



VG Professional Studies (P) Limited

Website: www.cavijaygaurav.com; E-Mail: info@cavijaygaurav.com

Simplified HANDWRITTEN NOTES on

FINANCE ACT, 2017

Useful for Students of CA-FINAL

**Author
CA VIJAY GAURAV**

FINANCE ACT 2017

1) Partial withdrawals from National Pension System i.e. NPS Maximum upto 25% of the Contribution made by an Employee shall be Exempt.

2) The benefit of Exemption u/s 10(23C) has been extended to the Chief Minister's and Lieutenant Governor's Relief Fund.

3) Exemption u/s 10(38) shall be available only if the acquisition of share is chargeable to STT.

However, Exemption shall continue to apply in case of acquisition of share in IPO, FPO, Bonus, Right Issue or by Non-Resident in accordance with FDI Policy.

4) Any Income arising to a Foreign Company on account of sale of leftover stock of Crude oil after expiry of agreement shall be Exemption u/s 10(48A)

5) The Deduction u/s 10AA (SEZ) shall be allowed from Total Income and the deduction shall not Exceeds Total Income.

6) Voluntary Contribution other than contribution by way of electoral Bond in excess of Rs. 20,000 Such political Party should keep and maintain a record of such Contribution and the name and address of the person who had made such contribution. [Section 13A]

“Electoral Bond” means a Bond Issued by any Schedule Bank under the Scheme as may be notified by Central Government.

7) Exemption will not be granted to a political Party if it receives donation Exceeding Rs. 2000/- otherwise than by an account Payee cheque / Draft or use of ECS through a Bank or through electoral Bonds. [Section 13A]

8) The Political Party shall NOT be allowed Exemption u/s 13A UNLESS it furnishes a ROI on or before the due date.

- 9) Any amount credited or paid out of Income to any trust or Institution registered u/s 12AA as contribution that will form part of Corpus of the Trust or Institution by another registered Trust or Institution shall not be treated as application of Income for Charitable or Religious purposes.
- 10) In case the Trust or Institution undertake modification of the objects which do not confirm to the conditions of Registration it shall be required to obtain Fresh registration by making an application within a period of 30 days from the date of modification of object.
- 11) Exemption u/s 11 and 12 shall be allowed to the Trust if it file Return of Income on or before the due date mentioned u/s 139.
- 12) Where the property is held as STOCK IN TRADE and the property or part thereof is not let out during the whole or any part of the PY, the Annual Value for the period upto one year from end of FY in which Certificate of Completion is obtained from the competent authority SHALL BE TAKEN TO BE NIL

- 13) The Rate of Depreciation has been amended to provide that the **HIGHEST Rate of NORMAL DEPRECIATION** shall not **Exceeds 40%** w.e.f PY 2017-18 and onwards.
- 14) Where assessee incur any expenditure for acquisition of any asset in respect of which payment or aggregate payment made to a person in a day otherwise than by account payee cheque / Draft / ECS exceeding Rs. 10000, No Deduction shall be allowed in respect of such expenditure **U/s 35AD**
- 15) The Act has amended the Sub-clause (a) of **Section 36(1)(viiA)** to enhance the limit of deduction from 7.5% to 8.5% of Total Income before claiming deduction **U/c VI-A**
- 16) The Existing threshold limit **U/s 40A(3) and 40A(3A)** of Rs. 20,000/- has been reduced to Rs. 10,000/-
Besides ECS mode has been included as allowable mode of Payment

- 17) Any Capital Asset in respect of which deduction allowed u/s 35AD is deemed to be Income of Assessee on Violation of conditions, the actual cost to the assessee shall be the actual cost as reduced by depreciation that would have been allowable since the date of acquisition as per Section 43 i.e. Actual Cost.
- 18) Any sum payable by assessee as Interest on any loan or advance from a Co-operative Bank other than Primary agricultural credit society or a Primary co-operative agricultural and rural development bank shall be allowed as deduction if actually paid on or before due date of filing ROI [Section 43B]
- 19) The Presumptive Rate of 6% shall apply instead of 8% in respect of the amount of Turnover or Gross Receipts received by an account payee cheque / Draft / ECS during the Previous year or before the due date of filing ROI u/s 139(1). [Section 44AD]

- 20) Immovable Property to be Considered as Short Term if held for a period not more than 24 MONTHS Instead of 36 Months
- 21) Conversion of Preference shares to equity shares shall not regarded as transfer. [Section 47]
- 22) Any Transfer made outside India of a Capital Asset being Rupee Denominated Bond of an Indian company issued outside India by a Non-Resident to another Non-Resident shall not be regarded as Transfer [Section 47]
- 23) Shifting of base for the purpose of Indexation from 1981-82 to 2001-02.
- 24) Where the consideration received / accruing as a result of transfer by an assessee of Capital asset being shares of a company other than a quoted shares is Less than FMV, the FMV shall be Sale Consideration. [Section 50CA]

25) [Section 45(5A)] Computation of Capital Gains in case of Joint Development Agreement shall be on the basis as follow :-

- a) In case of Individual or HUF, Capital Gain shall be taxed in the Year in which the certificate of completion for whole or part of the project issued by competent authority.
- b) The Sale Consideration shall be computed as under :-

SDV as on the Date of Certificate
PLUS
Consideration Received in cash [if any]

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TDS to be deducted @ 10% u/s 194IC.

26) Section 54EC has been amended to include Investment in any Bonds redeemable after 3 years as notified by Central Government shall be eligible for exemption.

27) Section 10(37A), Capital Gain arising to Individual or HUF from the following transfer shall not be chargeable to tax:-

(i) Transfer of Capital Asset being Land or Building or both under Land Pooling Scheme owned by Assessee as on 02/06/14.

(ii) Sale of Land Pooling ownership certificate by the said person received in lieu of land transferred under the Scheme.

(iii) Sale of reconstituted plot or land by the said person within 2 years from end of FY in which the possession of such plot or land handed over to the said person.

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Where reconstituted plot or land, received under land pooling Scheme is transferred after the expiry of 2 years from end of FY in which possession is handed over to the said assessee, the CoA shall be deemed to be the SDV on the last day of the 2nd FY after the end of FY in which possession is handed over to the Assessee.

- 28) Section 56(2)(viü) is applicable in case recipient is Individual or HUF, a new Section 56(2)(x) has been inserted to widen the scope, to all assessee instead of Individual or HUF only.
- 29) 30% of Expense shall be disallowed if payable to a Resident on which has not been deducted or after deduction has not been paid on or before due date of filing ROI [Section 58]
- 30) The loss under the head house property against any other head of Income shall be restricted to Rs. 2,00,000/- [Section 71(3)]
However, the unabsorbed loss shall be allowed to be C/F for set off in subsequent years.

31) In case of a company in which public are not substantially interested being Eligible Startup u/s 80-IAC, the Loss incurred in any year prior to PY shall be C/F and set off if all the shareholders of such company who held shares carrying Voting Power on the last day of the year or years in which loss was incurred :-

(i) Continue to hold those shares on the Last Day of the Such P.Y.

AND

(ii) Such loss has been incurred during the Period of Seven years beginning from the year in which company is incorporated

32) The Act has amended **Section 80CCD** so as to increase the upper limit of 10% of GTI to 20% in case of individual other than Employee.

- 33) No deduction in respect of Investment made under an Equity Savings Scheme U/s 80CCG
However, an assessee who has claimed deduction under this Section for AY 17-18 and earlier assessment years shall be allowed deduction as per the Provisions of Section 80CCG
- 34) Section 80G has been amended to provide that no deduction shall be allowed U/s 80G in respect of donation of any sum exceeding Rs. 2000/-, if paid in cash.
- 35) Deduction U/s 80IAC can be claimed by an eligible startup for any three consecutive Assessment Year out of SEVEN YEARS beginning from the year in which such eligible start-up is incorporated.

36) **Section 80IBA** has been amended to provide the following Relaxation in the Conditions specified therein as under :-

- a) The Residential Unit shall be measured by taking in to account the Carpet Area instead of Build-up Area.
- b) The Restriction of 30 Square meters on the Size of residential units shall not apply to place Located within a distance of 25 kms from Municipal limits of Chennai, Delhi, Kolkata or Mumbai.
- c) The Completion of project for claiming deduction shall be **5 Years** earlier it was 3 Years.

37) Section 92CE Secondary adjustment in Certain Cases

a) Where Primary adjustment to transfer Price :-

- i) Made by Assessee in his Return of Income
 - ii) Made by Assessing officer has been accepted by the Assessee.
 - iii) Determined by an advance pricing agreement entered into by assessee U/s 92CC
 - iv) Is made as per Safe Harbour Rules U/s 92CB
 - v) Is arising as a result of resolution of an assessment by way of mutual agreement procedure U/s 90 or 90A
- the Assessee shall make a Secondary adjustment.

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Section 92CE shall not apply in the following Cases :-

- Amount of Primary adjustment does not Exceeds ONE CRORE in any P.Y.
- The Primary adjustment made in respect of A.Y. Commencing on or before 01-04-16

b) Interest to be charged if excess money due to Primary adjustment is not repatriated to India within the time as prescribed

38) **Section 94B** Where an Indian Company or Foreign Company for a permanent establishment in India incurr and expense by way of interest **Exceeding one crore** in respect of any debt issued by non-resident being associated Enterprise, the interest shall not be deductible in computation of income to the extent it arises from **Excess interest**.

The "Excess interest" shall mean an amount of Total interest in excess of :-

- a) 30% of Earning before interest, taxes, depreciation, amortisation
 - b) Interest payable to associated concern
- Whichever is less**

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- Disallowed Excess interest shall be carried forward for **8 Yrs.**
- Section 94B not applicable in case borrower is engaged in Banking, Insurance Business.

39) **Section 115BBDA** is now applicable to Specified Assessee resident in India.
[ie 10% tax on dividend exceeding 10 lac]

Specified Assessee means a person **other than**

- A Domestic Company
- Institution referred in Sub-Clause (iv) , (v) , . (vi) or (vIa) of Section 10(23C)
- Trust Institution registered U/s 12A/12AA

40) **Section 115BBG**, Income by way Transfer of Carbon Credits to be taxed @ 10%.

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No Deduction for Expenses

41) The Credit of MAT/AMT to be Carried forward for **15 YEARS**.

42) The Reason to believe shall not be disclosed to any person or any authority or the Appellate Tribunal. **[Section 132]**

43) **Section 133A Power to Survey** has been amended to include any place, at which activity for charitable purpose is carried on.

- 44) Section 139(4c) has been amended to include who require to file mandatory Return of Income are as under :-
- a) Fund established for welfare of Employee referred U/s 10(23AAA)
 - b) Investor Protection Fund
 - c) Core Settlement Guarantee Fund
 - d) Any Board or authority referred to in Section 10(29A)
- 45) Section 139(5) has been amended now the Income tax Return Can be revised upto the end of Relevant AY or Completion of assessment Whichever is earlier.
- 46) Section 153(1) time Limit for Completion of Assessment U/s 143/144 has been reduced from 21 Months to 18 Months for Assessment Year 2018-19 and AY 2019-20 onward it will be 12 Months.
- 47) Section 153(2) [Assessment U/s 147]
Section 153(3) [Fresh assessment]
on or after 01-04-2019, the time Limit for making assessment Increased from 9 to 12 Months.

48) **Section 194IB**, Any person being Individual or HUF [Other than those Preceding year Tax Audit u/s 44AB applies] paying Rent to a Resident exceeding Rs. 50000/- per month or part during the previous year shall deduct **TDS @ 5%**

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- No Requirement for obtaining TAN
- TDS is to be deducted earlier of :-
 - a) Time of Credit of Rent for the Last month of PY or Last month of Vacancy.
 - b) At the time of Payment
- In Case PAN not furnished by recipient of Rent, the TDS shall not exceed the Rent for the Last month of the PY or Last month of tenancy.

49) **Section 194J** In Case payee engaged in the business of operation of Call Center, the TDS Rate shall be 2% instead of 10%.

50) **Section 194LC** has been amended to Include Rupee Denominated Bonds besides External Commercial borrowing, the TDS Rate will be 5%.

- 51) Section 206C(1D) and 206C(1E) i.e. TCS on Bullions, Jewellery or Any goods has been omitted.
- 52) Section 206CC In Case Collectee does not furnish PAN, the TCS shall be higher of the following :-
- Twice of the normal Rate
 - 5%.
- 53) Section 234C has been amended to provide that if shortfall in payment of advance tax due to income referred U/s 115BBDA, the interest U/s 234C shall not be levied subject to conditions specified in Section 234C.
- 54) Section 234F, Fee for Late filing of Return of Income are as follow :-
- Rs. 5000/- If filed after due date, by 31st December of Ay
 - Rs. 10000/- in any other Case

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In Case Income does not exceeds Rs. 5,00,000/-, the Late fee will be Rs. 1000/-

55) Section 271J, The Assessing officer or CIT(A) in the course of proceeding find that Incorrect Information furnished by Accountant (CA), Merchant Banker, a Registered Valuer, the Penalty will be Rs. 10000/-

56) Section 269ST No person shall received an amount of Rs. 200,000/- or more :-
 a) In aggregate from a person in a day
 b) In respect of a Single Transaction
 c) In respect of Transaction relating to one event or occasion
 otherwise than account payee cheque, Draft or ECS.

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- Provisions of Section 269ST shall not apply to any Receipt by Government, Banking Company, Post office, Co-operative Bank, Transaction referred in Section 269SS or any other person as notified.
- Penalty shall be equal to the amount Received [Section 271DA]

- 57) Section 245-O has been amended and now a Former Chief Justice of HC, or a person who has been a high Court Judge for atleast 7 years shall also be eligible to be chairman of AAR.
- 58) Section 87A has been amended, In Case the Total Income of Resident Individual does not exceeds Rs. 3,50,000/-, the tax Rebate will be LOWER of following :-
- a) Tax Payable
 - b) Rs. 2500/-
- 59) Section 153A [Search Initiated w.e.f 01-04-17]
Notice U/s 153A Can be Issued for RAY(s) upto 10th AY if :-
- a) The AO has in his possession Books of account or other documents or evidence reveals the escaped amount to Rs. 50 Lac or more in one year or aggregate in relevant 4 AYs beyond 6th AY
 - b) Such Income escaping is represented in the Form of Asset and relates to Such year or Years

60) **Section 153B** ie Time Limit for Completion of Assessment U/s 153A has been Amended as under :-

i) Search Conducted in the FY 18-19, the time for making assessment is **18 Months** from end of FY in which Search executed.

ii) Search Conducted in the FY 19-20 onwards, the time for making assessment is **12 Months** from end of FY in which Search executed.

61) **Section 43 Actual Cost**, Where assessee incur any expenditure for acquisition of asset in respect of which payment or aggregate payment in a day otherwise than account payee cheque/Draft/ECS Exceeds 10000/- shall be ignored for the purpose of Computing Actual Cost. ie Not eligible for Depreciation U/s 32.

62) Tax Rates for Individual/HUF/AOP/BoI and Artificial Juridical Person are as under :-

<u>Income</u>	<u>Tax Rate</u>
Upto Rs. 25,000/- *	NIL
Rs. 25,001 to 50,000	5%
Rs. 50,001 to 1,00,000	20%
Above Rs. 1,00,000	30%

Surcharge

10% if Total Income EXCEEDS 50 LAC but UPTO 100 LAC, if EXCEEDS 100 LAC the Surcharge will be 15%

Education Cess

No Change

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- In Case of an Individual Resident in India age 60 years or more but below 80 years at any time during the PY it will be 3,00,000 instead of 2,50,000
In Case age is 80 years or more it will be 5,00,000 instead of 2,50,000/-
- Including 1ST DAY of RAY.