

BUDGET 2012

Analysis- **Income tax** provisions

March 22'2012 [Budget presented on 16th March'2012]

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1. Corporate tax

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Title	Section /Chapter	Changes proposed	Effective from
No change in Corporate Tax rates		In this Budget, rates of corporate tax remain unchanged for both domestic and foreign companies.	
Dividend Distribution Tax (DDT)- cascading effect removed	115O	No DDT on dividend distributed by holding company out of dividend received from its subsidiary, if subsidiary has paid DDT.	1 st July' 2012
Lower rate of tax on dividends received from specified foreign companies	115BBD	<ul style="list-style-type: none"> Dividends received by Indian companies from specified foreign companies during Financial Year 2012-13 (only) will continued to be taxed at a concessional rate of 15 percent on a gross basis. Specified Foreign Company is defined to mean a foreign company in which the Indian Company holds 26% or more of the nominal value of equity share capital. 	Assessment Year 2013-14
Alternate Minimum Tax (AMT) on all persons other than companies	115JC	Alternative Minimum Tax (AMT), similar to MAT , made applicable to non-corporate assessee who are claiming deductions under Chapter VI-A [except Section 80P] and Section 10AA if the adjusted total income of such assessee exceeds Rs. 20 lacs.	Assessment Year 2013-14

Title	Section /Chapter	Changes proposed	Effective from
P&L account as per regulatory provisions for calculation of MAT	115JB	In order to align the provisions of the Income-tax Act with the Companies Act, companies such as insurance, banking, electricity, will be able to prepare profit and loss account as per applicable regulatory provisions , for the purpose of computing their book profit. These companies need not necessarily prepare their profit and loss account as per Schedule VI of the Companies Act.	Assessment Year 2013-14
Adjustment of Revaluation reserve for MAT calculation relating to revalued asset which is retired or disposed	115JB	Book profit for calculating MAT will also be increased by the revaluation reserve relating to retirement or disposal of the revalued assets , where such revaluation reserve is not credited to profit and loss account.	Assessment Year 2013-14
Deletion of Part III of the Schedule VI of the Companies Act	115JB	The revised Schedule VI under the Companies Act does not include Part III. In order to align the provisions of the Income-tax Act with the Companies Act, reference to Part III of Schedule VI of Companies Act will be deleted from Section 115 JB	Not applicable

2. Tax Incentives

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Title	Section	Changes Proposed	Effective From
Extension of time limit for weighted deduction	35(2AB)	<ul style="list-style-type: none"> Weighted deduction of 200% for expenditure incurred on in house scientific research and development extended for 5 years i.e. from 31st March 2012 to 31st March 2017 	Assessment Year 2013-14
Investment linked deduction extended to three more businesses	35AD	<p>Presently, 100% deduction is allowed in respect of Capital Expenditures (other than on Land, Goodwill and financial instrument) to some specified businesses. This incentive is being extended to following three new businesses who commence operation on or after 1st April, 2012:</p> <ul style="list-style-type: none"> Setting up and operating an inland container depot or a container freight station notified or approved under the Customs Act, 1962. Bee-keeping and production of honey and beeswax Setting up and operating a warehousing facility for storage of sugar. 	Assessment Year 2013-14

...contd. (Tax Incentives)



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Title	Section	Changes proposed	Effective from
Investment linked deduction enhanced for five specified businesses	35AD	<p>Deduction of capital expenditure (other than land, goodwill or financial instruments) enhanced from 100% to 150% to taxpayers who commence operation on or after 1st April, 2012 with respect to following specified businesses:</p> <ul style="list-style-type: none"> ▪ setting up and operating a cold chain facility; ▪ setting up and operating a warehousing facility for storage of agricultural produce; ▪ building and operating, anywhere in India, a hospital with at least 100 beds for patients; ▪ developing and building a housing project under a scheme for affordable housing under the prescribed scheme and ▪ production of fertilizer in India. 	Assessment Year 2013-14
Clarification in respect of Investment Linked Deduction in relation to Hotel Business	New subsection 35AD (1A)	A hotel owner shall continue to be eligible for the investment linked deduction under section 35AD if he, while continuing to own the hotel, transfers the operation of such hotel to another person.	Retrospectively from Assessment Year 2011-12

...contd. (Tax Incentives)

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Title	Section	Changes proposed	Effective from
Sunset clause for power sector extended	80-IA(4)(iv)	Sunset clause for commencement of business for power sector has been proposed to be extended from 31 st March 2012 to 31st March 2013 .	Assessment Year 2013-14
Exemption of income earned by SEBI registered Venture Capital Fund (VCF) / Venture Capital Company (VCC) without any sector restrictions	10(23F)	<ul style="list-style-type: none"> ▪ Presently, income of a SEBI regulated VCF or VCC, derived from investment in a domestic company i.e. Venture Capital Undertaking (VCU), is exempt from taxation, provided the VCU is engaged in only nine specified businesses. ▪ Now, this sector specific restriction has been withdrawn and VCF/VCC are free to invest in any domestic company engaged in any sector. 	Assessment Year 2013-14

3. General Anti Avoidance Rule (GAAR)

Changes proposed w.e.f. Assessment Year 2013-14

General Anti Avoidance Rule (**GAAR**) has been **introduced for the first time** in India **to address the aggressive tax planning** and codify the doctrine of **“substance over form”** which is already in place in many countries.

A. Conditions for invoking GAAR:

- (i) An arrangement whose main purpose or one of the main purposes is to obtain a tax benefit and which also satisfies at least **one of the four tests**, can be declared as an **“impermissible avoidance arrangements”**.
- (ii) The four tests referred to in (i) are—
 - (a) The arrangement creates rights and obligations, which are not normally created between parties dealing at arm's length.
 - (b) It results in misuse or abuse of provisions of tax laws.
 - (c) It lacks commercial substance or is deemed to lack commercial substance.
 - (d) Is carried out in a manner, which is normally not employed for bonafide purpose.

Note: The GAAR provisions may be applied to any step in or part of the arrangement.

B. Onus on taxpayer:

It shall be presumed that obtaining of tax benefit is the main purpose of an arrangement unless otherwise proved by the taxpayer

Changes proposed w.e.f. Assessment Year 2013-14

C. Treaty override:

- Presently, the Income Tax Act or Treaty, whichever is more beneficial to the taxpayer applies.
- Now, an **exception is carved out** to this provision, whereby GAAR would apply, even if the provisions under the Income Tax Act are not beneficial to the tax payer.

D. Tax consequence on invoking GAAR:

Once the arrangement is held to be an impermissible avoidance arrangement then the consequences of the arrangement in relation to tax or benefit under a tax treaty can be determined by keeping in view the circumstances of the case, however, some of the illustrative steps are:-

- disregarding or combining any step of the arrangement.
- ignoring the arrangement for the purpose of taxation law.
- disregarding or combining any party to the arrangement.
- reallocating expenses and income between the parties to the arrangement.
- relocating place of residence of a party, or location of a transaction or situs of an asset to a place other than provided in the arrangement.
- considering or looking through the arrangement by disregarding any corporate structure.
- re-characterizing equity into debt, capital into revenue etc.

Changes proposed w.e.f. Assessment Year 2013-14

E. Procedure for invoking GAAR:

The procedure for invoking GAAR is proposed as under:-

- It is proposed that the **Assessing Officer shall make a reference to the Commissioner** for invoking GAAR and on receipt of reference the Commissioner shall hear the taxpayer and if he is not satisfied by the reply of taxpayer and is of the opinion that GAAR provisions are to be invoked, he shall **refer the matter to an Approving Panel**. In case the assessee does not object or reply, the Commissioner shall make determination as to whether the arrangement is an impermissible avoidance arrangement or not.
- The Approving Panel has to **dispose of the reference within a period of six months** from the end of the month in which the reference was received from the Commissioner
- The Approving Panel shall either declare an arrangement to be impermissible or declare it not to be so after examining material and getting further inquiry to be made.
- The Assessing Officer (AO) will determine consequences of such a positive declaration of arrangement as impermissible avoidance arrangement.
- The final order in case any consequence of GAAR is determined shall be passed by AO only after approval by Commissioner and, thereafter, **first appeal** against such order shall lie **to the Appellate Tribunal**.

In addition to the above, it is provided that **CBDT shall prescribe a scheme for regulating the condition and manner of application** of these provisions

Changes proposed w.e.f. Assessment Year 2013-14**F. Other key provisions relating to GAAR:**

- These provisions can be used in addition to or in conjunction with other anti avoidance provisions or provisions for determination of tax liability, which are provided in the taxation law.
- The terms 'tax benefit', 'round trip financing' and 'accommodating party' have been widely defined.

4. International Taxation

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Title	Section	Changes proposed	Effective from
Indirect transfer of assets in India to be taxable	9(1)(i)	<p>In a clear attempt to override the Vodafone Judgment of Hon'ble Supreme Court, clarificatory amendments have been introduced in Section 9(1)(i). Now, indirect transfer of assets in India shall be taxable. Following changes have been introduced:</p> <ul style="list-style-type: none"> It has been clarified that an asset/capital asset, being any share or interest in a company/entity 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. There is no specific guidance provided for determination of "substantial value". It has been further clarified that the expression 'through' shall mean and include and shall be deemed to have always meant and included "by means of", "in consequence of" or "by reason of". 	Retrospectively from Assessment Year 1962-63
Definition of 'Property' amended	2(14)	It has been clarified that 'property' includes and shall be deemed to have always included any rights in or in relation to an Indian company, including rights of management or control or any other rights whatsoever.	Retrospectively from Assessment Year 1962-63

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Title	Section	Changes proposed	Effective from
Definition of 'Transfer' amended	2(47)	It has been clarified that 'transfer' includes and shall be deemed to have always included disposing of or parting with an asset or any interest therein, or creating any interest in any asset in any manner whatsoever, directly or indirectly, absolutely or conditionally, voluntarily or involuntarily by way of an agreement (whether entered into in India or outside India) or otherwise, notwithstanding that such transfer of rights has been characterized as being effected or dependent upon or flowing from the transfer of a share or shares of a company registered or incorporated outside India.	Retrospectively from Assessment Year 1962-63
Deduction of withholding tax from payments to non-resident	195(1)	It has been clarified that obligation to withhold tax from payment to non-residents shall be applicable to all persons , resident or non-resident, irrespective of whether or not the non-resident has:- (a) a residence or place of business or business connection in India; or (b) any other presence in any manner whatsoever in India.	Retrospectively from Assessment Year 1962-63

Title	Section	Changes proposed	Effective from
Validation clause		A validation clause has been inserted to validate all demands raised/notices sent or purporting to have been sent, in connection with indirect transfer of a capital asset, prior to coming into force of the validating clause, notwithstanding any judgment or decree of a court/ tribunal/ other authority and such notice can not be called in question on the ground that tax was not chargeable or that tax is on capital gains arising out of transactions taken place outside India.	From the date when the Finance Bill receives Presidential assent
Tax Residency Certificate (TRC)	90 & 90A	<ul style="list-style-type: none"> ▪ To avail the benefit under DTAA, the payee (non-resident) shall be required to produce TRC from the Government of that country or specified territory which should contain prescribed particulars in it. ▪ Further, TRC would be considered as necessary both not the sufficient condition to avail the benefits of the DTAA. 	Assessment Year 2013-14
Time limit for reassessment proceedings increased	149	<ul style="list-style-type: none"> ▪ Presently, time limit to initiate reassessment proceeding against a taxpayer who is an agent of a non-resident is 2 years from the end of relevant assessment years. ▪ Now, this limit has been increased to 6 years from the end of relevant assessment years. 	1 st April' 2012

Title	Section	Changes proposed	Effective from
Definition of Royalty enhanced through clarificatory amendment	9(1)(vi)	<ul style="list-style-type: none"> To include the use or right to use of computer software, definition of 'Royalty' has been enhanced. It has been clarified that transfer of all or any rights in respect of any right, property or information as mentioned in Explanation 2, includes and has always included transfer of all or any right for use or right to use a computer software (including granting of a licence) irrespective of the medium through which such right is transferred. It has been clarified that royalty includes and has always included consideration in respect of any right, property or information, whether or not <ul style="list-style-type: none"> (a) the possession or control of such right, property or information is with the payer; (b) such right, property or information is used directly by the payer; (c) the location of such right, property or information is in India. It has been clarified that the term "process" includes and shall be deemed to have always included transmission by satellite (including up-linking, amplification, conversion for down-linking of any signal), cable, optic fibre or by any other similar technology, whether or not such process is secret 	Retrospectively Assessment Year 1977-78

5. Transfer Pricing (TP)

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Title	Section	Changes proposed	Effective from
Advance Pricing Agreement (APA)	New Section 92CC & 92CD	<ul style="list-style-type: none"> New provisions relating to APA introduced to provide certainty to taxpayers. Advance Pricing Agreement is an agreement between a taxpayer and a taxing authority on an appropriate transfer pricing methodology for a set of transactions over a fixed period of time in future. APA will specify the determination of ALP or manner in which the price is to be determined. Determination of price would be based on any method including those prescribed under Section 92C, with necessary adjustment or variations. APA would be valid for such financial years as mentioned in the agreement and will not exceed a period of five consecutive years. APA would be binding only on the taxpayer and the Revenue authorities in respect of the covered international transactions. 	1 st July' 2012
Scope of International Transaction enhanced	92B	<ul style="list-style-type: none"> It has been clarified that the 'international transaction' shall include a transaction of business restructuring or reorganisation, entered into by an enterprise with an associated enterprise, irrespective of the fact that it has bearing on the profit, income, losses or assets or such enterprises at the time of the transaction or at any future date. The term 'intangible property' has been widely defined. 	Retrospectively from Assessment Year 2002-03

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Title	Section	Changes proposed	Effective from
Applicability of TP regulations on specified domestic transactions	40A, 10AA, 80A, 80IA	<ul style="list-style-type: none"> The Supreme Court in the case of CIT Vs. Glaxo SmithKline Asia (P) Ltd., in its order has, after examining the complications which arise in cases where fair market value is to be assigned to transactions between domestic related parties, suggested that Ministry of Finance should consider appropriate provisions in law to make transfer pricing regulations applicable to such related party domestic transactions. In view of this, TP regulations shall apply to specified domestic transactions with related parties under Section 40A, 10AA, 80A, 80IA where the aggregate value of these transactions exceeds Rs. 5 crore. Taxpayers having specified domestic transactions will have to maintain prescribed documentation and also obtain an accountant's report in prescribed form 3CEB. The accountant's certificate would have to be filed with the Revenue authorities by the due date of filing of tax return, failing which penal provisions would apply. The assessment/apellate provisions applicable to taxpayers having international transactions would also apply to taxpayers having specified domestic transactions. 	Assessment Year 2013-14

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Title	Section	Changes proposed	Effective from
Examination of transactions not referred to TPO	92CA	<ul style="list-style-type: none"> Transfer Pricing Officer (TPO) has been empowered to determine Arm's Length Price of an international transaction noticed by him in the course of proceedings before him, even if the said transaction was not referred to him by the Assessing Officer, provided that such international transaction was not reported by the taxpayer. Due to retrospectivity of the amendment no reopening of any proceeding would be undertaken only on account of such an amendment. 	1 st July' 2012
Enhancement of Penalty for non-compliance of TP regulations	271AA	<ul style="list-style-type: none"> Presently, penalty provisions relating to transfer pricing exist only for following: <ul style="list-style-type: none"> Non-furnishing of TP Report in Form 3CEB – Penalty of Rs. 1 lac Failure to maintain/furnish TP documentation – 2% of the value of international transaction. Now, in addition to above penalties, a penalty of 2% of the value of international transaction can be levied to the taxpayer who: <ul style="list-style-type: none"> Fails to report any international transaction which is required to be reported Maintains or furnishes any incorrect information or documents. 	1 st July' 2012

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Title	Section	Changes proposed	Effective from
Due date of filing of Form 3CEB extended for non-corporate assessee	139	<ul style="list-style-type: none"> Presently, due date of filing of Form 3CEB for non-corporate assessee is 30th September which has been proposed to be extended to 30th November in line with the corporate assessee. 	Retrospectively from Assessment Year 2012-13
Upper limit of tolerance band to determine ALP	92C(2)	<ul style="list-style-type: none"> The proviso to sub section (2) of section 92C which was amended by Finance Act, 2011 provides that the Central Government may notify a percentage and if variation between the ALP so determined and the transaction price is within the notified percentage (of transaction price), no adjustment shall be made to the transaction price. There is a need to put an upper ceiling on such tolerance range, which is to be notified, in the legislation. An upper ceiling of 3% has been prescribed in respect of power of Central Government to notify the tolerance range for determination of arms length price. 	Assessment Year 2013-14

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Title	Section	Changes proposed	Effective from
Power of DRP to enhance variations	144C(8)	<ul style="list-style-type: none"> It is now clarified that the powers of the Dispute Resolution Panel (DRP) always included the powers to enhance income or any matter arising out of the assessment proceedings, whether raised by taxpayer or not. 	Retrospectively from Assessment Year 2009-10
Appeal against the directions of DRP	253 & 254	<ul style="list-style-type: none"> The taxpayer has been given a right to appeal directly to the Income Tax Appellate Tribunal (ITAT) against the order passed by the Assessing Officer in pursuance of the directions of the DRP The Income Tax Department does not have the right to appeal against the directions given by the DRP As the directions given by the DRP are binding on the Assessing Officer, it is accordingly proposed to provide that the Assessing Officer may also file an appeal before the ITAT against an order passed in pursuance of directions of the DRP. 	1 st July' 2012
Reassessment proceedings	147	<ul style="list-style-type: none"> Where it is found that an international transaction has not been reported either by non-filing of report or otherwise by not including such transaction in the report mentioned in section 92E then such non-reporting would be considered as a case of deemed escapement of income and such a case can be reopened under section 147 of the Act. 	1 st July' 2012

6. Tax Deducted at Source (TDS)

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Title	Section	Changes proposed	Effective from
Liability to pay advance tax in case of non deduction of tax by the payer	209	<ul style="list-style-type: none"> Under the existing provisions of section 209 of the Income-tax Act, the amount of advance tax payable is computed by reducing the amount of income-tax which would be deductible or collectible during the financial year from income-tax on estimated income. Therefore, in cases where the assessee receives or pays any amount (on which the tax was deductible or collectible) without deduction or collection of tax, it has been held by Courts that he is not liable to pay advance tax to the extent the tax is deductible or collectible from such amount. Now, such advance tax shall be payable by the payee on the income which has been received without deduction of tax by the payer. 	1 st April'2012 [For Advance tax to be paid in Financial Year 2012-13]
TDS on transfer of immovable property	New Section 194LAA	<ul style="list-style-type: none"> Every transferee, at the time of making payment or crediting any sum by way of consideration for transfer of immovable property (other than agricultural land), shall deduct tax, at the rate of 1% of such sum, if the consideration paid or payable for the transfer of such property exceeds: <ul style="list-style-type: none"> 50 lacs rupees in case such property is situated in a specified urban agglomeration; or 20 lacs rupees in case such property is situated in any other area. 	1st October' 2012

Title	Section	Changes proposed	Effective from
		<ul style="list-style-type: none"> Stamp duty value shall be considered for TDS where the consideration for transfer is less than the stamp duty value. Proof of TDS to be furnished to the authority registering the document of transfer of immovable property, failing which such authority shall not register such document. Transferee (person responsible for deduction of tax) is not required to obtain a TAN (Tax Deduction Account Number) for deposit of TDS. A simple one page challan shall be prescribed for deposit of TDS. 	1 st October' 2012
TDS on remuneration paid to Directors	194J	<ul style="list-style-type: none"> TDS is required to be deducted on any remuneration (other than in the nature of salary) paid to a Director of company @ 10%. 	1 st July '2012
TCS on cash sale of bullion and jewellery	206C	<ul style="list-style-type: none"> Now, a seller of the bullion and jewellery is required to collect at source, if the sale in cash and the sale consideration exceeds Rs. 2 lacs 	1 st July' 2012

Title	Section	Changes proposed	Effective from
Allowability of business expenditure on account of non-deduction of TDS in certain conditions	40(a)(ia) and 201(1)	<ul style="list-style-type: none"> Presently, a specified business expenditure gets disallowed if the assessee has not deducted and deposited TDS before the due date of filing of return of income and such expenditures are allowed in the year in which such taxes are deposited. Now, in case of payments to residents, if the assessee fails to deduct taxes on any such specified sum (i.e. professional fee, commission, interest etc.) but he is not deemed to be an assessee in default, then it shall be deemed that the assessee has deducted and deposited the tax on such sum on the date of furnishing the return of income by resident payee. An assessee (payer) shall not be considered as an assessee in default if: <ul style="list-style-type: none"> The resident payee has furnished a return of income The payments made to resident payee (on which TDS was not deducted) have been included in the calculation of total income. Tax on returned income has been paid by the resident payee. A certificate from a Chartered Accountant is furnished by the assessee in the prescribed format. 	Assessment Year 2013-14

Title	Section	Changes proposed	Effective from
Fee and penalty in respect of TDS return	New Section 271H	<ul style="list-style-type: none"> ▪ A fee of Rs. 200 per day of delay will be charged for failure to submit returns of TDS by the due date. However, this fee shall not exceed the amount of TDS deductible. ▪ Additionally, penalty ranging between Rs. 10,000 to Rs. 100,000 can also be levied for: <ul style="list-style-type: none"> • Furnishing inaccurate particulars in the TDS returns OR • Submission of TDS return after the expiry of one year from the due date of submission of TDS return. 	1 st July' 2012
Intimation in respect of TDS returns	200A	<ul style="list-style-type: none"> ▪ Presently, provisions in respect of intimation generated on processing of TDS returns do not provide for rectification, appeals or being considered as a notice of demand. ▪ Now such intimation shall be subject to rectification, appealable and also shall be deemed to be a notice of demand. 	1 st July' 2012

7. Return and assessment

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Title	Section	Changes proposed	Effective from
Processing of return of income where scrutiny notice issued	143	<ul style="list-style-type: none"> Presently, every income tax return is to be processed before granting of refund. In many cases, where refund is due, such cases are already selected for scrutiny assessment which can lead to tax demand. Now, processing of return will not be necessary where notice for scrutiny assessment has already been issued. 	1 st July' 2012
Extension of time limit for completion of assessment	143	<ul style="list-style-type: none"> Presently, the time limit for completion of scrutiny assessment proceedings is 21 months (33 months where a reference is made to the Transfer Pricing Officer) from the end of assessment year. Now, for assessment proceedings relating to assessment year 2010-11 and onwards, this time limit has been increased to 24 months. For assessment proceedings related to assessment year 2009-10 and onwards where a reference is made to the Transfer Pricing Officer, this time limit will be 36 months i.e. 3 years. It means the assessment proceedings which used to get completed by 31st December, will now extend to 31st March. Where the tax authorities seek information from foreign tax authorities under the relevant DTAA, time has been increased from 6 months to 1 year. 	1 st July' 2012

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Title	Section	Changes proposed	Effective from
Income escaping assessment in relation to asset located outside India	149	<ul style="list-style-type: none"> The time limit for issue of notice for reopening an assessment on account of income escaping assessment is 6 years. The time limit of 6 years is not sufficient in cases where assets are located outside India because gathering information regarding such assets takes much more time on account of additional procedures and laws of foreign jurisdictions. Accordingly, the time limit for issue of notice for reopening an Assessment has been increased from 6 years to 16 years, where the income in relation to any asset (including financial interest in any entity) located outside India, chargeable to tax, has escaped assessment. 	1 st July' 2012

8. Other important changes

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Title	Section	Changes proposed	Effective from
Cash Credit	68	<ul style="list-style-type: none"> ▪ Share capital, share premium or share application money received by a closely held company can be considered its income unless satisfactory explanation about source of funds is provide to the tax authorities. ▪ However, this provision shall not apply when such kind of amounts is received from SEBI registered Venture Capital Fund/ Venture Capital Company. 	Assessment Year 2013-14
Share premium in excess of the fair market value to be treated as 'Income from other sources'	56(2)	<ul style="list-style-type: none"> ▪ Where a company (in which public are not substantially interested) receives from a resident, consideration for issue of shares exceeding the face value, such consideration in the excess of Fair Market Value (FMV) will be taxable under the head 'Income from other Sources'. ▪ FMV of shares shall be higher of: <ul style="list-style-type: none"> • Value as per prescribed method OR • Value based on assets including intangible assets, on the date of issue of shares, to the satisfaction of tax authorities. ▪ This provision is not applicable to consideration for issue of shares received by a Venture Capital Undertaking from a Venture Capital Company or Venture Capital Fund. 	Assessment Year 2013-14

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Title	Section	Changes proposed	Effective from
Tax audit	44AB	<ul style="list-style-type: none"> ▪ Threshold limit for tax audit increased from Rs. 60 lacs to Rs. 100 lacs (from Rs. 15 lacs to Rs. 25 lacs in case of income from profession). ▪ Due date of obtaining of tax audit report linked to the due date of filing of tax return which means in case of assessee where TP regulations are applicable can obtain the tax audit report by 30th November as their tax return date is 30th November. 	Assessment Year 2013-14
Presumptive taxation	44AD	<ul style="list-style-type: none"> ▪ Similarly, threshold limit of turnover or gross receipts for business covered under Section 44AD has been increased from Rs. 60 lacs to Rs. 100 lacs. ▪ It has been clarified that following persons are not eligible for the benefit of presumptive taxation provisions: <ul style="list-style-type: none"> • Engaged in specified professionals • Carrying out agency business or • Earning income in the nature of commission or brokerage. 	Assessment Year 2013-14
Fair Market Value to be full value of consideration in certain cases	New Section 50D	<ul style="list-style-type: none"> ▪ Where the consideration in respect of transfer of an asset is not determinable under the existing provisions of the Income-tax Act, then, the fair market value of the asset shall be taken to be the full market value of consideration. 	Assessment Year 2013-14

....contd. (Other important changes)

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Title	Section	Changes proposed	Effective from
Cash donations not allowed	80G and 80GGA	<ul style="list-style-type: none"> ▪ Cash donation in excess of Rs. 10,000 will not be allowed as deduction under Section 80G and 80GGA. 	Assessment Year 2013-14

9. Personal Taxation

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Title	Section	Changes proposed	Effective from
Basic exemption limit and slab increased		<ul style="list-style-type: none"> ▪ Basic exemption limit increased to benefit individual tax payers from Rs. 180,000 to Rs. 200,000. ▪ Tax slab of 20% widened from the existing slab of Rs 5 to Rs. 8 lacs to Rs. 5 to Rs.10 benefitting tax payers with a minimum of Rs. 22,000 (including the benefit of increase in basic exemption limit) of lesser tax liability. 	Assessment Year 2013-14
Deduction on investment in infrastructure bond discontinued	80CCF	<ul style="list-style-type: none"> ▪ Additional deduction of up to Rs. 20,000 for investments in notified long-term infrastructure bonds u/s 80CCF for individuals and Hindu Undivided Families discontinued. 	Assessment Year 2013-14
Compulsory filing of income tax return in relation to assets located outside India	139	<ul style="list-style-type: none"> ▪ Presently, a person (other than a company or firm) is not required to furnish a return of income if the income does not exceed the maximum amount not chargeable to tax. ▪ Now such resident having any asset (including financial interest in any entity) located outside India or signing authority in any account located outside India will have to furnish a return of income. 	Retrospectively from Assessment Year 2012-13

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Title	Section	Changes proposed	Effective from
Interest on saving accounts	New Section 80TTA	<ul style="list-style-type: none"> Interest on deposits in saving accounts (not being time deposits) with a banking company, specified co-operative society or post office shall be allowed as deduction up to Rs. 10,000. 	Assessment Year 2013-14
Eligibility condition in respect of insurance policies	80C(3)	<ul style="list-style-type: none"> The existing provisions contained in section 80C(3) provide that the deduction for life insurance premium shall be allowed for only so much of any premium or other payment made on an insurance policy as is not in excess of 20% of the actual capital sum assured. Now, the deduction for life insurance premium as regards insurance policies issued on or after 1st April, 2012 shall be allowed for only so much of the premium payable as does not exceed 10% of the actual capital sum assured. 'Actual capital sum assured' has also been defined to avoid any misinterpretation. 	Assessment Year 2013-14
Eligibility conditions for exempt life insurance policies	10 (10D)	<ul style="list-style-type: none"> Amount received from life insurance policies shall be exempt under only where the premium payable for any of the years during the term of the policy does not exceed 10% [earlier it was 20%] of the actual capital sum assured. 	Assessment Year 2013-14

....contd. (Personnel taxation)

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Title	Section	Changes proposed	Effective from
Preventive health check up expenses	80D	<ul style="list-style-type: none"> A deduction of Rs. 15,000 is available to an individual towards health insurance policy for self, spouse and dependent children. In case of parents, additional deduction of Rs. 15,000 is available for amounts paid towards health insurance. Now, the payment made by any mode (including cash) for preventive health check up to Rs. 5,000 will also be eligible for deduction with in the limit mentioned above. 	Assessment Year 2013-14
Exemption for Senior Citizens from payment of advance tax	207	<ul style="list-style-type: none"> Under the existing provisions of Income-tax Act, every assessee is required to pay advance tax if the tax liability for the previous year exceeds Rs. 10,000. It is proposed that a resident senior citizen, not having any income chargeable under the head "Profits and gains of business or profession", shall not be liable to pay advance tax and such senior citizen shall be allowed to discharge his tax liability (other than TDS) by payment of self assessment tax. 	Assessment Year 2013-14

....contd. (Personnel taxation)

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Title	Section	Changes proposed	Effective from
Relief from long-term capital gains tax on transfer of residential property	New Section 54GB	<ul style="list-style-type: none"> Relief to an Individual or HUF from long term capital gain on sale of a residential property (house of plot of land) if the sale consideration is re-invested in the equity of a new start-up SME company in the manufacturing sector which is utilized by the company for the purchase of new plant and machinery subject to certain conditions. The equity subscribed should be more than 50% of share capital/voting rights. Capital gain will be subject to tax if the shares of company or the plant and machinery are transferred with in a period of five years from the date of their acquisition. The relief would be available in case of any transfer of residential property made on or before 31st March'2017. 	Assessment Year 2013-14
Taxation of cash credits, unexplained money, investments etc.	New Section 115BBD	<ul style="list-style-type: none"> Under the existing provisions of the Income-tax Act, certain unexplained amounts in the hands of an Individual or HUF are deemed as income under section 68, section 69, section 69A, section 69B, section 69C and section 69D of the Act and are subject to tax as per the tax slab rate applicable to the assessee. Now, such income will be taxed at a flat rate of 30% on gross basis (without allowing any deduction on account of any expenditure or allowances). 	Assessment Year 2013-14

10. About us



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- Blue Consulting or 'BC' provides value added and high quality services in the domain of Finance & Accounts:
 - Consulting services
 - Finance & Accounts Outsourcing Services
 - Internal Audits
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- Utilizing forty years of industry experience and functional expertise, BC looks innovatively beyond standard solutions to develop new insights, drive tangible results, and empower clients to achieve greater results.
- Key associates at BC have rich experience in the area of Finance, Taxation, Accounts, Management and Information Technology.
- Providing quality service with complete responsibility is natural to our corporate culture



11. Contact us

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If you have any professional query regarding this document, please contact us as below:

Chandan Goyal

Chief Executive Officer

chandan.goyal@blueconsulting.co.in

+91 98104 10421

+91 120 4548831

Delhi

Pune

*"A dream is not that
which you see in sleep
A dream is that
which does not let you sleep"*

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