



## **Finance Bill, 2010 – Proposed Provisions relating to Direct Taxes**

<b>Tax Rates for AY 2011-12</b>		
<b>Sr. No.</b>	<b>Particulars</b>	<b>Remark</b>
1	Surcharge	Domestic companies 7.5% (Earlier 10%) Foreign Companies 2.5% (if the income is more than 1 crore Rs.)
2	Basic Exemptions & Tax Slab	
	Senior citizens	Up to Rs.2,40,000/- Nil Rs.2,40,001/- to Rs.5,00,000/- 10% Rs.5,00,001/- to Rs.8,00,000/- 20% +26,000/- and above Rs.8,00,000/- 30% + 86,000/-
	Women	Up to Rs.1,90,000/- Nil Rs.1,90,001/- to Rs.5,00,000/- 10% Rs.5,00,001/- to Rs.8,00,000/- 20% +31,000/- and above Rs.8,00,000/- 30% + 91,000
	Others	Up to Rs.1,60,000/- Nil Rs.1,60,001/- to Rs.5,00,000/- 10% Rs.5,00,001/- to Rs.8,00,000/- 20% +44,000/- and above Rs.8,00,000/- 30% + 1,04,000
3	Education Cess	No Change (3%)
4	Tax Rates	No Change except Tax Slabs as above
5	Surcharge & Education Cess on deduction of Tax at Source	No Change. It shall not be considered except in case of Foreign companies. However, Education cess is to be considered in salary payments

<b>Clause</b>	<b>Section</b>	<b>Effective Date (A.Y.)</b>	<b>Nature of Amendment</b>	<b>Amendment</b>
<b>INCOME TAX</b>				
3	2(15)	w.r.e.f. 1.04.09	Definition of Charitable purpose amended	“The advancement of any other object of general public utility” shall continue to be a “charitable purpose” if the <b>total receipts</b> from any activity in the nature of trade, commerce or business, or any activity of rendering any service in relation to any trade, commerce or business <b>do not exceed Rs.10</b> lakhs in the previous year.
4	9(1) Clause (v) to (vii)	w.r.e.f. 01.06.76	Substituted existing with new Explanation	The income of a non-resident shall be deemed to accrue or arise in India under clause (v) or clause (vi) or clause (vii) of sub-section (1) of section 9 and shall be included in his total income, whether or not,

				(a) the non-resident has a residence or place of business or business connection in India; or (b) the non-resident has rendered services in India.
6	10AA (7)	w.r.e.f. 01.04.05	New proviso inserted	Amended by Finance (No. 2) Act 2009 (substitution of words 'by the undertaking' in place of 'by the assessee'), will apply to the assessment year 2006-07 and subsequent assessment years
7	12AA	01.06.10	Amendment	The Commissioner can also cancel the registration obtained under section 12A as it stood before amendment by Finance Act 1996.
9	35(2AB)	01.04.11	Amendment	The weighted deduction of the expenditure incurred on scientific research on an approved in-house research and development facility from the business income increased from 150 per cent to 200 per cent of expenditure incurred.
	35(1)(ii) & 35 (2AA)	01.04.11	Amendment	The weighted deduction from business income for contribution to approved entities increased from 125 per cent to 175 per cent.
5, 9, 26, 32 & 34	35(1)(iii)	01.04.11	Amendment	Included an approved research association which has as its object undertaking research in social science or statistical research.
	10(21)	01.04.11		Provide exemption to such associations in respect of their income.
	80GGA	01.04.11		Deductions of donations made to such associations to be allowed.
10 & 23	35(AD)	1.04.11	Amendment	Investment linked incentive to the hotel sector, irrespective of location. It allows 100% deduction in respect of the whole of any expenditure of capital nature (other than on land, goodwill and financial instruments) incurred wholly and exclusively, for the purpose of the "specified business" during the previous year in which it is incurred.  "Specified business" to include the business of building and operating a new hotel of two star or above category, anywhere in India, which starts functioning after 1.4.2010.
	35 (AD)(3)	1.04.11	Substituted	Where a deduction under this section is claimed and allowed in respect of the specified business for any assessment year, no deduction shall be allowed under the provisions of Chapter VI-A under the heading "C.-Deductions in respect of certain incomes".

	35 (AD)(2)	w.r.e.f. 1.04.10	Amendment	Presently benefit u/s 35AD is allowable in case of laying and operating a cross country nature gas or crude or petroleum oil pipeline network for distribution if one third of its total pipeline capacity available for use on common carrier basis by any person other than the assessee or an associated persons. It is proposed to provide that the proportion of total pipeline capacity to be made available for use on common carrier basis should be specified by regulations of The Petroleum & Nature Gas Regulatory Board.
12 & 42	40(a)(ia)	w.r.e.f. 1.04.10	Amendment	No disallowance will be made if after deduction of tax during the previous year, the same has been paid on or before the due date of filing of return of income
	201(1A)	01.06.10	Amendment	Increased the rate of interest for non-payment of tax after deduction from the present one per cent to one and one-half per cent for every month or part of month
14,15 & 50	44AB	01.04.11	Amendment	Increased the threshold limit for carrying out tax audit from forty lakh rupees to sixty lakh rupees in the case of persons carrying on business and from ten lakh rupees to fifteen lakh rupees in the case of persons carrying on profession
	271B	01.04.11	Amendment	Increased the maximum penalty, from one lakh rupees to one lakh fifty thousand rupees
	44AD	01.04.11	Amendment	Increased the threshold limit of total turnover or gross receipts from forty lakh rupees to sixty lakh rupees
16 &17	44BB(1)	01.04.11	Certificatory	It is proposed to amend the proviso to section 44BB '_____' so as to exclude the applicability of section 44BB to the income which is covered under section 44DA '_____' . Similarly, section 44DA is also proposed to be amended to provide that provisions of section 44BB shall not apply to the income covered under section 44DA
8 ,11, 13,18 19 20, 22 and 29	45	01.04.11	Amendment	- Transfer of assets on conversion of a company into LLP shall not be regarded as a transfer for the purposes of capital gains tax subject to following conditions:- (i) the total sales, turnover or gross receipts in business of the company do not exceed sixty lakh rupees in any of the three preceding previous years; (ii) the shareholders of the company become

				<p>partners of the LLP in the same proportion;</p> <p>(iii) no consideration other than share in profit and capital contribution in the LLP arises to partners;</p> <p>(iv) the erstwhile shareholders of the company continue to be entitled to receive at least 50 per cent of the profits of the LLP for a period of 5 years from the date of conversion;</p> <p>(v) all assets and liabilities of the company become the assets and liabilities of the LLP; and</p> <p>(vi) no amount is paid, either directly or indirectly, to any partner out of the accumulated profit of the company for a period of 3 years from the date of conversion.</p> <ul style="list-style-type: none"><li>- Allow the carry forward and set-off of business loss and unabsorbed depreciation to the successor LLP which fulfills the above conditions.</li><li>- If the conditions stipulated above are not complied with, the benefit availed by the company shall be deemed to be the profits and gains of the successor LLP chargeable to tax for the previous year in which the requirements are not complied with.</li><li>- The aggregate depreciation allowable to the predecessor company and successor LLP shall not exceed, in any previous year, the depreciation calculated at the prescribed rates as if the conversion had not taken place.</li><li>- The actual cost of the block of assets in the case of the successor LLP shall be the written down value of the block of assets as in the case of the predecessor company on the date of conversion.</li><li>- The cost of acquisition of the capital asset for the successor LLP shall be deemed to be the cost for which the predecessor company acquired it.</li><li>- Credit in respect of tax paid by a company u/s 115JB is allowed only to such company u/s 115JAA and shall not be allowed to the successor LLP.</li></ul>	
3,	20	56	01.06.10	Amendment	<ul style="list-style-type: none"><li>- It included the transactions undertaken in</li></ul>

21 & 33	(2)(vii), 2(24) & 49			<p>shares of a company (not being a company in which public are substantially interested) either for inadequate consideration or without consideration where the recipient is a firm or a company (not being a company in which public are substantially interested)</p> <ul style="list-style-type: none"> <li>- Excluded the transactions undertaken for business reorganization, amalgamation and demerger which are not regarded as transfer under clauses (via), (vic), (vich), (vid) and (vii) of section 47 of the Act</li> <li>- Consequential amendments in—               <ul style="list-style-type: none"> <li>(i) section 2(24), to include the value of such shares in the definition of income;</li> <li>(ii) section 49, to provide that the cost of acquisition of such shares will be the value which has been taken into account and has been subjected to tax under the provisions of section 56 (2).</li> </ul> </li> </ul>
	56 (2)(vii)	w.r.e.f. 01.10.09	Amendment	The definition of property is amended so as to provide that section 56(2)(vii) will have application to the 'property' which is in the nature of a capital asset of the recipient and therefore not apply to stock-in-trade, raw material and consumable stores of any business of such recipient.
	56 (2)(vii)	w.r.e.f. 01.10.09	Amendment	Provide that it would apply only if the immovable property is received without any consideration and not at the time of booking of the property.
	56	01.06.10	Amendment	The definition of 'property' includes transactions in respect of 'bullion'
	142A(1)	01.07.10	Amendment	AO to make a reference to the DVO for estimating the value of property for the purposes of section 56(2).