

Detailed direct tax provisions from Budget 2020

FINANCE BILL, 2020 PROVISIONS RELATING TO DIRECT TAXES Introduction The provisions of Finance Bill, 2020 (hereafter referred to as "the Bill"), relating to direct taxes seek to amend the Income-tax Act, 1961 (hereafter referred to as 'the Act'), Prohibition of Benami Property Transactions Act, 1988 (hereafter referred to as 'PBPT Act'), and Finance Act, 2013, to continue to provide momentum to the buoyancy in direct taxes through tax-incentives, reducing tax rates for co-operative society, individual and Hindu undivided family (HUF), deepening and widening of the tax base, removing difficulties faced by taxpayers, curbing tax abuse and enhancing the effectiveness, transparency and accountability of the tax administration. With a view to achieving the above, the various proposals for amendments are organised under the following heads:- (A) Rates of income-tax; (B) Tax incentives; (C) Removing difficulties faced by taxpayers; (D) Measures to provide tax certainty; (E) Widening and deepening of tax base; (F) Revenue mobilisation measures; (G) Improving effectiveness of tax administration; (H) Preventing tax abuse; and (I) Rationalisation of provisions of the Act. DIRECT TAXES A. RATES OF INCOME-TAX I. Rates of income-tax in respect of income liable to tax for the assessment year 2020-21. In respect of income of all categories of assessees liable to tax for the assessment year 2020-21, the rates of income-tax have either been specified in specific sections (like section 115BAA or section 115BAB for domestic companies) or have been specified in Part I of the First Schedule to the Bill. These are the same as those laid down in Part III of the First Schedule to the Finance (No 2) Act, 2019, as amended by Taxation Law Amendment Act, 2019 (TLAA) for the purposes of computation of 'advance tax', deduction of tax at source from 'Salaries' and charging of tax payable in certain cases. (1) Surcharge on income-tax The amount of income-tax shall be increased by a surcharge for the purposes of the Union,- (a) in the case of every individual or HUF or 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 Act, not having any income under section 115AD of the Act,- (i) having a total income (including the income under the provisions of section 111A and 112A of the Act) exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of ten per cent. of such incometax; and (ii) having a total income (including the income under the provisions of section 111A and 112A of the Act) exceeding one crore rupees but not exceeding two crore rupees, at the rate of fifteen per cent. of such income-tax; (iii) having a total income (excluding the income under the provisions of section 111A and 112A of the Act) exceeding two crore rupees but not exceeding five crore rupees, at the rate of twenty-five per cent. of such income-tax; (iv) having a total income (excluding the income under the provisions of section 111A and 112A of the Act) exceeding five crore rupees, at the rate of thirty-seven per cent. of such income-tax; (v) having a total income (including the income under the provisions of section 111A and 112A of the Act) exceeding two crore rupees, but is not covered under clause (iii) or (iv) above, at the rate of fifteen per cent of

such income tax: Provided that in case where the total income includes any income chargeable under section 111A and 112A of the Act, the rate of surcharge on the amount of income-tax computed in respect of that part of income shall not exceed fifteen per cent; (aa) in the case of individual or every association of person 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 having income under section 115AD of the Act,- (i) having a total income exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of ten per cent. of such income-tax; and (ii) having a total income exceeding one crore rupees but not exceeding two crore rupees, at the rate of fifteen per cent. of such income-tax; (iii) having a total income [excluding the income of the nature referred to in clause (b) of sub-section (1) of section 115AD of the Act] exceeding two crore rupees but not exceeding five crore rupees, at the rate of twenty-five per cent. of such income-tax; (iv) having a total income [excluding the income of the nature referred to in clause (b) of sub-section (1) of section 115AD of the Act] exceeding five crore rupees, at the rate of thirty-seven per cent. of such income-tax; (v) having a total income [including the income of the nature referred to in clause (b) of sub-section (1) of section 115AD of the Act] exceeding two crore rupees but is not covered in sub-clauses (iii) and (iv), at the rate of fifteen per cent. of such income-tax: Provided that in case where the total income includes any income chargeable under clause (b) of sub-section (1) of section 115AD of the Act, the rate of surcharge on the income-tax calculated on that part of income shall not exceed fifteen per cent; (b) in the case of every co-operative society or firm or local authority, at the rate of twelve per cent. of such income-tax, where the total income exceeds one crore rupees; (c) in the case of every domestic company except such domestic company whose income is chargeable to tax under section 115BAA or section 115BAB of the Act,- (i) at the rate of seven per cent. of such income-tax, where the total income exceeds one crore rupees but does not exceed ten crore rupees; (ii) at the rate of twelve per cent. of such income-tax, where the total income exceeds ten crore rupees; (d) in the case of domestic company whose income is chargeable to tax under section 115BAA or 115BAB of the Act, at the rate of ten per cent; (e) in the case of every company, other than a domestic company,- (i) at the rate of two per cent. of such income-tax, where the total income exceeds one crore rupees but does not exceed ten crore rupees; (ii) at the rate of five per cent. of such income-tax, where the total income exceeds ten crore rupees; (f) In other cases (including sections 92CE, 115-O, 115QA, 115R, 115TA or 115TD), the surcharge shall be levied at the rate of twelve per cent. (2) Marginal Relief- Marginal relief has also been provided in all cases where surcharge is proposed to be imposed. (3) Education Cess- For assessment year 2020-21, 'Health and Education Cess' is to be levied at the rate of four per cent. on the amount of income tax so computed, inclusive of surcharge wherever applicable, in all cases. No marginal relief shall be available in respect of such cess. II. Rates for deduction of income-tax at source during the financial year (FY) 2020-21 from certain incomes other than 'Salaries'. The rates for deduction of income-tax at source during the FY 2020-21 from certain incomes other than 'Salaries' have been specified in Part II of the First Schedule to the Bill. The rates for all the categories of persons will remain the same as those specified in Part II of the First Schedule to the

Finance (No 2) Act, 2019, for the purposes of deduction of income-tax at source during the FY 2019-20. For sections specifying the rate of deduction of tax at source, the tax shall continue to be deducted as per the provisions of these sections. Two new sections 194K and 194-O have been inserted specifying the rates within the sections. Rate of section 194 has been modified from rate in force to ten per cent. (1) Surcharge- The amount of tax so deducted, in the case of a non-resident person (other than a company), shall be increased by a surcharge,- (a) in the case of every individual or HUF or 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 Act, being a non-resident, calculated,- (i) at the rate of ten per cent. of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds fifty lakh rupees but does not exceed one crore rupees; (ii) at the rate of fifteen per cent. of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds one crore rupees but does not exceed two crore rupees; (iii) at the rate of twenty-five per cent. of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds two crore rupees but does not exceed five crore rupees; (iv) at the rate of thirty-seven per cent. of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds five crore rupees; (b) in the case of every co-operative society or firm, being a non-resident, calculated at the rate of twelve per cent. of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds one crore rupees; (c) in the case of every company, other than a domestic company, calculated,- (i) at the rate of two per cent. of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds one crore rupees but does not exceed ten crore rupees; (ii) at the rate of five per cent. of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds ten crore rupees. No surcharge will be levied on deductions in other cases. (2) Education Cess- 'Health and Education Cess' shall continue to be levied at the rate of four per cent. of income tax including surcharge wherever applicable, in the cases of persons not resident in India including company other than a domestic company. III. Rates for deduction of income-tax at source from 'Salaries', computation of 'advance tax' and charging of income-tax in special cases during the FY 2020-21. The rates for deduction of income-tax at source from 'Salaries' during the FY 2020-21 and also for computation of 'advance tax' payable during the said year in the case of all categories of assesseees have been specified in Part III of the First Schedule to the Bill. These rates are also applicable for charging income-tax during the FY 2020-21 on current incomes in cases where accelerated assessments have to be made, for instance, provisional assessment of shipping profits arising in India to non-residents, assessment of persons leaving India for good during the financial year, assessment of persons who are likely to transfer property to avoid tax, assessment of bodies formed for a short duration, etc. New provisions are inserted for tax rates in respect of individual or HUF (section 115BAC of the Act) and resident co-operative societies (section 115 BAD of the Act) with an option to these taxpayers. The salient

features of the rates specified in the said Part III are indicated in the following paragraphs-

A. Individual, HUF, association of persons, body of individuals, artificial juridical person. Paragraph A of Part-III of First Schedule to the Bill provides following rates of income-tax:-

(i) The rates of income-tax in the case of every individual (other than those mentioned in (ii) and (iii) below) or HUF 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 Act (not being a case to which any other Paragraph of Part III applies) are as under:- Upto Rs. 2,50,000 Nil. Rs. 2,50,001 to Rs. 5,00,000 5 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 eighty years at any time during the previous year,- Upto Rs.3,00,000 Nil. Rs. 3,00,001 to Rs. 5,00,000 5 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,- Upto 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 amount of income-tax computed in accordance with the preceding provisions of this Paragraph (including capital gains under section 111A, 112 and 112A) as well as income tax computed under section 115BAC, shall be increased by a surcharge at the rate of,- (a) having a total income (including the income under the provisions of section 111A and 112A of the Act) exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of ten per cent. of such income-tax; (b) having a total income (including the income under the provisions of section 111A and 112A of the Act) exceeding one crore rupees, at the rate of fifteen per cent. of such income-tax; (c) having a total income (excluding the income under the provisions of section 111A and 112A of the Act) exceeding two crore rupees but not exceeding five crore rupees, at the rate of twenty-five per cent. of such income-tax; (d) having a total income (excluding the income under the provisions of section 111A and 112A of the Act) exceeding five crore rupees, at the rate of thirty-seven per cent. of such income-tax; (e) having a total income (including income under the provisions of section 111A and section 112A of the Act) exceeding two crore rupees, but is not covered under clauses (c) and (d), shall be applicable at the rate of fifteen per cent. of such income-tax: Provided that in case where the total income includes any income chargeable under section 111A and section 112A of the Act, the rate of surcharge on the amount of Income-tax computed in respect of that part of income shall not exceed fifteen per cent.. Marginal relief is provided in cases of surcharge. From the assessment year 2021-22 (FY 2020-21), individual and HUF tax payers have an option to opt for taxation under the newly inserted section 115BAC of the Act and the resident co-operative society has an option to opt for taxation under the newly inserted section 115BAD of the Act. This is discussed later.

B. Co-operative Societies In the case of co-operative societies, the rates of income-tax have been specified in Paragraph B of Part III of the First Schedule to the Bill. These rates will continue to be the same as those specified for FY 2019-20. The amount of income-tax shall be increased by a surcharge at the rate of twelve per cent. of such income-tax in case of a co-operative society having a total income exceeding one crore rupees. However, the total amount

payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees. From the assessment year 2021-22, resident co-operative societies have an option to opt for taxation under newly inserted section 115BAD of the Act. This is discussed later.

C. Firms In the case of firms, the rate of income-tax has been specified in Paragraph C of Part III of the First Schedule to the Bill. This rate will continue to be the same as that specified for FY 2019-20. The amount of income-tax shall be increased by a surcharge at the rate of twelve per cent. of such income-tax in case of a firm having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

D. Local authorities The rate of income-tax in the case of every local authority has been specified in Paragraph D of Part III of the First Schedule to the Bill. This rate will continue to be the same as that specified for the FY 2019-20. The amount of income-tax shall be increased by a surcharge at the rate of twelve per cent. of such income-tax in case of a local authority having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

E. Companies The rates of income-tax in the case of companies have been specified in Paragraph E of Part III of the First Schedule to the Bill. In case of domestic company, the rate of income-tax shall be twenty five per cent. of the total income, if the total turnover or gross receipts of the previous year 2018-19 does not exceed four hundred crore rupees and in all other cases the rate of Income-tax shall be thirty per cent. of the total income. However, domestic companies also have an option to opt for taxation under section 115BAA or section 115BAB of the Act on fulfilment of conditions contained therein. The tax rate is 15 per cent. in section 115BAB and 22 per cent. in section 115BAA. Surcharge is 10 per cent. in both cases. In the case of company other than domestic company, the rates of tax are the same as those specified for the FY 2019-20. Surcharge at the rate of seven per cent. shall continue to be levied in case of a domestic company (except those opting for taxation under section 115BAA and section 115BAB of the Act), if the total income of the domestic company exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of twelve per cent shall continue to be levied, if the total income of the domestic company (except those opting for taxation under section 115BAA and section 115BAB of the Act) exceeds ten crore rupees. In case of companies other than domestic companies, the existing surcharge of two per cent shall continue to be levied, if the total income exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of five per cent shall continue to be levied, if the total income of the company other than domestic company exceeds ten crore rupees. Marginal relief is provided in surcharge in all cases. In other cases [including sub-section (2A) of section 92CE, sections 115-O, 115QA, 115R, 115TA or 115TD], the surcharge shall be levied at the rate of twelve per cent.. For FY 2020-21, additional surcharge called the

'Health and Education Cess on income-tax' shall be levied at the rate of four per cent on the amount of tax computed, inclusive of surcharge (wherever applicable), in all cases. No marginal relief shall be available in respect of such cess. [Clause 2 & the First Schedule] IV Other amendments having impact on rates for various categories of person A. Incentives to resident co-operative societies. The TLAA, which replaced The Taxation Laws (Amendment) Ordinance, 2019, sought to provide additional fiscal stimulus to attract investment, generate employment and boost the economy in the wake of economic developments post enactment of the Finance (No. 2) Act, 2019 and keeping in view the reduction of rate of corporate income tax by many countries world over. TLAA, inter alia, introduced section 115BAA in the Act so as to provide that an existing domestic company may opt to pay tax at 22 per cent., if it does not claim any incentive and deduction as provided in said section. In case of the domestic company opting to pay tax at the rate of 22 per cent. under said section, it was provided that,- (a) failure to satisfy specified conditions would disqualify it for the concessional rate and normal provisions of the Act shall apply. (b) deemed loss or depreciation arising out of amalgamation attributable to any incentive, deduction or exemption, shall not be allowed in computation of income. (c) for FY 2020-21, where there is unabsorbed depreciation allowance in respect of a block of asset which has not been given full effect to in earlier FYs, corresponding adjustment shall be made to the written down value of such block of assets as on 1st April, 2020. (d) it shall be entitled to deduction under section 80LA of the Act, subject to fulfilment of conditions contained therein, in respect of a Unit in the International Financial Services Centre, if any. It was also provided that such company shall not be subjected to Minimum Alternate Tax (MAT) under section 115JB of the Act and that, the carry forward and set off of MAT credit, if any, under section 115JAA of the Act would not be allowed. Representations have been received from the stakeholders requesting to provide for concessional rate of tax in case of resident co-operative society on similar lines. In view of the above, it is proposed to insert a new section (115BAD) in the Act to provide that,- (i) notwithstanding anything contained in the Act but subject to the provisions of Chapter XII and satisfaction of certain conditions, a co-operative society resident in India shall have the option to pay tax at 22 per cent. for assessment year 2021-22 onwards in respect of its total income so however that if it fails to satisfy the conditions in any previous year, the option shall become invalid and other provisions of the Act shall apply; (ii) the condition for concessional rate shall be that the total income of the co-operative society is computed,- (a) without any deduction under the provisions of section 10AA or clause (iia) of sub-section (1) of section 32 or section 32AD or section 33AB or section 33ABA or sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) of section 35 or section 35AD or section 35CCC or under any provisions of Chapter VI-A; (b) without set off of any loss carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred to in (a) above; and (c) by claiming the depreciation, if any, under section 32, except clause (iia) of sub-section (1) thereof, determined in such manner as may be prescribed; (iii) the loss and depreciation referred to in (ii)(b) above shall be deemed to have been given full effect to and no further deduction for such loss or depreciation shall be

allowed for any subsequent year. However, where there is a depreciation allowance in respect of a block of asset which has not been given full effect to prior to the assessment year beginning on 1st April, 2021, corresponding adjustment shall be made to the written down value of such block of assets as on 1st April, 2020 in the prescribed manner, if the option is exercised for a previous year relevant to the assessment year beginning on 1st April, 2021; (iv) the concessional rate shall not apply unless option is exercised by the co-operative society in the prescribed manner on or before the due date specified under sub-section (1) of section 139 of the Act for furnishing the returns of income for any previous year relevant to the assessment year commencing on or after 1st April, 2021 and such option once exercised shall apply to subsequent assessment years; (v) if the person has a Unit in the International Financial Services Centre (IFSC), as referred to in sub-section (1A) of section 80LA, the deduction under section 80LA shall be available to such Unit subject to fulfilment of the conditions contained in that section; and (vi) the option so exercised cannot be withdrawn; (vii) The surcharge applicable to such co-operative society shall be levied at 10 per cent.. It is further proposed to amend section 115JC of the Act so as to provide that the provisions relating to Alternate Minimum Tax (AMT) shall not apply to such co-operative society. It is also proposed to amend section 115JD of the Act so as to provide that the provisions relating to carry forward and set off of AMT credit, if any, shall not apply to such co-operative society. This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years. [Clauses 53, 57 & 58] B. Incentives to Individual and HUF. In line with options provided to domestic companies under the TCAA and proposed to be provided to resident co-operative societies under this Bill, it is also proposed to provide similar option to individual and HUF by insertion of section 115BAC in the Act, which provides the following:- (i) On satisfaction of certain conditions, an individual or HUF shall, from assessment year 2021-22 onwards, have the option to pay tax in respect of the total income at following rates: Total Income (Rs) Rate Upto 2,50,000 Nil From 2,50,001 to 5,00,000 5 per cent. From 5,00,001 to 7,50,000 10 per cent. From 7,50,001 to 10,00,000 15 per cent. From 10,00,001 to 12,50,000 20 per cent. From 12,50,001 to 15,00,000 25 per cent. Above 15,00,000 30 per cent. (ii) The option shall be exercised for every previous year where the individual or the HUF has no business income, and in other cases the option once exercised for a previous year shall be valid for that previous year and all subsequent years. (iii) The option shall become invalid for a previous year or previous years, as the case may be, if the Individual or HUF fails to satisfy the conditions and other provisions of the Act shall apply; (iv) the condition for concessional rate shall be that the total income of the individual or HUF is computed,- (a) without any exemption or deduction under the provisions of clause (5) or clause (13A) or prescribed under clause (14) (other than those as may be prescribed for this purpose) or clause (17) or clause (32) of section 10 or section 10AA or section 16 or clause (b) of section 24 [in respect of property referred to in sub-section (2) of section 23] or clause (iia) of sub-section (1) of section 32 or section 32AD or section 33AB or section 33ABA or sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) of section 35 or section 35AD or section 35CCC or clause (iia) of section 57

or under any provisions of Chapter VI-A other than the provisions of sub-section (2) of section 80CCD or section 80JJAA; (b) without set off of any loss,- (i) carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred to in (a) above; or (ii) under the head house property with any other head of income; (c) by claiming the depreciation, if any, under section 32, except clause (iia) of sub-section (1) thereof, determined in such manner as may be prescribed; and (d) without any exemption or deduction for allowances or perquisite, by whatever name called, provided under any other law for the time being in force. (v) the loss and depreciation referred to in (ii)(b) above shall be deemed to have been given full effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent year so however, that where there is a depreciation allowance in respect of a block of asset which has not been given full effect to prior to the assessment year beginning on 1st April, 2021, corresponding adjustment shall be made to the written down value of such block of assets as on 1st April, 2020 in the prescribed manner, if the option is exercised for a previous year relevant to the assessment year beginning on 1st April, 2021; (vi) the concessional rate shall not apply unless option is exercised by the individual or HUF in the form and manner as may be prescribed,- a. where such individual or HUF has no business income, along with the return of income to be furnished under sub-section (1) of section 139 of the Act; and b. in any other case, on or before the due date specified under sub-section (1) of section 139 of the Act for furnishing the return of income for any previous year relevant to the assessment year commencing on or after 1st April, 2021 and such option once exercised shall apply to subsequent assessment years; (vii) if the individual or HUF has a Unit in the International Financial Services Centre [clause (zc) of section 2 of the Special Economic Zones Act, 2005], as referred to in sub-section (1A) of section 80LA, the deduction under section 80LA shall be available to such Unit subject to fulfilment of the conditions contained in that section; and (viii) the option can be withdrawn only once where it was exercised by the individual or HUF having business income for a previous year other than the year in which it was exercised and thereafter, the individual or HUF shall never be eligible to exercise option under this section, except where such individual or HUF ceases to have any business income in which case, option under para (vi)(a) above shall be available. It is further proposed to amend section 115JC of the Act so as to provide that the provisions relating to AMT shall not apply to such individual or HUF having business income. It is also proposed to amend section 115JD of the Act so as to provide that the provisions relating to carry forward and set off of AMT credit, if any, shall not apply to such individual or HUF having business income. The condition listed at (iva) above, means that the individual or HUF opting for taxation under the newly inserted section 115BAC of the Act shall not be entitled to the following exemptions/ deductions: (i) Leave travel concession as contained in clause (5) of section 10; (ii) House rent allowance as contained in clause (13A) of section 10; (iii) Some of the allowance as contained in clause (14) of section 10; (iv) Allowances to MPs/MLAs as contained in clause (17) of section 10; (v) Allowance for income of minor as contained in clause (32) of section 10; (vi) Exemption for SEZ unit contained in section 10AA; (vii) Standard deduction, deduction for entertainment allowance

and employment/professional tax as contained in section 16; (viii) Interest under section 24 in respect of self-occupied or vacant property referred to in sub-section (2) of section 23. (Loss under the head income from house property for rented house shall not be allowed to be set off under any other head and would be allowed to be carried forward as per extant law); (ix) Additional depreciation under clause (iia) of sub-section (1) of section 32; (x) Deductions under section 32AD, 33AB, 33ABA; (xi) Various deduction for donation for or expenditure on scientific research contained in sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) of section 35; (xii) Deduction under section 35AD or section 35CCC; (xiii) Deduction from family pension under clause (iia) of section 57; (xiv) Any deduction under chapter VIA (like section 80C, 80CCC, 80CCD, 80D, 80DD, 80DDB, 80E, 80EE, 80EEA, 80EEB, 80G, 80GG, 80GGA, 80GGC, 80IA, 80-IAB, 80-IAC, 80-IB, 80-IBA, etc). However, deduction under sub-section (2) of section 80CCD (employer contribution on account of employee in notified pension scheme) and section 80JJAA (for new employment) can be claimed. As many allowances have been provided through notification of rules, it is proposed to carry out amendment of the Income-tax Rules, 1962 (the Rules) subsequently, so as to allow only following allowances notified under section 10(14) of the Act to the Individual or HUF exercising option under the proposed section: (a) Transport Allowance granted to a divyang employee to meet expenditure for the purpose of commuting between place of residence and place of duty (b) Conveyance Allowance granted to meet the expenditure on conveyance in performance of duties of an office; (c) Any Allowance granted to meet the cost of travel on tour or on transfer; (d) Daily Allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty. It is also proposed to amend rule 3 of the Rules subsequently, so as to remove exemption in respect of free food and beverage through vouchers provided to the employee, being the person exercising option under the proposed section, by the employer. This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years. [Clauses 53, 57 & 58] C. Modification of concessional tax schemes for domestic companies under section 115BAA and 115BAB TLA inserted section 115BAA and section 115BAB in the Act to provide domestic companies an option to be taxed at concessional tax rates provided they do not avail specified deductions and incentives. Some of the deductions prohibited are deductions under any provisions of Chapter VI-A under the heading 'C. Deduction in respect of certain incomes' other than the provisions of section 80JJAA. It is now proposed to amend the provisions of section 115BAA and section 115BAB to not allow deduction under any provisions of Chapter VI-A other than section 80JJAA or section 80M, in case of domestic companies opting for taxation under these sections. These amendments will take effect from 1st April, 2020 and will, accordingly, apply in relation to the assessment year 2020-21 and subsequent assessment years. [Clauses 51 & 52] D. Withdrawal of exemption on certain perquisites or allowances provided to Union Public Services Commission (UPSC) Chairman and members and Chief Election Commissioner and Election Commissioners Section 10 of the Act provides for exemption in respect of certain incomes and activities under specific circumstances. Clause (45) thereof,

inserted by the Finance Act, 2011, provides that any allowance or perquisite as may be notified by the Central Government, paid to the serving/ retired Chairman or Members of UPSC shall not be included in computing their total income and hence shall be exempt from income-tax. Further, vide Notification No. 49/2011 dated 6th September, 2011 bearing SO 2045(E), it was notified that in the case of serving Chairman and members of UPSC the following allowances and perquisites shall be exempt from income-tax for the purposes of clause (45) of section 10 of the Act, with effect from 1st April, 2008: (i) the value of rent-free official residence; (ii) the value of conveyance facilities including transport allowance; (iii) the sumptuary allowance; (iv) the value of leave travel concession provided to a serving Chairman or member of the UPSC and members of his family. In the case of retired Chairman and members of UPSC, the said Notification states that the following allowances and perquisites shall be exempt from income-tax for the purposes of clause (45) of section 10 of the Act, with effect from 1st April, 2008: (i) a sum of maximum of Rs 14,000 per month for defraying the service of an orderly and for meeting expenses incurred towards secretarial assistance on contract basis; (ii) the value of a residential telephone free of cost and the number of free calls to the extent of 1500 per month (overall and above the number of free calls per month allowed by telephone authorities). Section 8 of the Election Commission (Conditions of Service of Election Commissioners and Transaction of Business) Act, 1991 which determines the conditions of service of the Chief Election Commissioner and other Election Commissioners, provides for income-tax exemption to the Chief Election Commissioner and other Election Commissioners on the value of rent-free residence, conveyance facilities, sumptuary allowance, medical facilities and other such conditions of service as are applicable to a Judge of the Supreme Court under Chapter IV of the Supreme Court Judges (Conditions of Service) Act, 1958 and the rules made thereunder. It is proposed to remove these exemptions. Accordingly, it proposed to: (i) delete clause (45) of section 10 of the Act; (ii) amend section 8 of the Election Commission (Conditions of Service of Election Commissioners and Transaction of Business) Act, 1991, so as to delete the exemption from income-tax on value of rent-free residence, conveyance facilities, sumptuary allowance, medical facilities and other such conditions of service as are applicable to a Judge of the Supreme Court, paid to Chief Election Commissioner and other Election Commissioners. These amendments will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.[Clause7]

Sources: CAclub India