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 2013-14. Further, it lays down the rates at which tax is to be deducted at source during the financial year 2013-14 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 2013-14.

Rates of income-tax for the assessment year 2013-14

Part I of the First Schedule to the Bill specifies the rates at which income is liable to tax for the assessment year 2013-14. These rates are the same as those specified in Part III of the First Schedule to the Finance Act, 2012, 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 2012-13.

Rates for deduction of tax at source during the financial year 2013-14 *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 2013-14 from income other than "Salaries". In view of the proposed amendment to section 115A, it is proposed to provide that the income by way of royalty or fees for technical services shall be taxable at a uniform rate of twenty-five per cent; if such income has been received by the non-resident (not being a company) or a foreign company under an agreement entered on or after 1st day of April, 1976. Subject to these modifications, the rates of deduction are the same, as those specified in Part II of the First Schedule to the Finance Act, 2012 for the purposes of deduction of income-tax at source during the financial year 2012-13.

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

(*i*) every non-resident (other than a company) at the rate of ten per cent. where the income or the aggregate of income paid or likely to be paid and subject to deduction exceeds one crore rupees;

(*ii*) 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;

(*iii*) 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* 2013-14

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 2013-14.

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-paras (*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. 2,00,000	*Nil*;
Rs. 2,00,001 to Rs. 5,00,000	10 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. 2,50,000	*Nil*;
Rs. 2,50,001 to Rs. 5,00,000	10 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 income above one crore rupees shall be levied at the rate of ten 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 2013-14. The surcharge in cases of co-operative societies, having income above one crore rupees shall be levied at the rate of ten 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 2013-14. The surcharge in cases of firms, having income above one crore rupees shall be levied at the rate of ten per cent. Marginal relief will be provided.

Paragraph D of this Part specifies the rate of income-tax in the 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 2013-14. The surcharge in cases of local authorities, having income above one crore rupees shall be levied at the rate of ten per cent. Marginal relief will be provided.

Paragraph E of this Part specifies the rates of income-tax in the case of companies. In both the cases of domestic companies and companies other than domestic companies, the rate of tax will continue to be the same as that specified for the assessment year 2013-14.

Surcharge in the case of domestic companies having income above one crore rupees but not above ten crore rupees shall be levied at the rate of five per cent. In case of domestic companies having income above ten crore rupees, surcharge shall be levied at the rate of ten per cent. In the case of companies other than

domestic companies having total 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 income above ten crore rupees, surcharge shall be levied at the rate of five per cent. Marginal relief will be provided.

In other cases (including sections 115-O, 115TA, 115R, 115QA, etc.) the surcharge will be applicable at the rate of ten 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 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 provision contained in clause (*1A*) of the said section defines the term "agricultural income". Sub-clause (*c*) of the said clause (*1A*) includes any income derived from any building on, or in the immediate vicinity of the land, and is used as a dwelling house, store house or other out-building as required by the receiver of the rent or revenue or the cultivator, in connection with such land, within the definition of "agricultural income". Clause (*ii*) of proviso to sub-clause (*c*) provides that where the land is not assessed by land revenue or subject to a local rate, it should not be situated within the areas as specified in item (*A*) or item (*B*) of clause (*ii*) of the proviso, to qualify income derived from any such building as agricultural income.

It is proposed to amend item (*B*) of clause (*ii*) of the proviso to sub-clause (*c*) of clause (*1A*) of section 2 so as to provide that if the land is situated in any area within the distance, measured aerially, (*I*) not being more than two kilometres, from the local limits of any municipality or cantonment board referred to in item (*A*) and which has a population of more than ten thousand but not exceeding one lakh; or (*II*) not being more than six kilometres, from the local limits of any municipality or cantonment board referred to in item (*A*) and which has a population of more than one lakh but not exceeding ten lakh; or (*III*) not being more than eight kilometres, from the local limits of any municipality or cantonment board referred to in item (*A*) and which has a population of more than ten lakh, the income derived from such building on, or in the immediate vicinity of such land will not be agricultural income. An *Explanation* has been inserted to define the expression "population".

The provisions contained in clause (*14*) of the said section, define the term "capital asset" as property of any kind held by an assessee, whether or not connected with his business or profession. Certain categories of properties including agricultural land have been excluded from this definition. Sub-clause (*iii*) of clause 14 provides that (*a*) agricultural land situated in any area within the jurisdiction of a municipality or cantonment board having population of not less than ten thousand according to last preceding census, or (*b*) agricultural land situated in any area within the distance not exceeding eight kilometres from the local limits of any municipality or cantonment board as notified by the Central Government having regard to the extent of and scope for urbanisation and other relevant factors, forms part of capital asset.

It is proposed to amend item (*b*) of sub-clause (*iii*) of clause (*14*) of section 2 so as to provide that the land situated in any area within the distance, measured aerially, (*I*) not being more than two kilometres, from the local limits of any municipality or cantonment board referred to in item (*a*) and which has a population of more than ten thousand but not exceeding one lakh; or (*II*) not being more than six kilometres, from the local limits of any municipality or cantonment board referred to in item (*a*) and which has a population of more than one lakh but not exceeding ten lakh; or (*III*) not being more than eight kilometres, from the local limits of any municipality or cantonment board referred to in item (*a*) and which has a population of more than ten lakh shall form part of capital asset. An *Explanation* has been inserted to define the expression "population".

These amendments will take effect from 1st April, 2014 and will, accordingly, apply in relation to assessment year 2014-15 and subsequent assessment years.

Clause 4 of the Bill seeks to amend section 10 of the Income-tax Act relating to incomes not included in total income.

Under the existing provisions contained in clause (*10D*) of the aforesaid section, any sum received under a life insurance policy, including the sum allocated by way of bonus on such policy, is exempt, subject to the condition that the premium paid for such policy does not exceed ten per cent. of the actual capital sum assured.

It is proposed to insert a new proviso in sub-clause (*d*) of the aforesaid clause (*10D*), so as to provide a higher limit of fifteen per cent. where the policy referred to in sub-clause (*d*) is for insurance on the life of any person who is,— (*i*) a person with disability or a person with severe disability as referred to in section 80U; or (*ii*) suffering from disease or ailment as specified in the rules made under section 80DDB. This proviso shall apply in respect of an insurance policy, issued on or after 1st day of April, 2013.

Clause (*10D*) of the said section, *inter alia,* exempts any sum received under a life insurance policy other than a Keyman insurance policy.

Explanation 1 to clause (*10D*) defines a Keyman insurance policy to mean a life insurance policy taken by a person on the life of another person who is or was the employee of the first-mentioned person or is or was connected in any manner whatsoever with the business of the first-mentioned person.

It is proposed to amend the said *Explanation 1* to provide that a Keyman insurance policy which has been assigned to a person during its term, with or without consideration, shall continue to be treated as a Keyman insurance policy for the purposes of clause (*10D*) of section 10.

It is further proposed to insert a new clause (*23DA*) to provide for exemption in respect of any income of a securitisation trust from the activity of securitisation.

It is also proposed to insert a new clause (*23ED*) to provide for exemption in respect of any income, by way of contributions received from a depository, of such Investor Protection Fund set up in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 and the Depositories Act, 1996 by a depository, as the Central Government may, by notification in the Official Gazette, specify in this behalf.

These amendments will take effect from 1st April, 2014 and will, accordingly, apply in relation to assessment year 2014-15 and subsequent assessment years.

The existing provisions contained in clause (*23FB*) of section 10 provide that any income of a venture capital company or venture capital fund set up to raise funds for investment in a venture capital undertaking does not form part of total income. The definitions of "venture capital company", "venture capital fund" and "venture capital undertaking" are provided in *Explanation* 1.

It is proposed to substitute *Explanation* 1 of clause (*23FB*) so as to provide the new definitions of "venture capital company", "venture capital fund" and "venture capital undertaking".

Clause (*a*) of the proposed *Explanation* defines the venture capital company as a company which has been registered before 21st day of May, 2012 under the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 (Venture Capital Funds Regulations) or which has been registered as venture capital fund being a sub-category of Category I Alternative Investment Fund under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 (Alternative Investment Funds Regulations). The company has to satisfy the conditions mentioned in clause (*a*).

Clause (*b*) of the proposed *Explanation* defines the venture capital fund as a trust which has been registered before 21st day of May, 2012 under the Venture Capital Funds Regulations or which has been registered as venture capital fund being a sub-category of Category I Alternative Investment Fund under the Alternative Investment Funds Regulations. The trust has to satisfy the conditions mentioned in clause (*b*).

Clause (*c*) of the proposed *Explanation* defines the venture capital undertaking as is defined under the Venture Capital Funds Regulations or under the Alternative Investment Funds Regulations.

This amendment will take effect retrospectively from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years.

It is further proposed to insert a new clause (*34A*) in section 10 so as to provide for exemption in respect of any income arising to an assessee being a shareholder on account of buy back of shares (not being listed on a recognised stock exchange) by the company as referred to in section 115QA.

It is also proposed to insert a new clause (*35A*) in section 10 so as to provide for exemption in respect of any income by way of distributed income referred to in section 115TA received from a securitisation trust by any person being an investor of the said trust. An *Explanation* has been inserted to define the expressions 'investor' and 'securitisation trust' occurring in the proposed amendment.

These amendments will take effect from 1st April, 2014 and will, accordingly, apply in relation to the assessment year 2014-15 and subsequent assessment years.

It is also proposed to insert a new clause (*49*) in section 10 to provide for exemption in respect of any income of the National Financial Holdings Company Limited, being a company set up by the Central Government, of any previous year relevant to any assessment year commencing on or before 1st April, 2014.

This amendment will take effect retrospectively from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and the assessment year 2014-15.

Clause 5 of the Bill seeks to insert a new section 32AC in the Income-tax Act to provide for deduction for investment in new plant or machinery.

The proposed sub-section (*1*) of the aforesaid section seeks to provide that where an assessee, being a company, engaged in the business of manufacture or production of any article or thing, acquires and installs new asset after 31st day of March, 2013 but before 1st day of April, 2015 and the aggregate amount of actual cost of such new assets exceeds one hundred crore rupees, then, there shall be allowed a deduction,—

(*a*) for the assessment year commencing on 1st day of April, 2014, of a sum equal to fifteen per cent. of the actual cost of new assets acquired and installed after 31st day of March, 2013 but before 1st day of April, 2014, if the aggregate amount of actual cost of such new assets exceeds one hundred crore rupees; and

(*b*) for the assessment year commencing on 1st day of April, 2015, of a sum equal to fifteen per cent. of the actual cost of new assets acquired and installed after 31st day of March, 2013 but before 1st day of April, 2015, as reduced by the amount of deduction allowed, if any, under clause (a).

The proposed sub-section (*2*) of the aforesaid section provides that if any new asset acquired and installed by the assessee is sold or otherwise transferred, except in connection with the amalgamation or demerger, within a period of five years from the date of its installation, the amount of deduction allowed under sub-section (*1*) in respect of such new asset shall be deemed to be the income of the assessee chargeable under the head "Profits and gains of business or profession" of the previous year in which such new asset is sold or otherwise transferred, in addition to taxability of gains, arising on account of transfer of the new asset.

The proposed sub-section (*3*) of the aforesaid section provides that where the new asset is sold or otherwise transferred in connection with the amalgamation or demerger within a period of five years from the date of its installation, the provisions of sub-section (*2*) shall apply to the amalgamated company or the resulting company, as the case may be, as they would have applied to the amalgamating company or the demerged company.

The proposed sub-section (*4*) of the aforesaid section provides that for the purposes of this section "new asset" means any new plant or machinery (other than ship or aircraft) but does not include—

(*i*) any plant or machinery which before its installation by the assessee was used either within or outside India by any other person;

(*ii*) any plant or machinery installed in any office premises or any residential accommodation, including accommodation in the nature of a guest house;

(*iii*) any office appliances including computers or computer software;

(*iv*) any vehicle; or

(*v*) any plant or machinery, the whole of the actual cost of which is allowed as deduction (whether by way of depreciation or otherwise) in computing the income chargeable under the head "Profits and gains of business or profession" of any previous year.

This amendment will take effect from 1st April, 2014 and will, accordingly, apply in relation to assessment year 2014-15 and subsequent assessment years.

Clause 6 of the Bill seeks to amend section 36 of the Income-tax Act relating to other deductions.

The proposed amendment seeks to insert *Explanation* 2 to the clause (*vii*) of sub-section (*1*) of the said section so as to clarify that for the purposes of the proviso to clause (*vii*) of sub-section (*1*) and clause (*v*) of sub-section (*2*), the account referred to therein shall be only one account in respect of provision for bad and doubtful debts under clause (*viia*) and such account shall relate to all types of advances, including advances made by rural branches.

It is further proposed to insert a new clause (*xvi*) in the said section so as to provide that an amount equal to the commodities transaction tax paid by the assessee in respect of the taxable

commodities transactions entered into in the course of his business during the previous year shall be allowable as deduction, if the income arising from such taxable commodities transactions is included in the income computed under the head "Profits and gains of business or profession".

It is also proposed to insert an *Explanation* to provide that for the purposes of this clause, the expressions "commodities transaction tax" and "taxable commodities transaction" shall have the meanings respectively assigned to them under Chapter VII of the Finance Act, 2013.

These amendments will take effect from 1st April, 2014 and will, accordingly, apply in relation to the assessment year 2014-15 and subsequent assessment years.

Clause 7 of the Bill seeks to amend section 40 of the Income-tax Act relating to amounts not deductible.

The provisions of section 40 specify the amounts which shall not be deducted in computing the income chargeable under the head "Profits and gains of business or profession".

It is proposed to insert a new sub-clause (*iib*) in clause (*a*) of the aforesaid section so as to provide that any amount paid by way of royalty, licence fee, service fee, privilege fee, service charge or any other fee or charge, by whatever name called which is levied exclusively on or any amount which is appropriated, whether directly or indirectly, from a State Government undertaking, by the State Government, shall not be allowed as deduction in computing the income chargeable under the head "Profits and gains of business or profession".

It is further proposed to define the expression "State Government undertaking" used in the proposed new sub-clause (*iib*).

This amendment will take effect from 1st April, 2014 and will, accordingly, apply in relation to the assessment year 2014-15 and subsequent assessment years.

Clause 8 of the Bill seeks to insert a new section 43CA in the Income-tax Act to provide for a special provision for full value of consideration for transfer of assets other than capital assets in certain cases.

The proposed sub-section (*1*) of the aforesaid section seeks to provide that where the consideration received or accruing as a result of the transfer by an assessee of an asset (other than a capital asset), being land or building or both, is less than the value adopted or assessed or assessable by any authority of a State Government for the purpose of payment of stamp duty in respect of such transfer, the value so adopted or assessed or assessable shall be deemed to be the full value of the consideration received or accruing as a result of such transfer for the purposes of computing profits and gains from transfer of such asset.

The proposed sub-section (*2*) of the aforesaid section seeks to provide that the provisions of sub-section (*2*) and sub-section (*3*) of section 50C shall, so far as may be, apply in relation to determination of the value adopted or assessed or assessable under sub-section (*1*).

The proposed sub-section (*3*) of the aforesaid section provides that where the date of agreement fixing the value of consideration for transfer of the asset and the date of registration of such transfer of asset are not the same, the value referred to in sub-section (*1*) may be taken as the value assessable by any authority of a State Government for the purpose of payment of stamp duty in respect of such transfer on the date of the agreement.

The proposed sub-section (*4*) of the aforesaid section provides that the provisions of sub-section (*3*) shall apply only in a case where the amount of consideration or a part thereof has been received by any mode other than cash on or before the date of agreement for transfer of the asset.

This amendment will take effect from 1st April, 2014 and will, accordingly, apply in relation to assessment year 2014-15 and subsequent assessment years.

Clause 9 of the Bill seeks to amend section 56 of the Income-tax Act relating to income from other sources.

The existing provisions of sub-clause (*b*) of clause (*vii*) of sub-section (*2*) of section 56, *inter alia*, provide that where any immovable property is received by an individual or Hindu undivided family (HUF) without consideration, the stamp duty value of which exceeds fifty thousand rupees, the stamp duty value of such property would be charged to tax in the hands of an individual or an HUF as income from other sources.

It is proposed to substitute the existing sub-clause (*b*) so as to provide that where any immovable property is received by an individual or HUF without consideration, the stamp duty value of which exceeds fifty thousand rupees, the stamp duty value of such property would be charged to tax in the hands of an individual or an HUF as income from other sources. The proposed sub-clause (*b*), also provides that where any immovable property is received for a consideration which is less than the stamp duty value of the property by an amount exceeding fifty thousand rupees, the stamp duty value of such property as exceeds such consideration, would be charged to tax in the hands of an individual or an HUF as income from other sources.

It is further proposed to insert a proviso so as to state that where the date of the agreement fixing the amount of consideration for the transfer of the immovable property and the date of registration are not the same, the stamp duty value on the date of the agreement may be taken for the purposes of this sub-clause. It is further proposed to insert a second proviso so as to provide that the first proviso, shall apply only in a case where the amount of the consideration, or a part thereof, has been paid in a mode other than cash on or before the date of the agreement for the transfer of such immovable property.

This amendment will take effect from 1st April, 2014 and will, accordingly, apply in relation to the assessment year 2014-15 and subsequent assessment years.

Clause 10 of the Bill seeks to amend section 80C of the Income-tax Act relating to deduction in respect of life insurance premia, deferred annuity, contributions to provident fund, subscription to certain equity shares or debentures, etc.

Under the existing provisions contained in sub-section (*3A*) of the aforesaid section, the deduction is available in respect of any premium or other payment made on an insurance policy up to ten per cent. of the "actual capital sum assured".

It is proposed to insert a proviso in aforesaid sub-section (*3A*), so as to provide a higher limit of fifteen per cent. where the policy referred to in sub-section (*3A*) is for the insurance on life of any person who is,—(*a*) a person with disability or a person with severe disability as referred to in section 80U; or (*b*) suffering from disease or ailment as specified in the rules made under section 80DDB. This proviso shall apply in respect of an insurance policy issued on or after 1st day of April, 2013.

This amendment will take effect from 1st April, 2014 and will, accordingly, apply in relation to the assessment year 2014-15 and subsequent assessment years.

Clause 11 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 sub-section (*1*) of the aforesaid section, *inter alia*, provide that a resident individual who has acquired listed equity shares, in accordance with the scheme notified by the Central Government, shall be allowed a deduction of fifty per cent. of the amount invested in such equity shares to the extent that the said deduction does not exceed twenty-five thousand rupees. Sub-section (*2*) provides that the deduction is a onetime deduction and is available only in one assessment year in respect of the amount so invested. Sub-section (*3*), *inter alia*, provides that the gross total income of the assessee claiming such deduction shall not exceed ten lakh rupees.

It is proposed to amend sub-section (*1*) of the said section so as to provide that investment in listed units of an equity oriented fund shall also be eligible for deduction in accordance with the provisions of section 80CCG.

It is further proposed to substitute sub-section (*2*) so as to provide that the deduction under sub-section (*1*), shall be allowed in accordance with and subject to the provisions of the said section, for three consecutive assessment years, beginning with the assessment year relevant to the previous year in which the listed equity shares or listed units of equity oriented fund were first acquired.

It is also proposed to amend sub-section (*3*) of the said section so as to enhance the limit of gross total income to twelve lakh rupees from the existing limit of ten lakh rupees.

It is also proposed to insert an *Explanation* in the said section so as to provide that "equity oriented fund" shall have the meaning assigned to it in *Explanation* to clause (*38*) of section 10.

These amendments will take effect from 1st April, 2014 and will, accordingly, apply in relation to the assessment year 2014-15 and subsequent assessment years.

Clause 12 of the Bill seeks to amend section 80D of the Income-tax Act relating to deduction in respect of health insurance premia.

The existing provisions of clause (*a*) of sub-section (*2*) of section 80D provide that the whole of the amount paid in the previous year out of the income of the assessee, being an individual, to effect or to keep in force an insurance on his health or the health of his family or any contribution made towards the Central Government Health Scheme or any payment made on account of preventive health check-up of the assesssee or his family, as does not exceed in the aggregate fifteen thousand rupees, is allowed to be deducted in computing the total income of the assessee.

It is proposed to amend the said clause so as to allow the benefit of deduction under section 80D within the said limit, in respect of any payment or contribution made by the assessee to any other health scheme which may be notified by the Central Government.

This amendment will take effect from 1st April, 2014 and will, accordingly, apply in relation to the assessment year 2014-15 and subsequent assessment years.

Clause 13 of the Bill seeks to insert a new section 80EE in the Income-tax Act relating to deduction in respect of interest on loan taken for residential house property.

Sub-section (*1*) of the new section 80EE seeks to provide that in computing the total income of an assessee, being an individual, there shall be deducted, in accordance with and subject to the provisions of this section, interest payable on loan taken by him from any financial institution for the purpose of acquisition of a residential house property.

Sub-section (*2*) of the said section seeks to provide that the deduction under sub-section (*1*) shall not exceed one lakh rupees and shall be allowed in computing the total income of the individual for the assessment year beginning on 1st day of April, 2014 and in a case where the interest payable for the previous year relevant to the said assessment year is less than one lakh rupees, the balance amount shall be allowed in the assessment year beginning on 1st day of April, 2015.

Sub-section (*3*) of the said section 80EE provides that the deduction shall be subject to the conditions, such as (*i*) the loan has been sanctioned by the financial institution during the period beginning on 1st day of April, 2013 and ending on 31st day of March, 2014; (*ii*) the amount of loan sanctioned for acquisition of the residential house property does not exceed twenty-five lakh rupees; (*iii*) the value of the residential house property does not exceed forty lakh rupees; (*iv*) the assessee does not own any residential house property on the date of sanction of the loan.

Sub-section (*4*) of the said section 80EE seeks to provide that where a deduction under this section is allowed for any interest referred to in sub-section (*1*), deduction shall not be allowed in respect of such interest under any other provisions of the Act for the same or any other assessment year.

Sub-section (*5*) of the said section 80EE seeks to define the terms "financial institution" and "housing finance company".

This amendment will take effect from 1st April, 2014 and will, accordingly, apply in relation to the assessment year 2014-15 and subsequent assessment year.

Clause 14 of the Bill seeks to amend section 80G of the Income-tax Act relating to deductions in respect of donations to certain funds, charitable institutions, etc.

Under the existing provisions, an assessee is allowed a deduction from his total income in respect of donations made by him to certain funds and institutions. The deduction is allowed at the rate of fifty per cent. of the amount of donations made except in the case of donations made to certain funds and institutions specified in clause (*i*) of sub-section (*1*) of section 80G, where deduction is allowed at the rate of one hundred per cent. In the case of donations made to the National Children's Fund, deduction is allowed at the rate of fifty per cent. of the amount so donated.

It is proposed to allow hundred per cent. deduction in respect of any sum paid to the National Children's Fund in computing the total income of an assessee.

This amendment will take effect from 1st April, 2014 and will, accordingly, apply in relation to assessment year 2014-15 and subsequent assessment years.

Clause 15 of the Bill seeks to amend section 80GGB of the Income-tax Act relating to deductions in respect of contributions given by companies to political parties.

Under the existing provisions of the said section, any sum contributed by an Indian company to any political party or an electoral trust in the previous year, is allowed as deduction in computing the total income of such Indian company.

It is proposed to amend the aforesaid section by inserting a proviso so as to provide that no deduction shall be allowed under this section in respect of any sum contributed by way of cash.

This amendment will take effect from 1st April, 2014 and will, accordingly, apply in relation to the assessment year 2014-15 and subsequent assessment years.

Clause 16 of the Bill seeks to amend section 80GGC of the Income-tax Act relating to deductions in respect of contributions given by any person to political parties.

Under the existing provisions of the said section, any sum contributed by any person, except local authority and artificial juridical person wholly or partly funded by the Government, to any political party or an electoral trust in the previous year, is allowed as deduction in computing the total income of such person.

It is proposed to amend the aforesaid section by inserting a proviso so as to provide that no deduction shall be allowed under this section in respect of any sum contributed by way of cash.

This amendment will take effect from 1st April, 2014 and will, accordingly, apply in relation to the assessment year 2014-15 and subsequent assessment years.

Clause 17 of the Bill seeks to amend section 80-IA of the Income-tax Act relating to deductions in respect of profits and gains from industrial undertakings or enterprises engaged in infrastructure development, etc.

The existing provisions contained in the clause (*iv*) of sub-section (*4*) of the aforesaid section 80-IA provide that, a deduction shall be allowed to an undertaking which,— (*a*) is set up in any part of India for the generation or generation and distribution of power, if it begins to generate power at any time during the period beginning on 1st April, 1993 and ending on 31st March, 2013; (*b*) starts transmission or distribution by laying a network of new transmission or distribution lines at any time during the period beginning on 1st April, 1999 and ending on 31st March, 2013; (*c*) undertakes substantial renovation and modernisation of the existing network of transmission or distribution lines at any time during the period beginning on 1st April, 2004 and ending on 31st March, 2013.

It is proposed to amend sub-clauses (*a*), (*b*) and (*c*) of clause (*iv*) of the said sub-section so as to extend the time limit from 31st March, 2013 to 31st March, 2014.

These amendments will take effect from 1st April, 2014 and will, accordingly, apply in relation to the assessment year 2014-15 and subsequent assessment years.

Clause 18 of the Bill seeks to amend section 80JJAA of the Income-tax Act relating to deduction in respect of employment of new workmen.

The existing provisions contained in sub-section (*1*) of section 80JJAA provide for a deduction of an amount equal to thirty per cent. of additional wages paid to the new regular workmen employed in any previous year by an Indian company engaged in manufacture or production of article or thing. The deduction is available for three assessment years including the assessment year relevant to the previous year in which such employment is provided.

It is proposed to substitute the said sub-section (*1*) of section 80JJAA so as to provide that where the gross total income of an assessee, being an Indian company, includes any profits and gains derived from the manufacture of goods in a factory, there shall, be allowed a deduction of an amount equal to thirty per cent. of additional wages paid to the new regular workmen employed by the assessee in such factory, in the previous year, for three assessment years including the assessment year relevant to the previous year in which such employment is provided.

Sub-section (*2*) of the aforesaid section, *inter alia*, provides that no deduction under sub-section (*1*) shall be available, if the industrial undertaking is formed by splitting up or reconstruction of an existing undertaking or amalgamation with another industrial undertaking.

It is proposed to amend sub-section (*2*) so as to provide that no deduction under sub-section (*1*) shall be allowed if the factory is hived off or transferred from another existing entity or acquired by the assessee company as a result of amalgamation with another company.

It is also proposed to provide that the term “factory” shall have the same meaning as assigned to it in clause (*m*) of section 2 of the Factories Act, 1948.

These amendments will take effect from 1st April, 2014 and will, accordingly, apply in relation to assessment year 2014-15 and subsequent assessment years.

Clauses 19 and 20 of the Bill seek to amend section 87 and insert a new section 87A in the Income-tax Act relating to rebate of income-tax in case of certain individuals.

The proposed new section 87A seeks to 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 of the Income-tax Act) on his total income with which he is chargeable for any assessment year, of an amount equal to hundred per cent. of such income-tax or an amount of two thousand rupees, whichever is less.

Consequential amendments have been proposed in section 87, so as to provide reference to proposed new section 87A.

These amendments will take effect from 1st April, 2014 and will, accordingly, apply in relation to the assessment year 2014-15 and subsequent assessment years.

Clause 21 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 aforesaid section 90 confers power upon the Central Government to enter into an agreement with the Government of any specified territory outside India in addition to entering into agreement with foreign countries.

It is proposed to omit sub-section (*2A*) of the said section.

This amendment will take effect retrospectively from 1st April, 2013.

It is proposed to insert a new sub-section (*2A*) in the aforesaid section 90 so as to provide that the provisions of newly inserted Chapter X-A shall apply even if such provisions are not beneficial to the assessee.

This amendment will take effect from 1st April, 2016 and will accordingly apply, in relation to assessment year 2016-17 and subsequent assessment years.

It is also proposed to insert a new sub-section (*5*) in the aforesaid section 90 so as to provide that the certificate of being a resident in a country outside India or specified territory outside India, as the case may be, referred to in sub-section (*4*), shall be necessary but not a sufficient condition for claiming any relief under the agreement referred to therein.

This amendment will take effect retrospectively from 1st April, 2013 and will accordingly apply, in relation to the assessment year 2013-14 and subsequent assessment years.

Clause 22 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.

The existing provisions of the aforesaid section 90A provides that any specified association in India may enter into an agreement with any specified association in a specified territory outside India and the Central Government may, by notification in the Official Gazette, make necessary provisions for adopting and implementing such agreement for grant of double taxation relief, for avoidance of double taxation or exchange of information for the prevention of evasion or avoidance of income-tax or for recovery of income-tax.

It is proposed to omit sub-section (*2A*) of the said section.

This amendment will take effect retrospectively from 1st April, 2013.

It is further proposed to insert a new sub-section (*2A*) in the aforesaid section 90A so as to provide that the provisions of newly inserted Chapter X-A shall apply even if such provisions are not beneficial to the assessee.

This amendment will take effect from 1st April, 2016 and will, accordingly, apply in relation to the assessment year 2016-17 and subsequent assessment years.

It is also proposed to insert a new sub-section (*5*) in the aforesaid section 90A so as to provide that the certificate of being a resident in a specified territory outside India referred to in sub-section (*4*), shall be necessary but not a sufficient condition for claiming any relief under the agreement referred to therein.

This amendment will take effect retrospectively from 1st April, 2013 and will, accordingly, apply in relation to the assessment year 2013-14 and subsequent assessment years.

Clause 23 of the Bill seeks to omit Chapter X-A of the Income-tax Act (as inserted by section 41 of the Finance Act, 2012) relating to General Anti-Avoidance Rule.

This amendment will take effect from 1st April, 2014.

Clause 24 of the Bill seeks to insert a new Chapter X-A consisting of new sections 95, 96, 97, 98, 99, 100, 101 and 102 in the Income-tax Act relating to General Anti-Avoidance Rule.

The provisions of the proposed new section 95 provide that an arrangement entered into by an assessee may be declared to be an impermissible avoidance arrangement and consequences in relation to tax of such a declaration can be determined.

The proposed section 96 provides the definition and conditions under which an arrangement can be declared to be an impermissible avoidance arrangement. The section also provides for circumstances under which an arrangement shall be presumed to be entered into or carried out for the main purpose of obtaining tax benefit.

The proposed section 97 provides for circumstances under which an arrangement shall be deemed to lack commercial substance. The period or time for which the arrangement exists; the fact of payment of taxes; and the fact that an exit route is provided by the arrangement, may be relevant but shall not be sufficient for determining whether an arrangement lacks commercial substance or not.

The proposed section 98 provides for method of determination of consequences in relation to tax of an arrangement after it is declared to be an impermissible avoidance arrangement. It provides for certain illustrative but not exhaustive methods for determination of tax consequences.

The proposed section 99 provides that in determining whether there is a tax benefit the parties who are connected persons in relation to each other may be treated as one and the same person, any accommodating party may be disregarded, such accommodating party and any other party may be treated as one and the same person, and the arrangement may be considered or looked through by disregarding any corporate structure.

The proposed section 100 provides that provisions of newly inserted Chapter X-A can be applied in alternative to or in addition to any other basis of determination of tax liability.

The proposed section 101 provides for power to prescribe guidelines for application of provisions of newly inserted Chapter X-A.

The proposed section 102 provides definition of certain terms relevant for newly inserted Chapter X-A.

This amendment will take effect from 1st April, 2016 and will, accordingly, apply in relation to the assessment year 2016-17 and subsequent assessment years.

Clause 25 of the Bill seeks to amend section 115A of the Income-tax Act relating to tax on dividends, royalty and technical service fees in the case of foreign companies.

The existing provisions of clause (*b*) of sub-section (*1*) of the aforesaid section provide for the tax rates on which income by way of royalty or fees for technical services in case of non-residents (not being a company) or a foreign company, is taxed. Various sub-clauses of the said clause provide for different rates of tax in case of income by way of royalty or fees for technical services based on the date of agreement under which such income is received by the non-resident (not being a company) or a foreign company.

It is proposed to substitute sub-clauses (*A*), (*AA*), (*B*) and (*BB*) of the aforesaid clause (*b*), so as to provide that income by way of royalty or fees for technical services shall be taxable at a uniform rate of twenty-five per cent. if it has been received under an agreement entered after 31st day of March, 1976.

This amendment will take effect from 1st April, 2014 and will, accordingly, apply in relation to the assessment year 2014-15 and subsequent assessment years.

Clause 26 of the Bill seeks to amend section 115BBD of the Income-tax Act relating to tax on certain dividends received from foreign companies.

The existing provisions of aforesaid section 115BBD provide that where the total income of an assessee, being an Indian company, for the previous year relevant to the assessment year beginning on 1st day of April, 2012 or beginning on 1st day of April, 2013, includes any income by way of dividends declared, distributed or paid by a subsidiary foreign company, the income-tax payable shall be the aggregate of the amount of income-tax calculated on the income by way of such dividends at the rate of fifteen per cent. and the amount of income-tax with which the assessee would have been chargeable had its total income been reduced by the amount of aforesaid income by way of dividends. It is further provided that no deductions in respect of any expenditure or allowance shall be allowed for computing its income by way of dividend.

It is proposed to extend the applicability of taxation provisions in respect of dividends received from foreign subsidiaries to the income by way of dividends received during the financial year 2013-14 also.

This amendment will take effect from 1st April, 2014 and will,

accordingly, apply in relation to the assessment year 2014-15.

Clause 27 of the Bill seeks to amend section 115-O of the Income-tax Act relating to tax on distributed profits of domestic companies.

Under the existing provisions contained in sub-section (*1A*) of section 115-O, the amount of dividends referred to in sub-section (*1*) shall be reduced by the amount of dividend, if any, received by the domestic company during the financial year, if—

(*a*) such amount of dividend is received from its subsidiary; and

(*b*) the subsidiary has paid tax payable under this section on such dividend.

The said sub-section also provides that the same amount of dividend shall not be reduced more than once.

It is proposed to amend clause (*i*) of the aforesaid sub-section (*1A*) so as to provide that in case a domestic company receives any dividend from any of its subsidiary during the financial year and where such subsidiary —

(*a*) is a domestic company, the subsidiary has paid tax, if any payable, on such dividend; or

(*b*) is a foreign company, the tax is payable by the domestic company under section 115BBD, on such dividend, the dividend received from such subsidiary during the financial year shall be reduced.

It is further proposed to insert a proviso to provide that the said amount of dividend shall not be taken into account for reduction more than once.

This amendment will take effect from 1st June, 2013.

Clause 28 of the Bill seeks to insert a new Chapter XII-DA relating to special provisions for tax on distributed income of domestic company for buy-back of shares.

The proposed new section 115QA provides that notwithstanding anything contained in any other provision of the Act, any distributed income to a shareholder by a domestic company on buy-back of shares, the shares being not listed on any recognised stock exchange, shall be chargeable to tax and such company shall be liable to pay additional income-tax at the rate of twenty per cent. on the distributed income. The *Explanation* to the said section defines the expressions “buy-back” which means purchase by a company of its own shares in accordance with the provisions of section 77A of the Companies Act and “distributed income” which means the consideration paid by the company on buy-back of shares as reduced by the amount received by the company for issue of such shares. The proposed additional income-tax shall be in addition to the income-tax chargeable in respect of the total income of such company whether income-tax is payable by the company on its total income or not. It further provides that the amount of tax shall be remitted within fourteen days of the date of payment of consideration. It also provides that the tax shall be final payment of tax and no credit shall be claimed either by the company or any other person in respect of the tax paid. It also provides that no deduction under any provision of the Act shall be allowed to company or shareholder in respect of the said income or tax.

The proposed new section 115QB provides for the levy of interest, in case of failure to pay tax within the time provided, at the rate of one per cent. for every month and part thereof for such failure.

The proposed new section 115QC provides that in case of failure on payment of tax, the principal officer of the company and the company shall be deemed to be an assessee in default in respect of the amount of tax payable and all provisions of the Act relating to recovery and collection of taxes shall apply.

This amendment will take effect from 1st June, 2013.

Clause 29 of the Bill seeks to amend section 115R of the Income-tax Act relating to tax on distributed income to unit holders.

The existing provisions contained in sub-section (*2*) of the aforesaid section provides that any amount of income distributed by the specified company or a Mutual Fund to its unit holders shall be chargeable to tax and under clause (*ii*) thereof such specified company or Mutual Fund shall be liable to pay additional income-tax on such distributed income at the rate of twelve and one-half per cent. on income distributed to any person being an individual or a Hindu undivided family by a fund other than a money market mutual fund or a liquid fund.

It is proposed to amend clause (*ii*) of sub-section (*2*) of the aforesaid section to provide that the additional income-tax at the rate of twenty-five per cent. shall be leviable on income distributed to an individual or a Hindu undivided family by a fund other than money market mutual fund or a liquid fund.

It is further proposed to amend the said sub-section to provide that any income distributed by a mutual fund under an infrastructure debt scheme to a non-resident (other than a company) or a foreign company shall be liable for payment of additional income-tax at the rate of five per cent. on the income distributed.

It is also proposed to define the expression “infrastructure debt fund scheme” in the proposed amendments.

These amendments will take effect from 1st June, 2013.

Clause 30 of the Bill seeks to insert a new Chapter XII-EA consisting of new sections 115TA, 115TB and 115TC in the Income-tax Act relating to special provisions relating to tax on distributed income by securitisation trusts.

The provisions of the proposed new section 115TA provide that notwithstanding anything contained in any other provisions of the Act any distributed income to an investor by a securitisation trust shall be liable to the levy of additional income-tax at the rate of twenty-five per cent. on the distributed income if such income is paid to a person being an individual or Hindu undivided family. The additional income-tax shall be levied at the rate of thirty per cent., if such distributed income is paid to a person other than individual and Hindu undivided family. No additional income-tax shall be levied, if the distributed income is paid to any person who is exempt under the Act. It also provides that the amount of tax shall be remitted within fourteen days of the date of payment or distribution of income. It is provided that no deduction under any provisions of the Act shall be allowed to securitisation trust in respect of the said income. The section provides that the securitisation trust shall, before the 15th day of September in each year, furnish a statement in the prescribed form providing the details regarding the amount of income distributed to the investors and the tax paid in the previous year.

The proposed new section 115TB provides for the levy of interest, in case of failure to pay tax within the time provided, at the rate of one per cent. for every month and part thereof on such failure.

The proposed new section 115TC provides that in case of failure on payment of tax, the person responsible for making payment of income distributed by the securitisation trust and the securitisation trust shall be deemed to be an assessee in default in respect of the amount of tax payable and all provisions of the Act relating to recovery and collection of taxes shall apply.

This amendment will take effect from 1st June, 2013.

Clause 31 of the Bill seeks to amend section 132B of the Income-tax Act relating to application of seized or requisitioned assets.

The existing provisions of the aforesaid section 132B, *inter alia*, provide that the assets seized under section 132 or requisitioned under section 132A may be adjusted against the amount of any "existing liability" under this Act, the Wealth-tax Act, 1957, the Expenditure-tax Act,1987, the Gift-tax Act, 1958 and the Interest-tax Act, 1974 and the amount of liability determined on completion of assessment pursuant to the search, including penalty levied or interest payable in connection with such assessment and in respect of which, such person is in default or is deemed to be in default.

It is proposed to insert a new *Explanation* in the aforesaid section so as to provide that for the removal of doubts, it is hereby declared that the "existing liability" does not include advance tax payable in accordance with the provisions of Part C of Chapter XVII of the Act.

This amendment will take effect from 1st June, 2013.

Clause 32 of the Bill seeks to amend section 139 of the Income-tax Act relating to return of income.

The existing provisions contained in *Explanation* to section 139 of the Income-tax Act provides the conditions which, if not fulfilled, may render the return of income furnished by the assessee, defective.

It is proposed to amend the aforesaid *Explanation* so as to provide that the return of income shall be regarded as defective unless the tax together with interest, if any, payable in accordance with the provisions of section 140A, has been paid on or before the date of furnishing of the return.

This amendment will take effect from 1st June, 2013.

Clause 33 of the Bill seeks to amend section 142 of the Income-tax Act relating to inquiry before assessment.

The existing provisions contained in sub-section (*2A*) of section 142 of the Act, *inter alia*, provides that if at any stage of the proceedings before him, the Assessing Officer, having regard to the nature and complexity of the accounts of the assessee and the interests of the revenue, is of the opinion that it is necessary to do so, he may, with the previous approval of the Chief Commissioner or Commissioner, direct the assessee to get his accounts audited by an accountant and to furnish a report of such audit.

It is proposed to amend the aforesaid sub-section so as to provide that if at any stage of the proceeding before him, the Assessing Officer, having regard to the nature and complexity of the accounts, volume of the accounts, doubts about the correctness of the accounts, multiplicity of transactions in the accounts or specialised nature of business activity of the assessee, and the interests of the revenue, is of the opinion that it is necessary to do so, he may, with the previous approval of the Chief Commissioner or Commissioner, direct the assessee to get his accounts audited by an accountant and to furnish a report of such audit.

This amendment will take effect from 1st June, 2013.

Clause 34 of the Bill seeks to omit section 144BA of the Income-tax Act (as inserted by section 62 of the Finance Act, 2012) relating to reference to Commissioner in certain cases.

This amendment will take effect from 1st April, 2014.

Clause 35 of the Bill seeks to insert a new section 144BA in the Income-tax Act relating to reference to Commissioner in certain cases.

The proposed sub-section (*1*) of the aforesaid new section 144BA provides that the Assessing Officer, if at any stage of assessment or reassessment proceedings considers it necessary to invoke provisions of the newly inserted Chapter X-A, shall refer the matter to the Commissioner.

The proposed sub-section (*2*) of the aforesaid new section provides that if the Commissioner, on receipt of a reference from the Assessing Officer, is of the opinion that the provisions of newly inserted Chapter X-A are required to be invoked, he shall issue notice to the assessee seeking objections within the time specified in notice not exceeding sixty days.

The proposed sub-section (*3*) of the aforesaid new section provides that if the assessee does not object or respond to the notice, the Commissioner may issue such directions as he deems fit in respect of declaration of the arrangement as an impermissible avoidance arrangement.

The proposed sub-section (*4*) of the aforesaid new section provides that if the assessee objects to invocation of the provisions of Chapter X-A and the Commissioner, after hearing the assessee, is not satisfied with the reply of the assessee, he shall refer the matter to the Approving Panel.

The proposed sub-section (*5*) of the aforesaid new section provides that if, after hearing the assessee, the Commissioner is satisfied that it is not a fit case for invoking the provisions of Chapter X-A, he may by an order in writing communicate the same to the Assessing Officer and the assessee.

The proposed sub-section (*6*) of the aforesaid new section provides that Approving Panel shall, on receipt of a reference from the Commissioner, issue such directions as it deems fit in respect of declaration of an arrangement as an impermissible avoidance arrangement including specifying the previous year or years to which such declaration shall apply.

The proposed sub-section (*7*) of the aforesaid new section provides that a direction prejudicial either to the assessee or the revenue shall not be issued unless an opportunity of being heard has been granted to the assessee or the Assessing Officer, as the case may be.

The proposed sub-section (*8*) of the aforesaid new section provides that Approving Panel may before issuing directions can call for records or evidences and direct the Commissioner to carry out further inquiry and submit report.

The proposed sub-section (*9*) of the aforesaid new section provides that in case of difference in opinion on an issue the direction shall be issued according to the majority opinion.

The proposed sub-section (*10*) of the aforesaid new section provides that every direction issued by the Approving Panel or the Commissioner shall be binding on the Assessing Officer and Assessing Officer shall complete the proceedings in accordance with such directions and provisions of newly inserted Chapter X-A.

The proposed sub-section (*11*) of the aforesaid new section provides that if any direction issued by the Approving Panel is applicable to any previous year other than in respect of which reference was made, then, while completing the assessment or reassessment proceedings for such other previous years, the Assessing Officer shall be bound by the directions and provisions of Chapter X-A and fresh reference on the issue would not be required.

The proposed sub-section (*12*) of the aforesaid new section provides that assessment or reassessment order where provisions of Chapter X-A are invoked shall be passed by the Assessing Officer only with prior approval of the Commissioner.

The proposed sub-section (*13*) of the aforesaid new section provides that the Approving Panel shall issue directions within a period of six months from the end of the month in which the reference is received by it.

The proposed sub-section (*14*) of the aforesaid new section provides that the directions, issued by the Approving Panel shall be binding on the assessee and the Commissioner and no appeal under the Act shall lie against such directions.

The proposed sub-section (*15*) of the aforesaid new section provides that the Central Government shall constitute one or more Approving Panels as may be necessary and each Approving Panel shall consist of a Chairperson and two members.

The proposed sub-section (*16*) of the aforesaid new section provides that the Chairperson of the Approving Panel shall be a person who is or has been a judge of a High Court and one member shall be a member of Indian Revenue Service not below the rank of Chief Commissioner of Income-tax and one member shall be an academic or scholar having special knowledge of matters such as direct taxes, business accounts and international trade practices.

The proposed sub-section (*17*) of the aforesaid new section provides that the term of the Approving Panel shall ordinarily be for one year and may be extended up to a period of three years.

The proposed sub-section (*18*) of the aforesaid new section provides that the Chairperson and members of the Approving Panel shall meet, as often as necessary, to consider the references made to the Approving Panel and shall be paid such remuneration as may be prescribed.

The proposed sub-section (*19*) of the aforesaid new section provides that the Approving Panel shall have all the powers which are vested in the Authority for Advance Rulings under the Income-tax Act.

The proposed sub-section (*20*) of the aforesaid new section provides that the Board shall provide to the Approving Panel such officials as may be necessary for the efficient exercise of powers and discharge of functions of the Approving Panel.

The proposed sub-section (*21*) of the aforesaid new section provides that the Board may make rules for the purposes of the constitution and efficient functioning of the Approving Panel and expeditious disposal of the references received by it.

The proposed *Explanation* to the aforesaid new section provides that in computing the period of six months for issue of directions by the Approving Panel the period commencing from the date on which the first direction is issued by the Approving Panel to the Commissioner for getting the enquiries conducted through the authority competent under an agreement referred to in section 90 or section 90A and ending with date on which the information so requested is last received by the Approving Panel or one year, whichever is less shall be excluded. Similarly, the period during which the proceeding of the Approving Panel is stayed by an order or injunction of any court shall also be excluded. Further, where immediately after the exclusion of the aforesaid time or period, the period available to the Approving Panel for issue of directions is less than sixty days, such remaining period shall be extended to sixty days and the aforesaid period of six months shall be deemed to have been extended accordingly.

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

Clause 36 of the Bill seeks to amend section 144C of the Income-tax Act relating to reference to dispute resolution panel.

It is proposed to omit sub-section (*14A*) of the said section.

This amendment will take effect retrospectively from 1st April, 2013.

It is proposed to insert a new sub-section (*14A*) in the aforesaid section 144C so as to provide that the provisions of section 144C shall not apply to an assessment or reassessment order passed by the Assessing Officer with the approval of the Commissioner in accordance with sub-section (*12*) of newly inserted section 144BA.

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

Clause 37 of the Bill seeks to amend section 153 of the Income-tax Act relating to time limit for completion of assessments and reassessments.

The existing provisions contained in *Explanation* 1 to the aforesaid section provide that certain periods specified therein are to be excluded while computing the period of limitation for the purposes of the said section.

It is proposed to substitute clause (*iii*) in the aforesaid *Explanation* 1 so as to provide that the period, commencing from the date on which the Assessing Officer directs the assessee to get his accounts audited under sub-section (*2A*) of section 142 and ending with the last date on which the assessee is required to furnish a report of such audit under that sub-section or where such direction is challenged before a court, ending with the date on which the order setting aside such direction is received by the Commissioner, shall be excluded in computing the period of limitation for the purposes of section 153.

The existing provisions contained in clause (*viii*) of *Explanation* 1 to section 153 provides for exclusion of the period, commencing from the date on which a reference for exchange of information is made by an authority competent under an agreement referred to in section 90 or section 90A and ending with the date on which the information so requested is received by the Commissioner or a period of one year, whichever is less, in computing the period of limitation for the purposes of section 153.

It is proposed to substitute the aforesaid clause so as to provide that the period, commencing from the date on which a reference or first of the references for exchange of information is made by an authority competent under an agreement referred to in section 90 or section 90A and ending with the date on which the information requested is last received by the Commissioner or a period of one year, whichever is less, shall be excluded in computing the period of limitation for the purposes of section 153.

These amendments will take effect from 1st June, 2013.

It is further proposed to omit clause (*ix*) in *Explanation* 1 of sub-section (*4*) of the said section.

This amendment will take effect retrospectively from 1st April, 2013.

It is also proposed to insert clause (*ix*) in *Explanation* 1 of sub-section (*4*) of the aforesaid section so as to provide for exclusion of time period starting from receipt of reference by the Commissioner under sub-section (*1*) of newly inserted 144BA and ending on date on which a direction under sub-section (*3*) or sub-section (*6*) or an order under sub-section (*5*) of newly inserted

section 144BA is received by the Assessing Officer.

This amendment will take effect from 1st April, 2016.

Clause 38 of the Bill seeks to amend section 153B of the Income-tax Act relating to time limit for completion of assessment under section 153A.

The existing provisions contained in *Explanation* to section 153B provide that certain periods specified therein are to be excluded while computing the period of limitation laid down in the said section for completion of assessment under section 153A.

It is proposed to substitute clause (*ii*) in the aforesaid *Explanation* so as to provide that the period commencing from the date on which the Assessing Officer directs the assessee to get his accounts audited under sub-section (*2A*) of section 142, and ending with the last date on which the assessee is required to furnish a report of such audit under that sub-section or where such direction is challenged before a court, ending with the date on which the order setting aside such direction is received by the Commissioner, shall be excluded in computing the period of limitation for the purposes of section 153.

The existing provisions contained in clause (*viii*) of *Explanation* to section 153B provides for exclusion of the period, commencing from the date on which a reference for exchange of information is made by an authority competent under an agreement referred to in section 90 or section 90A and ending with the date on which the information so requested is received by the Commissioner or a period of one year, whichever is less, in computing the period of limitation for the purposes of section 153B.

It is proposed to amend the aforesaid clause so as to provide that the period commencing from the date on which a reference or first of the references for exchange of information is made by an authority competent under an agreement referred to in section 90 or section 90A and ending with the date on which the information requested is last received by the Commissioner or a period of one year, whichever is less, shall be excluded in computing the period of limitation for the purposes of section 153B.

These amendments will take effect from 1st June, 2013.

It is further proposed to omit clause (*ix*) in *Explanation* 1 of the sub-section (*4*) of the said section.

This amendment will take effect retrospectively from 1st April, 2013.

It is also proposed to insert clause (*ix*) in *Explanation* 1 of sub-section (*4*) of the aforesaid section so as to provide for exclusion of time period starting from receipt of reference by the Commissioner under sub-section (*1*) of newly inserted section 144BA and ending on date on which a direction under sub-section (*3*) or sub-section (*6*) or an order under sub-section (*5*) of newly inserted section 144BA is received by the Assessing Officer.

This amendment will take effect from 1st April, 2016.

Clause 39 of the Bill seeks to amend section 153D of the Income-tax Act relating to prior approval for assessment in cases of search or requisition.

It is currently provided in the section that any order of an assessment or reassessment in cases where a search or requisition has been done would be passed by an Assessing Officer only with prior approval of the Joint Commissioner.

It is proposed to amend the said section 153D to provide that where the assessment or reassessment order, as the case may be, is required to be passed by the Assessing Officer with the prior approval of the Commissioner under sub-section (*12*) of section 144BA then the conditions of this section shall not apply.

This amendment will take effect from 1st April, 2016.

Clause 40 of the Bill seeks to amend section 167C of the Income-tax Act relating to liability of partners of limited liability partnership in liquidation.

The existing provisions of the aforesaid section 167C provide that where any tax is due from a limited liability partnership in respect of any income of any previous year or from any other person in respect of any income of any previous year during which such other person was a limited liability partnership cannot be recovered, then, every person who was a partner of the limited liability partnership at any time during the relevant previous year, shall be jointly and severally liable for the payment of such tax unless he proves that the non-recovery cannot be attributed to any gross neglect, misfeasance or breach of duty on his part in relation to the affairs of the limited liability partnership.

It is proposed to insert an *Explanation* to the aforesaid section so as to clarify that the expression “tax due” includes penalty, interest or any other sum payable under the Act.

This amendment will take effect from 1st June, 2013.

Clause 41 of the Bill seeks to amend section 179 of the Income-tax Act relating to liability of directors of private company in liquidation.

The existing provisions in sub-section (*1*) of section 179 provide that where any tax is due from a private company in respect of any income of any previous year or from any other company in respect of any income of any previous year during which such other company was a private company cannot be recovered, then, every person who was a director of the private company at any time during the relevant previous year, shall be jointly and severally liable for the payment of such tax unless he proves that the non-recovery cannot be attributed to any gross neglect, misfeasance or breach of duty on his part in relation to the affairs of the company.

It is proposed to insert an *Explanation* to the aforesaid section so as to clarify that the expression “tax due” includes penalty, interest or any other sum payable under the Act.

This amendment will take effect from 1st June, 2013.

Clause 42 of the Bill seeks to insert a new section 194-IA in the Income-tax Act relating to payment on transfer of certain immovable property other than agricultural land.

It is proposed to insert a new section 194-IA to provide that any person, being a transferee, responsible for paying (other than the person referred to in section 194LA) to a resident transferor any sum by way of consideration for transfer of any immovable property (other than agricultural land) shall deduct an amount equal to one per cent. of such sum as income-tax at the time of credit of such sum to the account of the transferor or at the time of payment of such sum in cash or by issue of cheque or draft or by any other mode, whichever is earlier.

It is further proposed to provide that no deduction shall be made where consideration for the transfer of an immovable property is less than fifty lakh rupees.

It is also proposed to provide an *Explanation* defining the expressions “agricultural land” and “immovable property”.

This amendment will take effect from 1st June, 2013.

Clause 43 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 of sub-section (*2*) of the aforesaid section 194LC provide the nature of borrowings, interest on which would be eligible for concessional rate of tax (at the rate of five per cent.) to be deducted in accordance with sub-section (*1*) of the said section. The interest should be in respect of borrowings made by an Indian company in foreign currency from a source outside India either under a loan agreement or by way of issue of long-term infrastructure bonds, as approved by the Central Government.

It is proposed to amend the said sub-section (*2*) so as to provide that where a non-resident (not being a company) or a foreign company has deposited any sum of money in foreign currency in a designated account through which such sum, as converted in rupees, is utilised by the non-resident or the foreign company, as the case may be, to subscribe to any long term infrastructure bonds issued by the specified company in India, then, such borrowing for the purposes of section 194LC shall be deemed to have been made by the specified company in foreign currency. The designated account means an account of a person in a bank which has been opened solely for the purpose of deposit of money in foreign currency and utilisation of such money for payment to the specified company for subscription in the long term infrastructure bonds issued by it.

This amendment will take effect from 1st June, 2013.

Clause 44 of the Bill seeks to amend section 245N of the Income-tax Act relating to definitions in context of Advance Ruling.

It is proposed to omit sub-clause (*iv*) in clause (*a*) of the said section. It is also proposed to omit sub-clause (*iiia*) in clause (*b*) of the said section.

These amendments will take effect retrospectively from 1st April, 2013.

It is proposed to insert sub-clause (*iv*) in clause (*a*) in the said section to empower the Authority for Advance Rulings to determine whether an arrangement which is proposed to be undertaken by any person whether resident or non-resident is an impermissible avoidance arrangement as referred to in Chapter X-A or not. It is further proposed to amend clause (*b*) of the said section in order to provide that definition of applicant includes a person making an application to the authority for determination of whether an arrangement is an impermissible avoidance arrangement or not.

These amendments will take effect from 1st April, 2015.

Clause 45 of the Bill seeks to amend section 245R of the Income-tax Act relating to procedure on receipt of application by Authority for Advance Rulings.

It is proposed to amend clause (*iii*) of proviso to sub-section (*2*) of section 245R in order to omit the reference to the case of an applicant falling in sub-clause (*iiia*) of clause (*b*) of section 245N.

This amendment will take effect retrospectively from 1st April, 2013.

It is proposed to amend clause (*iii*) of proviso to sub-section (*2*) of section 245R in order to insert the reference to the case of an applicant falling in sub-clause (*iiia*) of clause (*b*) of section 245N in order to enable the Authority for Advance Rulings to process the application relating to determination of whether an arrangement is an impermissible avoidance arrangement or not.

This amendment will take effect from 1st April, 2015.

Clause 46 of the Bill seeks to amend section 246A of the Income-tax Act relating to appealable orders before Commissioner (Appeals).

It is proposed to amend clauses (*a*), (*b*) and (*ba*) of sub-section (*1*) of the aforesaid section so as to omit "or an order referred to in sub-section (*12*) of section 144BA" therefrom. It is also proposed to amend clause (*c*) of sub-section (*1*) of the aforesaid section so as to omit "except where it is in respect of an order as referred to in sub-section (*12*) of section 144BA" therefrom.

This amendment will take effect retrospectively from 1st April, 2013.

It is proposed to amend clauses (*a*), (*b*), (*ba*) and (*c*) of sub-section (*1*) of the aforesaid section 246A to provide that an order of assessment or reassessment passed with approval of Commissioner under sub-section (*12*) of newly inserted 144BA or any order under section 154 or section 155 passed in relation to such an order shall not be appealable before Commissioner (Appeals).

This amendment will take effect from 1st April, 2016.

Clause 47 of the Bill seeks to amend section 253 of the Income-tax Act relating to appeals to the Appellate Tribunal.

It is proposed to omit clause (*e*) of sub-section (*1*) of the said section.

This amendment will take effect retrospectively from 1st April, 2013.

It is further proposed to amend the aforesaid sub-section (*1*) to insert clause (*e*) in the said sub-section to provide that in respect of an order of assessment or reassessment passed with approval of Commissioner under sub-section (*12*) of newly inserted section 144BA or any order under section 154 or section 155 passed in relation to such an order, an appeal shall lie before the Appellate Tribunal.

This amendment will take effect from 1st April, 2016.

Clause 48 of the Bill seeks to amend section 271FA of the Income-tax Act relating to penalty for failure to furnish annual information return.

The existing provisions contained in section 271FA provides that if a person who is required to furnish an annual information return, as required under sub-section (*1*) of section 285BA, fails to furnish such return within the time prescribed under that sub-section, the income-tax authority prescribed under the said sub-section may direct that such person shall pay, by way of penalty, a sum of one hundred rupees for every day during which the failure continues.

It is proposed to amend the aforesaid section so as to provide that if a person who is required to furnish an annual information return under sub-section (*1*) of section 285BA, fails to furnish such return within the time prescribed under sub-section (*2*) thereof, the income-tax authority prescribed under the said sub-section (*1*) may direct that such person shall pay, by way of penalty, a sum of one hundred rupees for every day during which such failure continues.

It is further proposed to provide that where such person fails to furnish the return within the period specified in the notice issued under sub-section (*5*) of section 285BA, he shall pay, by way of penalty, a sum of five hundred rupees for every day during which the failure continues, beginning from the day immediately following the day on which the time specified in such notice for furnishing the return expires.

This amendment will take effect from 1st April, 2014.

Clause 49 of the Bill seeks to amend section 295 of the Income-

tax Act relating to power to make rules.

The existing provisions of section 295 provide that Board may, subject to the control of the Central Government, by notification in the Gazette of India, may make rules for carrying out the purposes of the Act. Sub-section (*2*) of the said section lists out the matters in respect of which the rules may be made.

It is proposed to insert a new clause (*ee*) after renumbering the existing clause (*ee*) as (*e*) to provide that the rules may be made with regard to the matters specified in Chapter X-A.

It is further proposed to insert clause (*eed*) to provide that the rules may also be made to provide for remuneration of the Chairperson and members of the Approving Panel under sub-section (*18*) and procedure and manner for constitution of, functioning and disposal of references by the Approving Panel under sub-section (*21*) of section 144BA.

These amendments will take effect from 1st April, 2016.

Clause 50 of the Bill seeks to amend Part A of the Fourth Schedule to the Income-tax Act relating to recognised provident funds.

Rule 3 in Part A of the Fourth Schedule provides that the Chief Commissioner or Commissioner may accord recognition to any provident fund which, in his opinion, satisfies the conditions specified under rule 4 of Part A of the said Fourth Schedule and any other conditions, which the Board may specify by rules.

The first proviso to sub-rule (*1*) of the said rule 3 provides that in a case where recognition has been accorded to any provident fund on or before 31st March, 2006 and such provident fund does not satisfy the conditions set out in clause (*ea*) of said rule 4, and any other conditions which the Board may specify by rules in this behalf, the recognition to such fund shall be withdrawn, if the fund does not satisfy the conditions on or before 31st March, 2013.

It is proposed to amend the said proviso to sub-rule (*1*), so as to extend the said time limit up to 31st March, 2014.

This amendment will take effect retrospectively from 1st April, 2013.

Wealth-tax

Clause 51 seeks to amend section 2 of the Wealth-tax Act relating to definitions.

The provisions contained in clause (*ea*) of section 2 define the term ‘assets’. Sub-clause (*v*) of the said clause (*ea*) includes ‘urban land’ in the definition of the term ‘assets’. Clause (*b*) of *Explanation* 1 to the said clause (*ea*) defines the term ‘urban land’.

It is proposed to amend clause (*b*) of *Explanation* 1 to clause (*ea*) of section 2 so as to provide that land situated in any area within the distance, measured aerially, (*I*) not being more than two kilometres, from the local limits of any municipality or cantonment board referred to in clause (*i*) and which has a population of more than ten thousand but not exceeding one lakh; or (*II*) not being more than six kilometres, from the local limits of any municipality or cantonment board referred to in clause (*i*) and which has a population of more than one lakh but not exceeding ten lakh; or (*III*) not being more than eight kilometres, from the local limits of any municipality or cantonment board referred to in clause (*i*) and which has a population of more than ten lakh shall be classified as urban land. An *Explanation* has been inserted to clarify the expression “population”.

This amendment will take effect from 1st April, 2014, and will, accordingly, apply in relation to Assessment Year 2014-15 and subsequent assessment years.

Clause 52 of the Bill seeks to insert new sections 14A and 14B in the Wealth-tax Act relating to rule making power of the Board.

It is proposed to insert a new section 14A so as to provide that the Board may make rules providing for a class or classes of persons who may not be required to furnish documents, statements, receipts, certificates, audit reports, reports of registered valuer or any other documents, which are otherwise under any other provisions of this Act, except section 14B, required to be furnished, along with the return of wealth but on demand to be produced before the Assessing Officer.

It is further proposed to insert a new section 14B so as to provide that the Board may make rules providing for class or classes of persons who shall be required to furnish the return in electronic form; the form and the manner in which the return in electronic form may be furnished; the documents, statements, receipts, certificates, audit reports, reports of registered valuer or any other documents which may not be furnished along with the return in electronic form but shall be produced before the Assessing Officer on demand; the computer resource or the electronic record to which the return in electronic form may be transmitted.

Consequentially, it is proposed to insert new clauses (*ba*) and (*bb*) in sub-section (*2*) of section 46 which provides for rule making powers of the Board.

These amendments will take effect from 1st June, 2013.

Clause 53 of the Bill seeks to amend section 46 of the Wealth-tax Act relating to power of the Board to make rules.

It is proposed to insert new clauses (*ba*) and (*bb*) in sub-section (*2*) of the said section which are consequent to insertion of sections 14A and 14B giving certain rule making powers to the Board.

This amendment will take effect from 1st June, 2013.

Customs

Clause 54 seeks to amend clause (*n*) of sub-section (*2*) of section 11 to include designs and geographical indications along with patents, trademarks and copyrights to enable the Central Government to prohibit either absolutely or conditionally the import or export of goods to protect these legal rights.

Clause 55 seeks to amend section 27 to provide that if the amount of claim is less than rupees one hundred, the same shall not be refunded.

Clause 56 seeks to amend sub-section (*1*) of section 28 to provide that the proper officer shall not serve a show cause notice, where the amount involved is less than rupees one hundred.

Clause 57 proposes to amend section 28BA to include notices issued under sub-section (*4*) of section 28, in addition to notices issued under sub-section (*1*) of section 28 for recovery of duties.

Clause 58 of the Bill seeks to substitute clause (*a*) of section 28E of the Customs Act, for the purpose of expanding the scope of activity of import or export so as to include any new business of import or export by an existing importer or exporter in order to enable such importer or exporter to seek advance ruling before the Authority for Advance Rulings.

Clause 59 proposes to amend section 29 to empower Board to allow landing of aircrafts and vessels at any place other than customs airports or customs ports.

Clause 60 proposes to amend section 30 to provide for electronic filing of import manifest and to insert a proviso that where this is not feasible, the Commissioner of Customs may allow the delivery of such manifest in any other manner.

Clause 61 proposes to amend sub-section (*1*) of section 41 to provide for electronic filing of export general manifest and to insert a proviso that where this is not feasible, the Commissioner of Customs may allow the delivery of such manifest in any other manner.

Clause 62 seeks to amend sub-section (*2*) of section 47 to reduce the interest free period for payment of customs duty from five days to two days.

Clause 63 seeks to amend section 49 to provide that goods may be permitted to be stored for a period not exceeding thirty days in a public warehouse and the private warehouse in the interest of accountability and early finalization of assessment and to insert a proviso that the Commissioner of Customs may extend the period of storage for a further period not exceeding thirty days at a time.

Clause 64 proposes to substitute clause (*a*) of sub-section (*1*) of section 69 to provide that any warehoused goods may be exported to a place outside India without payment of import duty if a shipping bill or bill of export in prescribed form or label or declaration accompanying the goods as referred to in section 82 has been presented in respect of such goods.

Clause 65 of the Bill seeks to substitute sub-section (*6*) of section 104 of the Customs Act with new sub-sections (*6*) and (*7*) so as to provide that notwithstanding anything contained in the Code of Criminal Procedure, 1973, an offence under section 135 and relating to evasion or attempted evasion of duty exceeding fifty lakh rupees, or prohibited goods notified under section 11 which are also notified under sub-clause (*C*) of clause (*i*) of sub-section (*1*) of section 135, or import or export of any goods which have not been declared in accordance with the provisions of the Act and the market price of which exceeds one crore rupees, or fraudulently availing of or attempt to avail of drawback or any exemption from duty provided under the Act, if the amount of drawback or exemption from duty exceeds fifty lakh rupees, shall be non-bailable and also to provide that all other offences under the Act shall be bailable.

Clause 66 of the Bill seeks to insert a new proviso after the second proviso in sub section (*2A*) of section 129B of the Customs Act, so as to stipulate that on an application made by a party and on being satisfied that the delay in disposing of the appeal is not attributable to such party, the Appellate Tribunal shall have power to extend the period of stay to such further period, as it thinks fit, not exceeding one hundred and eighty-five days, and in case the appeal is not so disposed of within the total period of three hundred and sixty-five days from the date of order referred to in the first proviso, the stay order stands vacated.

Clause 67 seeks to amend section 129C of the Customs Act, with a view to enhance the monetary limit of the Single Bench of the Appellate Tribunal to hear and dispose of appeals from “ten lakhs rupees” to “fifty lakhs rupees”.

Clause 68 of the Bill seeks to amend sub-clauses (*B*) and (*D*) of clause (*i*) of sub-section (*1*) of section135 of the Customs Act so as to increase the threshold limit for punishment with imprisonment up to seven years and with fine, from “thirty lakh” rupees to “fifty lakh” rupees.

Clause 69 of the Bill seeks to amend sub-section (*1*) of section 142 of the Customs Act, by inserting a new clause (*d*) therein to provide for recovery of any amount due to the Central Government. It provides that in case of dues of customs, the proper officer may require any person (third party) from whom the amount is due or may become due to the defaulter, to pay to the Central Government so much of the amount as is sufficient to pay the amount due.

Clause 70 seeks to omit section 143A since the same has become redundant as the export promotion schemes have undergone a complete change.

Clause 71 seeks to amend section 144 to provide that there shall be no liability of duty on any goods consumed as samples during testing or examination.

Clause 72 seeks to subsitute section 146 with new section 146 so as to substitute the words ‘customs house agents’ with the words ‘customs brokers’ considering the global practice and internationally accepted nomenclature.

Clause 73 seeks to amend clause (*b*) of sub-sections (*2*) and (*4*) respectively of section 146A which is of consequential nature in view of the amendment of section 146 and also to include any offence committed under the Finance Act, 1994 as a disqualification for person to act as an authorised representative in customs matters.

Clause 74 seeks to amend sub-section (*3*) of section 147 to provide that the agents are equally liable for any act or omission when the agent is expressly or impliedly authorised by the owner, importer or exporter of any goods to be his agent in respect of such goods for all or any of the purposes of the Act.

Clause 75 of the Bill seeks to amend the notification issued under sub-section (*1*) of section 25 of the Customs Act bearing number G.S.R. 153(E), dated the 1st March, 2011 in the manner specified in the Second Schedule so as to amend the said notification retrospectively to subsitute the entry in column (2) against Sl. No. 56 with the entry “7210, 7212” and to refund all such duty of customs which has been collected but which would not have been so collected had the notification been in force at all material times and an application for the claim of refund of duty of customs shall be made within six months from the date on which the Finance Bill, 2013 receives the assent of the President.

Customs Tariff

Clause 76 of the Bill seeks to amend the First Schedule to the Customs Tariff Act in the manner specified in the Third Schedule so as to,—

(*a*) incorporate changes in description of goods;

(*b*) to omit entries relating to certain tariff items;

(*c*) to revise the rate of customs duty on certain tariff items;

(*d*) omit a chapter note relating to classification of certain tariff items; and

(*e*) to insert a supplementary note after Sub-heading Note relating to certain tariff items.

Clause 77 of the Bill seeks to amend the Second Schedule to the Customs Tariff Act in the manner specified in the Fourth Schedule. Sub-clause (*a*) thereof seeks to substitute the entry under column (*2*) against Sl. No. 43 with retrospective effect with effect from the first day of March, 2011. Sub-clause (*b*) seeks to insert new entries 9A, 23A, 23B, 24A and 24B.

Excise

Clause 78 of the Bill seeks to amend section 9 of the Central Excise Act so as to increase the threshold limit of evasion, for punishment with imprisonment upto seven years and with fine,

from “thirty lakh rupees” to “fifty lakh rupees”.

Clause 79 of the Bill seeks to amend section 9A of the Central Excise Act—

(*i*) to substitute sub-section (*1*) so as to provide that offences under section 9, except the offences referred to in the proposed sub-section (*1A*), shall continue to be non-cognizable;

(*ii*) to insert new sub-section (*1A*) so as to provide that offences relating to excisable goods where the duty leviable on such goods exceeds fifty lakh rupees and punishable under clause (*b*) or clause (*bbbb*) of sub-section (*1*) of section 9 shall be cognizable and non-bailable.

Clause 80 of the Bill seeks to amend section 11 of the Central Excise Act, so as to provide for additional modes of recovery of the amount due to the Central Government.

Besides the existing mode of recovery, now it is proposed to provide that in case of dues of central excise, the Central Excise Officer may require any other officer of Central Excise or Customs to recover the amount due from such money which is payable to such person.

It is also proposed to provide for another mode of recovery so that a person (third party) from whom amount is due or may become due to the defaulter shall be required to pay to the Central Government so much amount as is sufficient to pay the arrears of revenue. Any of these two new modes of recovery can be used by the Central Excise Officer besides the existing modes of recovery.

Clause 81 of the Bill proposes to insert sub-section (*7A*) in section 11A with a view to provide that where a notice or notices have been served under sub-section (*1*) or sub-section (*3*) or sub-section (*4*) or sub-section (*5*), service of a statement of details of duty of excise not levied, or not paid or short levied or short paid or erroneously refunded, on the person chargeable with duty of excise, shall be deemed to be service of notice on such person if the grounds relied upon are the same.

Clause 82 of the Bill seeks to amend sub-section (*1*) of section 11DDA of the Central Excise Act, so as to align the same with section 11A.

Clause 83 of the Bill seeks to amend section 20 of the Central Excise Act so as to make the provisions applicable only to offence which is non-cognizable.

Clause 84 of the Bill seeks to amend clause (*a*) and clause (*b*) of the proviso to sub-section (*2*) of section 21 of the Central Excise Act so as to make the provisions regarding release of arrested person on bail or on personal bond applicable only to an offence which is non-cognizable.

Clause 85 of the Bill seeks to substitute clause (*a*) of section 23A of the Central Excise Act, for the purpose of expanding the scope of activity of production or manufacture so as to include any new business of production or manufacture by the existing producer or manufacturer in order to enable such producer or manufacturer to seek advance ruling before the Authority for Advance Rulings.

Clause 86 of the Bill seeks to amend clause (*e*) of sub-section (*2*) of section 23C of the Central Excise Act, so as to extend the Advance Ruling provisions also to the admissibility of the credit of service tax paid or deemed to have been paid on input service used in the manufacture of the excisable goods.

Clause 87 of the Bill seeks to amend sub-section (*1*) of section 23F of the Central Excise Act, so as to substitute the word, figures and letter “section 28-I”, with the word, figures and letter “section 23D”.

Clause 88 of the Bill seeks to insert a new proviso after the second proviso in sub-section (*2A*) of section 35C of the Central Excise Act, so as to stipulate that on an application made by a party and on being satisfied that the delay in disposing of the appeal is not attributable to such party, the Appellate Tribunal shall have the power to extend the period of stay to such further period, as it thinks fit, not exceeding one hundred and eighty-five days, and in case the appeal is not so disposed of within the total period of three hundred and sixty-five days from the date of order referred to in the first proviso, the stay order stands vacated.

Clause 89 seeks to amend section 35D of the Central Excise Act, with a view to enhance the monetary limit of the Single Bench of the Appellate Tribunal to hear and dispose of appeals from “ten lakh rupees” to “fifty lakh rupees”.

Clause 90 of the Bill seeks to amend clause (*a*) of sub-section (*1*) of section 37C of the Central Excise Act, so as to specify additional modes of service of specified documents. These modes are speed post with proof of delivery or by courier as approved by the Central Board of Excise and Customs constituted under the Central Boards of Revenue Act, 1963. Sub-clause (*ii*) of said clause proposes to make consequential amendments in sub-section (*2*) of section 37C.

Clause 91 of the Bill seeks to amend the Third Schedule to the Central Excise Act so as to insert a new entry 31A relating to medicaments used in Ayurveda, Unani, Siddha, Homoeopathic or Bio-chemic systems and to subsitute the entry “7615 10 11” for the existing entry “7615 19 10” in column (*2*) against Sl. No. 64 in the manner specified in the Fifth Schedule.

Central Excise Tariff

Clause 92 of the Bill seeks to amend the First Schedule to the Central Excise Tariff Act in the manner specified in Sixth Schedule so as to,—

(a) incorporate changes in the description of goods;

(b) to omit entries relating to certain tariff items;

(c) revise tariff rates in respect of certain tariff items.

Service Tax

Clause 93 seeks to amend Chapter V of the Finance Act, 1994 relating to service tax in the following manner, namely:-

Sub-clause (*A*) seeks to amend section 65B of the said Act, so as to modify the scope of certain services.

Sub-clause (*B*) seeks to omit *Explanation* to section 66B of the said Chapter inserted by issuing a notification under sub-section (*1-I*) of section 95 thereof since a new section 66BA is being inserted to the same effect.

Sub-clause (*C*) seeks to insert a new section 66BA in the said Chapter, so as to clarify that reference to section 66 in the Act or any other Act for the time being in force shall be construed as reference to the provisions of section 66B. This sub-clause shall come into effect retrospectively with effect from the 1st day of July, 2012.

Sub-clause (*D*) seeks to omit the word ‘seed’ from sub-clause (*i*) of clause (*d*) of the section 66D so as to modify the scope of the service.

Sub-clause (*E*) seeks to insert a new sub-section (*2A*) in section 73 with a view to save the notices issued for extended

period under the proviso to sub-section (*1*), in cases where any appellate authority or tribunal or court decides that such notices are not sustainable on the grounds specified therein. Such notices shall be deemed to have been issued under sub-section (*1*) for invoking normal limitation.

Sub-clause (*F*) seeks to amend clause (*a*) of sub-section (*1*) of section 77, to restrict the maximum penalty for failure to take registration, to rupees ten thousand.

Sub-clause (*G*) seeks to insert a new section 78A, so as to impose penalty, which may extend up to one lakh rupees, on director, manager, secretary or other officer of the company for knowingly involved in the contraventions specified therein.

Sub-clause (*H*) seeks to amend section 83 so as to substitute the figure and letter "9A"with the words, brackets, figures and letter "sub-section (*2*) of section 9A" with the view to apply only sub-clause (*2*) of section 9A of the Central Excise Act, 1944 to service tax.

Sub-clause (*I*) seeks to amend sub-section (5) of section 86 of the said Chapter to empower the tribunal to condone the delay in filing appeal or cross objection by the assessee also.

Sub-clause (*J*) seeks to substitute clauses (*i*) and (*ii*) of sub-section (*1*) of section 89 so as to provide that—

(*i*) in the case of an offence specified in clauses (*a*), (*b*) and (*c*) of sub-section (*1*) where the amount exceeds fifty lakh rupees, the punishment shall be imprisonment for a term which may extend to three years, but shall not, in any case, be less than six months;

(*ii*) in the case of an offence specified in clause (*d*) of sub-section (*1*) where the amount exceeds fifty lakh rupees, the punishment shall be imprisonment for a term which may extend to seven years, but shall not, in any case, be less than six months;

(*iii*) in the case of any other offence, the punishment shall be imprisonment for a term which may extend to one year.

It further seeks to substitute sub-section (*2*) thereof so as to provide that a person convicted of an offence punishable under clauses (*i*) and (*iii*) shall be punished for every second and subsequent offence with imprisonment for a term which may extend to three years and in the case of an offence punishable under clause (*ii*), shall be punished for every second and subsequent offence with imprisonment for a term which may extend to seven years.

Sub-clause (*K*) seeks to insert new sections 90 and 91.

The proposed section 90 seeks to provide that an offence under clause (*ii*) of sub-section (*1*) of section 89 shall be cognizable and all other offences shall be non-cognizable and bailable.

The proposed section 91 seeks to provide for power to arrest. It seeks to empower the Commissioner of Central Excise, to authorise any officer of Central Excise not below the rank of Superintendent of Central Excise, to arrest a person for the offences specified in clause (*i*) or clause (*ii*) of sub-section (*1*) of section 89.

It further seeks to empower the Assistant Commissioner or the Deputy Commissioner to release the person so arrested on bail in case of non-cognizable and bailable offences, and for this purpose, he shall have the same power as that of an officer-in-charge of a police station and shall be subject to provisions under section 436 of the Code of Criminal Procedure, 1973.

It also seeks to provide that the arrests so made shall be carried out in accordance with the provisions of the Code of Criminal Procedure, 1973, relating to arrests.

Sub-clause (*L*) seeks to amend section 95 so as to empower the Central Government to issue orders for removal of difficulty in case of certain provisions inserted by the proposed amendments in this Chapter, up to one year from the date of commencement of the Finance Bill, 2013.

Sub-clause (*M*) seeks to insert new section to provide exemption from service tax to the extent notices have been issued upto the 28th February, 2013 under section 73, in respect of taxable services provided by the Indian Railways during the period prior to the 1st day of July, 2012.

Chapter VI containing clauses 94 to 104 provides for the Service Tax Voluntary Compliance Encouragement Scheme, 2013.

The Scheme is a one-time measure to encourage voluntary compliance by persons who may not have filed the returns or paid the service tax dues for the period commencing from 1st October, 2007 and ending on 31st December, 2012. It provides that such persons shall declare the tax dues and pay the same in accordance with the provisions of the Scheme. It further provides for certain immunities including penalty, interest or any other proceeding under the Chapter V of the Finance Act, 1994 to those persons who opt for the Scheme.

Chapter VII of the Bill seeks to provide for levy, collection and recovery of Commodities Transaction Tax.

Clause 106 of the Bill seeks to define certain terms and expressions used in this Chapter.

Clause 107 of the Bill seeks to make a provision for the charging of a tax called commodities transaction tax at the rate of 0.01 per cent. in case of sale of commodity derivatives in respect of commodities other than agricultural commodities traded in recognised associations.

Clause 108 of the Bill provides the manner of computing the value of a taxable commodities transaction. The value of a taxable commodities transaction, in the case of sale of commodity derivative, shall be the price at which the commodity derivative is traded.

Clause 109 of the Bill provides for collection and recovery of commodities transaction tax by a recognised association from the seller. The amount of commodities transaction tax collected by the recognised associations has to be paid to the credit of the Government by 7th day of the month following the month in which the commodities transaction tax is collected.

Sub-clause (*1*) of clause 110 of the Bill provides for furnishing, by recognised associations (assessee) responsible for collection of commodities transaction tax, of a return in the prescribed form and prescribed manner and setting-forth such particulars as may be prescribed in respect of all taxable commodities transactions entered into during a financial year in that association.

Sub-clause (*2*) confers power on the Assessing Officer to issue notice requiring any assessee who has not furnished the return, to furnish such return within such time as may be specified in the notice.

Sub-clause (*3*) provides for furnishing of revised return before the assessment is made, in case of discovery of any omission or wrong statement in the return earlier furnished.

Clause 111 of the Bill contains provisions relating to assessment of the value of taxable commodities transactions and commodities transaction tax payable or refundable on the basis of such assessment. It also provides that no assessment shall be

made after the expiry of two years from the end of the relevant financial year.

Clause 112 of the Bill provides for rectification of mistakes apparent from the record of any order passed by the Assessing Officer within one year from the end of the financial year in which the order sought to be amended was passed. The Assessing Officer may rectify mistakes either *suo motu* or at the instance of the assessee. Further, any amendment which has the effect of enhancing an assessment or reducing a refund or otherwise increasing the liability of the assessee shall be made only after giving the assessee a reasonable opportunity of being heard.

Clause 113 of the Bill provides for payment of simple interest at the rate of one per cent. for every month or part of a month where the commodities transaction tax collected is not credited to the account of the Central Government within the period specified in the said clause.

Clause 114 of the Bill provides for imposition of penalty on the assessee responsible to collect transaction tax. The penalty would be a sum equal to the amount of commodities transaction tax not collected in a case where the assessee fails to collect the whole or any part of commodities transaction tax. In other cases, such penalty imposed will be one thousand rupees for every such failure. However, the penalty imposable under this clause shall not exceed the amount of commodity transaction tax that was to be paid.

Clause 115 of the Bill provides for penalty for failure to furnish return under clause 110. The penalty in such cases will be one hundred rupees for every day during which the failure continues.

Clause 116 of the Bill provides that any person, who fails to comply with notice issued under sub-clause (1) of clause 111, shall be liable to pay, by way of penalty, in addition to any commodities transaction tax and interest, a sum equal to ten thousand rupees for each failure.

Clause 117 of the Bill provides that no penalty will be imposable under clause 114, clause 115 or clause 116, if the assessee proves that there was reasonable cause for the failure to comply with the provisions of the said clause.

It is further proposed that no order imposing a penalty under this Chapter shall be made unless the assessee has been given a reasonable opportunity of being heard.

Clause 118 of the Bill provides that sections 120, 131, 133A, 156, 178, 220 to 227, 229, 232,260A, 261, 262, 265 to 269, 278B, 282 and 288 to 293 of the Income-tax Act, 1961 which, *inter alia,* relate to issue of notice of demand, recovery and collection of tax, appeals to High Courts and the Supreme Court, appearance of authorised representatives, etc., will so far as may be, apply in relation to commodities transaction tax.

Clause 119 of the Bill provides for an appeal to the Commissioner of Income-tax (Appeals) when the assessee denies his liability to be assessed under this Chapter or against any order passed under clause 111 or clause 112 by an Assessing Officer. This clause also contains provisions relating to time for filing appeal, etc., and provides that provisions of section 249 to 251 of the Income-tax Act, 1961, shall as far as may be, apply in such cases.

Clause 120 of the Bill provides for appeal to the Appellate Tribunal against order passed by Commissioner of Income-tax (Appeals) under clause 119. This clause contains provisions relating to time and procedure for filing appeal before the Appellate Tribunal. This clause also provides that where an appeal has been filed under this clause, the provisions of sections 252 to 255 of the Income-tax Act, 1961 shall, as far as may be, apply to such appeals.

Clause 121 of the Bill provides for punishment, by way of imprisonment upto a period of three years and with fine, for making any statement in any verification, account or statement which is false. This clause also provides that an offence punishable under this clause shall be deemed to be non-cognisable within the meaning of the Code of Criminal Procedure, 1973.

Clause 122 of the Bill provides that no prosecution shall be instituted for an offence under clause 121 except with the prior sanction of the Chief Commissioner of Income-tax.

Clause 123 of the Bill confers power on the Central Government to make rules for the purposes of carrying out the provisions of this Chapter. This clause also provides that every rule made under this clause shall be laid before each House of Parliament.

Clause 124 of the Bill confers power on the Central Government to issue orders for removal of any difficulty arising in giving effect to the provisions of this Chapter. This power is available to the Central Government for a period of two years from the date on which the provisions of this Chapter come into force. Every order made under this clause shall be laid before each House of Parliament.

This amendment will take effect from the date appointed in the notification to be issued by the Central Government.

Miscellaneous

Clause 125 of the Bill seeks to amend section 98 of the Finance (No. 2) Act, 2004 relating to charge of securities transaction tax.

It is proposed to amend the Table given under the said section which specifies the rates at which the securities transaction tax shall be charged.

The proposed amendments seek to reduce the rates of securities transaction tax from 0.1 per cent. to zero per cent. in respect of the purchase of units of an equity oriented fund entered into in a recognised stock exchange where the contract for the purchase of such unit is settled by actual delivery. It is further proposed to insert a new serial number 2A and the entries relating thereto, so as to reduce the rate of securities transaction tax from 0.1 per cent. to 0.001 per cent. in respect of the taxable securities transaction of sale of unit of an equity oriented fund of the nature referred to under column (*2*) of the said Table. It is also proposed to reduce the rate of securities transaction tax from 0.017 per cent. to 0.01 per cent. in respect of taxable securities transactions of derivatives of the nature referred to under the said column (*2*), in item (c), against serial number 4. It is also proposed to reduce the rate of securities transaction tax from 0.25 per cent. to 0.001 per cent. in respect of taxable securities transactions of the units of equity oriented fund of the nature referred to under column (*2*) against serial number 5.

This amendment will take effect from 1st June, 2013.