operator is not available.

Salaries

Standard Deduction

Under sec. 16(ia), standard deduction to the extent of ₹ 50,000 is available from gross salary. The provision has been amended to increase the amount of standard deduction to ₹ 75,000, if the assessee is under the default tax regime.

It is to be noted that there is no change in standard deduction if the assessee has opted for the old tax regime.

Profits and Gains of Business or Profession

Reporting of income from letting out of house property under 'Income from House Property'

Section 28 specifies kinds of income that shall be chargeable to income-tax under the head 'Profits and gains of business or profession'. Some taxpayers are reporting their rental income generated by letting out of the house property, under the head 'Profits and gains of business or profession' in place of the head 'Income from house property'. Accordingly, they are reducing their tax liability substantially by showing house property income under the wrong head of income.

In view of the same, it is clarified that any income from letting out of a residential house or a part of the house by the owner shall not be chargeable under the head "Profits and gains of business or profession" and shall be chargeable under the head "Income from house property".

Increase in amount allowed as deduction to non-government employers and their employees for employer contribution to a Pension Scheme referred in section 80CCD

Section 36 of the Act pertains to other deductions allowed while computing the income under the head 'Profits and gains of business or profession'. Clause (iva) of sub-section (1) of said section states that any sum paid by the assessee as an employer by way of contribution towards a pension scheme, as referred to in section 80CCD of the Act, on account of an employee, to the extent it does not exceed 10% of the salary of the employee in the previous year, shall be allowed as a deduction to the employer.

It is amended to increase the amount of employer contribution allowed as a deduction to the employer from the extent of 10% to the extent of 14% of the salary of the employee in the previous year.

Disallowance of settlement amounts being paid to settle contraventions

1. Section 37 of the Act provides for allowability of expenditure laid out or expended wholly and exclusively for the purpose of business or profession.
2. Explanation 1 of sec. 37(1) provides that any expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law shall not be deemed to have been incurred for the purpose of business or profession and no deduction or allowance shall be made in respect of such expenditure.
3. Explanation 3 clarifies that the expression "expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law", referred to in Explanation 1, includes expenditure incurred for any purpose which is an offence or is prohibited by, any law enacted in or outside India; or is incurred to provide any benefit or perquisite, in whatever form, to a person, whether or not carrying on a business or exercising a profession and acceptance of such benefit or perquisite by such person is in violation of any law or rule or regulation or guideline under the law governing the conduct of such person; or is incurred to compound an offence under any law for the time being in force in or outside India.
4. Settlement amounts are incurred due to an infraction of law and relate to contraventions etc and, therefore, should not be allowed as business expenses.
5. Accordingly, it is amended to clarify that "expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law" under Explanation 1 shall include any expenditure incurred by an assessee to settle proceedings initiated in relation to a contravention under any law for the time being in force, as may be notified by the Central Government in the Official Gazette in this behalf.

Increase in limit of remuneration to working partners of a firm allowed as deduction

Section 40 provides for amounts that shall not be deducted in computing the income chargeable under the head "Profits and gains of business or profession". Sec. 40(b)(v) provides for disallowance of any payment of remuneration to any partner who is working partner which is authorized by and is in accordance with the terms of the partnership deed and relates to any period falling after the date of such partnership deed in so far as the amount of such payment to all partners during the previous year exceeds the aggregate amount computed as hereunder:

Amount of book-profit	Maximum remuneration allowed
First ₹ 3,00,000	90% of book profit or ₹ 1,50,000, whichever is higher
On balance book-profit	60% of next book profit

The amendment has been made to increase the limit of remuneration to working partners in a partnership firm, which is allowed as a deduction. The revised limits are as under:

Amount of book-profit	Maximum remuneration allowed
In case of loss	₹ 3,00,000
In case of profit	
First ₹ 6,00,000	90% of book profit or ₹ 3,00,000, whichever is higher
On balance book-profit	60% of next book profit

Removing reference to National Housing Board in Section 43D of the Act

Section 43D of the Act provides for special provision in case of income of public financial institutions, public companies involved in housing finance, scheduled banks, co-operative banks other than primary agricultural credit societies, primary co-operative agricultural and rural development banks, State financial corporations, State industrial investment corporations and notified non-banking financial companies.

Clause (b) of section 43D of the Act states that in the case of a public company involved in housing finance, the income by way of interest in relation to such categories of bad or doubtful debts as may be prescribed having regard to the guidelines issued by the National Housing Bank (NHB) in relation to such debts shall be chargeable to tax in the previous year in which it is credited by the public company to its profit and loss account for that year or, as the case may be, in which it is actually received by that company, whichever is earlier.

The provision has been amended to remove the reference of the National Housing Board from the entire provision of sec. 43D

Capital Gains

Amendment of section 47

Section 47 of the Act provides exclusion to certain transactions not regarded as transfer for the purposes of chargeability under 'Capital Gains' u/s 45.

Sec. 47(iii) provides that nothing contained in sec. 45 shall apply to any transfer of a capital asset under a gift or will or an irrevocable trust. However, this clause is not applicable in respect of specified ESOPs.

A gift is given out of natural love and affection and accordingly the said clause is amended to provide that nothing contained in section 45 shall apply to transfer of a capital asset, under a gift or will or an irrevocable trust, by an individual or a Hindu undivided family.

Rationalisation and Simplification of taxation of Capital Gains

The taxation of capital gains has been rationalized and simplified. There are three components to this simplification.

- Firstly, it is provided that there will only be two holding periods, 12 months and 24 months, for determining whether the capital gains is short-term capital gains or long term capital gains. For all listed securities, the holding period will be 12 months and for all other assets, it shall be 24 months. Accordingly, sec. 2(42A) has been amended. Thus, units of listed business trust will now be at par with listed equity shares at 12 months instead of earlier 36 months. The holding period for bonds, debentures, gold will reduce from 36 months to 24 months. For unlisted shares and immovable property it shall remain at 24 months.

- Secondly, the rate for short-term capital gain under provisions of sec. 111A is increased to 20% from the present rate of 15%. Other short-term capital gains shall continue to be taxed at applicable rate. The rate of long-term capital gains under provisions of various sections of the Act has been changed to 12.5% (instead of 10% or 20%) in respect of all category of assets. For listed bonds and debentures, the rate shall be reduced to 12.5%. Unlisted debentures and unlisted bonds are of the nature of debt instruments and therefore any capital gains on them should be taxed at applicable rate. However, long term capital gain specified u/s 112A to the extent of ₹ 1.25 lakh[1] (aggregate) shall be charged to tax at Nil rate.

- Thirdly, simultaneously with the rationalisation of the rate to 12.5%, index benefit shall not be available for the calculation of any long-term capital gains.
  However, where -
  a) The transferor is a resident individual or resident HUF;
  b) Long term capital gain arises on the transfer of long-term capital asset being land, building or both;
  c) Such asset may be residential or commercial or used for any other purpose;
  d) Such asset was acquired before 23-07-2024; **and**
  e) Such asset is transferred on or after 23-07-2024

  then, the assessee has the option to pay tax:
  Option 1 – Pay tax @ 12.5% without considering index benefit
  Option 2 – Pay tax @ 20% after considering index benefit.
  Taxpoint: The option is for computing **tax** liability on long-term capital gain but there is no option for computing long-term capital gain. In other words, long-term capital gain shall be computed without considering index benefit, however for the purpose of computing tax on long-term capital gain on an aforesaid capital asset, the assessee has options

- Further, to bring parity of taxation between residents and non-residents, corresponding amendments to sec. 115AD, 115AB, 115AC, 115ACA and 115E are being made to align the rates of taxation in respect of long-term capital gains provided u/s 112A and 112 and rates of short term capital gains provided u/s 111A.

- Further, consequential amendments to align the withholding tax provisions with the substantive provisions to give effect to the aforesaid changes in rates of capital gains tax are being made u/s 196B and 196C.

- These amendments shall come into effect from the 23-07-2024.

[1] Earlier ₹ 1 lakh

Income from Other Sources

Amendment to the definition of dividend [Sec. 2(22)]

W.e.f. 01-10-2024, the sum paid by a domestic company for purchase of its own shares shall be treated as dividend in the hands of shareholders, who received payment from such buy-back of shares and shall be charged to income-tax at applicable rates. No deduction for expenses shall be available against such dividend income while determining the income from other sources. The cost of acquisition of the shares which have been bought back would generate a capital loss in the hands of the shareholder as these assets have been extinguished. Therefore when the shareholder has any other capital gain from sale of shares or otherwise subsequently, he would be entitled to claim his original cost of acquisition of all the shares (i.e. the shares earlier bought back plus shares finally sold). It shall be computed as follows:

a. deeming value of consideration of shares under buy-back (for purposes of computing capital loss) as nil;
b. allowing capital loss on buy-back, computed as value of consideration (nil) less cost of acquisition;
c. allowing the carry forward of this as capital loss, which may subsequently be set-off against consideration received on sale and thereby reduce the capital gains to this extent.

Further, the provision of sec. 115QA is not applicable. Hence, the company is not required to pay dividend distribution tax. However, the provision of sec. 194 is applicable for deduction of tax at source

Omission of sec. 56(2)(viib)

Provision of sec. 56(2)(viib) shall not be applicable from A.Y. 2025-26

Standard Deduction from family pension

A standard deduction to the extent of ₹ 15,000 is available from the family pension. The provision has been amended to increase the amount of standard deduction to ₹ 25,000, if the assessee is under the default tax regime.

It is to be noted that there is no change in standard deduction if the assessee has opted for the old tax regime.

Deduction

Amendment to sec. 80CCD

Sec. 80CCD(2) has been amended to provide that where contribution has been made by any other employer (not being Central Government or State Government), the employee shall be allowed as a deduction an amount not exceeding 14% of the employee's salary. This is being increased only in the case where the employee's salary is chargeable to tax u/s 115BAC(1A).

Further, time limit provided in sec. 80-IAC and 80LA has been extended by one more year

Return of Income & PAN

Discontinuation of the provisions allowing quoting of Aadhaar Enrolment ID in place of Aadhaar number

The existing provisions of section 139AA of the Act mandate, inter-alia, that every person who is eligible to obtain Aadhaar number shall, on or after 01-07-2017, quote Aadhaar number—

(i) in the application form for allotment of Permanent Account Number (PAN);

(ii) in the return of income.

Further, said section also provides that where the person does not possess the Aadhaar Number, the Enrolment ID of Aadhaar application form issued to him at the time of enrolment shall be quoted in the application for permanent account number or in the return of income furnished by him.

The said provisions allowing the quoting of Aadhaar Enrolment ID in application form for allotment of PAN or in the return of income, was introduced in 2017. Since then, as per data available in public domain, coverage of Aadhaar number has been increasing, and has encompassed majority of the population in India. Hence, it is imperative to discontinue the option of quoting of the Enrolment ID of Aadhaar application form, as any allotment of PAN against the Enrolment ID may lead to duplication and misuse of PAN.

Therefore, it is provided that proviso to sec. 139A(1) shall not apply from 01-10-2024. It is further provided that every person who has been allotted permanent account number on the basis of Enrolment ID of Aadhaar application form, shall intimate his Aadhaar number on or before a notified date.

Amendment to sec. 139

The existing provisions of the sec. 139 prescribe, inter-alia, that every person, being a company or a firm, or being a person other than a company or a firm whose total income exceeds the maximum amount which is not chargeable to income-tax, shall, furnish a return of his income. In this regard, consequential amendment has been made in the said section to provide that where any return of income is furnished in pursuance of an order u/s 119(2)(b), the provisions of section 139 shall apply.

TDS

Ease in claiming credit for TCS collected/TDS deducted by salaried employees

Section 192 of the Act provides for deduction of tax at source on salary income. Further, sec. 192(2B) provides for consideration of income under any other head and tax, if any, deducted thereon to be taken into account for the purposes of making the deduction u/s 192(1), subject to certain conditions.

In order to ease compliance, sec. 192(2B) has been amended to include any tax deducted or collected to be taken into account for the purposes of making the deduction u/s 192(1)

Amendment to other TDS provisions [w.e.f. 01-10-2024]

Sec.	Amendment
193	The provisions of sec. 193 has been amended to allow for deduction of tax at source at the time of payment of interest on Floating Rate Savings (Taxable) Bonds, 2020, if interest payable on such exceeds ₹ 10,000
194	Amount received on buy back of share is treated as dividend hence subject to TDS
194C	It is clarified that any sum referred to in sec. 194J does not constitute "work" for the purposes of TDS u/s 194C
194F	Omitted
194-IA	It is clarified that where there is more than one transferor or transferee in respect of an immovable property, then such consideration shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property.

Amendment in rate of TDS [w.e.f. 01-10-2024]

Sec.	TDS Rate upto 30-09-2024	TDS Rate w.e.f. 01-10-2024
19DA	5%	2%
194G	5%	2%
194H	5%	2%
194-IB	5%	2%
194M	5%	2%
194-O	1%	0.1%

Extending the scope for lower deduction / collection certificate of tax at source [Sec. 197(1) and sec. 206C(9)]

In order to facilitate ease of doing business and to provide an option to seek a lower deduction certificate so as to reduce compliance burden on the assessee:

a) section 197 has been amended to bring section 194Q in its ambit

b) section 206C(9) has been amended to bring sec. 206C(1H) in its ambit.

Inclusion of taxes withheld outside India for purposes of calculating total income

Section 198 provides that all sums deducted (tax deducted), in accordance with the provisions of Chapter XVII-B shall, for the purpose of computing the income of an assessee, be deemed to be income received. It was seen that some assessees are not including taxes withheld outside India for the purposes of calculating their total income which was leading to under reporting of total income as only their net income was being offered for taxation. However they were claiming credit for the taxes withheld abroad resulting in double deduction on account of income not being included in total income but credit for foreign taxes withheld was being taken.

In order to address this issue, sec. 198 has been amended to provide that all sums deducted in accordance with the provisions of Chapter XVII-B and income tax paid outside India by way of deduction, in respect of which an assessee is allowed a credit against the tax payable under the Act, are for the purpose of computing the income of the assessee, deemed to be income received.

TCS u/s 206C(1F) on notified goods

The existing provisions of sec. 206C of the Act provide, *inter alia*, for the collection of tax at source on business of trading in alcoholic liquor, forest produce, scrap etc. Sub-section (1F) provides that every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ₹ 10 lakhs, shall, at the time of receipt of such amount, collect from the buyer, a sum equal to 1% of the sale consideration as income-tax.

It has been seen that there has been an increase in expenditure on luxury goods by high net worth persons. For proper tracking of such expenses and in order to widen and deepen the tax net, the said provision has been amended to also levy TCS on any other goods of value exceeding ₹ 10 lakhs, as may be notified by the Central Government in this behalf.

Widening ambit of sec. 200A for processing of statements other than those filed by deductor

Section 200A provides for the manner in which statement of tax deduction at source or a correction statement made by a person deducting any sum u/s 200 shall be processed.

There are statements, such as Form No. 26QF which is filed by an Exchange wherein the deductee is filing details of the tax. It is provided to widen the ambit of section 200A to state that in respect of statements which have been made by any other person, not being a deductor, the Board may make a scheme for processing of such statements

Further, sec. 201(3) has been amended and a new sub-section (7A) has been inserted in 206C to provide that no order shall be made deeming any person to be assessee in default for failure to deduct/ collect the whole or any part of the tax from any person, at any time after the expiry of 6 years from the end of the financial year in which payment is made or credit is given or tax was collectible or 2 years from the end of the financial year in which the correction statement is delivered, whichever is later.

Claiming credit for TCS of minor in the hands of parent

Section 206C provides for the collection of tax at source (TCS) on business of trading in alcoholic liquor, forest produce, scrap etc. Representations have been received that there is no provision in the Act for allowing credit of TCS to any other person (eg. parent) other than the collectee.

For example, funds remitted under the Liberalized Remittance Scheme of the Reserve Bank of India may have been remitted in the name of minor and accordingly tax would have been collected u/s 206C(1G). However, there is no provision for the parent to claim the same in their tax return.

It is, therefore, amended to introduce a provision in sec. 206C, to allow the Board to notify the rules for cases where credit of tax collected are given to person other than collectee. However, to ensure that this provision is not misused, credit of TCS of the minor shall only be allowed where the income of the minor is being clubbed with the parent as u/s 64(1A) which states that in computing the total income of any individual, there shall be included all such income as arises or accrues to his minor child.

Alignment of interest rates for late payment to Government account of TCS

Sec. 206C provides for the collection of tax at source (TCS) on business of trading in alcoholic liquor, forest produce, scrap etc. Sec. 206C(7) provides that persons who fail to collect tax or after collecting, fail to deposit the same to the credit of the Central Government shall be liable to pay simple interest at the rate of 1% for every month or part thereof on the amount of such tax from the date on which such tax was collectible to the date on which the tax was paid.

It was noted that the rates of interest applicable for late collection / late deposit of TCS are not in line with provisions of sec. 201(1A) pertaining to late deduction / deposit of TDS. A higher interest rate of 1.5% is applicable where tax has been deducted but not been deposited to Government account due to the gravity attached with the failure, as it deprives the deductee of due tax credit and does not reach the Central Government in time. Same difficulty is also faced by the collectee.

To align the rate of simple interest charged on failure to pay to Government account after collection of tax, sec. 206C(7) has been amended to specify that simple interest for non-payment of tax collected at source to Government account, is to be increased from 1% to 1.5% for every month or part thereof on the amount of such tax from the date on which such tax was collected to the date on which such tax is actually paid.

Notification of certain persons or class of persons as exempt from TCS

Section 206C of the Act provides for the collection of tax at source on business of trading in alcoholic liquor, forest produce, scrap etc. Representations have been received that there can be entities whose income is exempt from taxation and are not required to furnish returns of income. However, they face difficulty as tax is being collected on transactions carried out by them. They state that there is no provision in the Act for them to be exempted from the TCS provisions

It is therefore amended to provide that no collection of tax shall be made or that collection of tax shall be made at such lower rate in respect of specified transaction, from such person or class of persons, including institution, association or body or class of institutions, associations or bodies, as may be notified by the Central Government in this behalf.