CONTENTS

Comm	SION ONE nentary on Finance Act, 2018 ndments made by Finance Act, 2018 at a glance	PAGE
	1	
	TAXATION OF LONG TERM LISTED EQUITY SHARES AND UNITS	
1.1	Taxation of long term listed equity shares and units	1.39
1.2	New Scheme	1.39
1.3	Purpose behind introduction of New Scheme as explained in Finance Minister's Speech	1.40
1.4	Purpose behind introduction of New Scheme as explained in Memorandum Explaining the Provisions of Finance Bill	1.41
1.5	Conditions for applicability of New Section [Section 112A(1)]	1.41
1.6	Computation of tax	1.42
1.7	Computation of LTCG	1.43
1.8	Cost of acquisition (COA)	1.43
1.9	New Section overrides section 112	1.45
1.10	Applicability of New Section to different assessees	1.45
1.11	Applicability of section 112 in certain cases	1.47
1.12	Computation of long term capital gains under the New Section	1.49
1.13	Condition 1: The total income of the assessee should include income chargeable as capital gains	1.53
1.14	Condition 2 : The asset has to be long term capital asset	1.58
1.15	Condition 3: Section 112A applies only if LTCG arises from "Specified Asset"	1.58

CONTENTS	I-8
----------	-----

		PAGE
1.16	Condition 4: Section 112A is applicable if STT is paid	1.60
1.17	Cost of acquisition	1.65
1.18	Computation of tax if section 112A applies	1.82
1.19	Deductions under Chapter VI-A are not available qua capital gains under section 112A	1.87
1.20	Rebate under section 87A	1.87
1.21	Taxation of non-residents	1.88
1.22	Miscellaneous	1.92
1.23	Broad step plan for practical applicability of the New Section	1.94
1.24	Taxation of long term capital gains in the case of foreign institutional investor	1.94
	2 DEEMED DIVIDEND	
2.1	Widening of scope of meaning of accumulated profits for the	
۷.۱	purpose of dividend under section 2(22)	1.95
2.2	Date of application of Explanation 2A	1.96
2.3	Illustration	1.97
2.4	Amalgamated company and amalgamating company	1.97
2.5	No change in definition of 'accumulated profits' in Explanation 2	1.98
2.6	Accumulated profits of amalgamated company	1.98
2.7	Losses of amalgamated company	1.99
2.8	Loss shall be "increased" by accumulated profits of the amalgamating company	1.100
2.9	Accumulated profits, whether capitalised or not - Connotation of	1.100
2.10	Capitalised profits	1.101
2.11	Whether losses of amalgamating company to be considered?	1.101
2.12	Double counting of accumulated profits of amalgamating company	1.102
2.13	Conversion of a firm into company	1.102
2.14	Demergers	1.103
2.15	Whether covers amalgamation before 1st April 2018?	1.103
2.16	Dual amalgamation in case of amalgamating company	1.104

I-9 CONTENTS

		PAGE
	3	
	BUSINESS CONNECTION	
3.1	Business connection	1.105
3.2	Business connection to include "significant economic presence" ("SEP")	1.120
	4	
	EXEMPTIONS	
4.1	Exemption in respect of certain payments made by the National Technical Research Organisation (NTRO) [Section 10(6D)]	1.130
4.2	Widening the benefit of tax free withdrawal from National Pension Scheme (NPS) to non-employee subscribers	
	[Section 10(12A)]	1.130
4.3	Charitable/educational institutions, etc. [Section 10(23C)]	1.131
4.4	Exemption to specified income of class of body, Authority, Board, Trust or Commission in certain cases [Section 10(46)]	1.131
4.5	Exemption of income of foreign company from sale of leftover stock of crude oil on termination of agreement or arrangement [Section 10(48B)]	1.131
	5	
	SALARIES	
5.1	Standard deduction on salary income [Section 16]	1.133
5.2	Withdrawal of exemption to reimbursement of medical expenditure [Section 17(2)]	1.133
5.3	Exemption in respect of transport allowance to be withdrawn	1.134
	6	
	BUSINESS INCOME	
6.1	Taxability of compensation in connection to with termination or modification of contracts relating to business [Section 28(ii)]	1.135
6.2	Taxation of conversion of inventory into capital asset [Section 28(via)]	1.139
6.3	Amendment in definition of income to include fair market value of inventory upon its conversion into capital asset	
	[Section 2(24)(xiia)]	1.144

	CONTENTS	I-10
		PAGE
6.4	Period of holding of capital asset converted from inventory [Section 2(42A)]	1.145
6.5	Agricultural commodity derivatives to be treated as non- speculative transaction [Section 43(5)]	1.145
6.6	Full value of consideration for transfer of assets other than capital asset [Section 43CA]	1.146
6.7	Income Computation and Disclosure Standards	1.148
6.8	Marked to market and other expected loss [Section 36(1)(xviii)]	1.156
6.9	Business disallowance [Section 40A(13)]	1.158
6.10	Taxation of foreign exchange fluctuation [Section 43AA]	1.159
6.11	Computation of income from construction and service contracts [Section 43CB]	1.164
6.12	Method of accounting in certain cases [Section 145A]	1.174
6.13	Taxability of certain income [Section 145B]	1.181
6.14	Presumptive taxation of income in case of goods carriage [Section 44AE]	1.186
Annex	6.1 : Relevant Extracts of Taxmann's Master Guide to Income-tax Act, 1998	1.191
	7	
	CAPITAL GAINS	
7.1	Exemption in respect of transactions in International Financial Services Centre (IFSC) [Section 47]	1.201
7.2	Cost of acquisition of inventory converted into capital asset [Section 49(9)]	1.202
7.2A	Computation of holding period in case of inventory converted into capital asset [Section 2(42A)]	1.204
7.3	Liberalisation in capital gains taxation arising from transfer of immovable property [Section 50C]	1.204
7.4	Relief from capital gains on investment in certain bonds [Section 54EC]	1.205
	8	
	INCOME FROM OTHER SOURCES	
8.1	Taxation of gifts of immovable property [Section 56(2)(x)]	1.210

I-	11	CONTENTS

		PAGE
8.2	Exclusions of tax neutral transfers from income from other sources [Section $56(2)(x)$]	1.211
8.3	Taxability of compensation in connection with employment [Section $56(2)(xi)$]	1.212
	9	
	DEDUCTIONS	
9.1	Deduction not to be allowed unless return furnished within due date [Section 80AC]	1.219
9.2	Deduction in respect of health insurance premium and medical treatment [Section 80D]	1.222
9.3	Deduction in respect of medical treatment, etc. [Section 80DDB]	1.223
9.4	Deduction for eligible start-ups [Section 80-IAC]	1.224
9.5	Deduction in respect of employment of new employee [Section 80JJAA]	1.232
9.6	Deduction in respect of certain income of Producer Company [Section 80PA]	1.236
9.7	Deduction of interest on saving account deposit [Section 80TTA]	1.249
9.8	Deduction in respect of interest on deposits (with bank/post-office) in case of senior citizens [Section 80TTB]	1.249
Annex	9.1 : Definition of Startups	1.252
Annex	9.2 : Sections 581A to 581C of the Companies Act, 1956	1.254
	10	
	MAT/AMT	
10.1	MAT provisions in case of a company whose application for insolvency has been admitted under Insolvency Code [Section 115JB]	1.256
10.2	MAT provisions in case of foreign companies	1.261
10.3	AMT provisions [Sections 115JC and 115JF]	1.262
	11	
	DIVIDENDS	
11.1	Dividend distribution tax (DDT)	1.263
11.2	Taxation of dividend payouts to units holders in an equity oriented fund [Section 115R/115T]	1.268

	CONTENTS	I-12
		PAGE
	12	
	ASSESSMENT	
12.1	Permanent account number [Section 139A]	1.270
12.2	Return of income, signing of [Section 140]	1.271
12.3	Assessment [Section 143]	1.272
	13	
	TDS	
13.1	TDS on Interest on Securities [Section 193]	1.275
13.2	TDS on interest other than interest on securities [Section 194A]	1.275
	14	
	PENALTIES AND PROSECUTION	
14.1	Penalty for failure to furnish statement of financial transaction or reportable account [Section 271FA]	1.277
14.2	Prosecution for failure to furnish return in certain cases [Section 276CC]	1.278
	15	
	CHARITABLE TRUSTS	
15.1	Background	1.279
15.2	Application of Explanation 3 - Steps	1.280
15.3	Application of section 40(a)(ia) to charitable trusts	1.280
15.4	Application of section 40A(3)/40A(3A)	1.289
	16	
	MISCELLANEOUS	
16.1	Benefit of carry forward and set off of losses in case of certain companies [Section 79]	1.294
16.2	Tax on income of certain domestic company [Section 115BA]	1.295
16.3	Taxation of income referred to in section 68, etc. [Section	
	115BBE]	1.296
16.4	Authority for Advance Ruling [Section 245-O]	1.297

I-13 CONTENTS

		PAGE
16.5	Application for Advance Ruling [Section 245Q]	1.298
16.6	Appeal to the Appellate Tribunal [Section 253]	1.298
16.7	Rationalisation of provisions relating to Country-by-Country Report [Section 286]	1.299
DIVI	SION TWO	
Incon	ne-tax Practice Manual	
	1	
	CHARTS & TABLES UNDER INCOME-TAX ACT	
◆ List	of tax-free incomes	2.3
◆ Dec	luctions/Allowances	2.22
Peri	ods of limitation	2.50
◆ Pen	alties	2.88
♦ Offe	ences and prosecutions	2.95
	2	
	IMPORTANT PROCEDURES UNDER	
	INCOME-TAX ACT	
Dec	uction of tax at source	2.98
- S	alary [Section 192]	2.98
	ayment of accumulated balance due to an employee [Section	
1	92A]	2.104
	nterest on securities [Section 193]	2.108
- [Dividends [Section 194]	2.114
- lı	nterest other than interest on securities [Section 194A]	2.115
- V	Vinnings from lottery or crossword puzzle [Section 194B]	2.122
- V	Vinnings from horse races [Section 194BB]	2.125
- P	ayments to contractors [Section 194C]	2.128
- lı	nsurance commission [Section 194D]	2.133
- P	ayment in respect of life insurance policy [Section 194DA]	2.137
- P	ayments to non-resident sportsmen/sports associations	
	Section 194E]	2.142
- P	ayments in respect of deposits under NSS, etc. [Section 194EE]	2.145

CONTENTS I-1	4	4	ŀ	
--------------	---	---	---	--

		PAGE
-	Payments on account of repurchase of units by UTI/Mutual Fund [Section 194F]	2.149
-	Commission on sale of lottery tickets [Section 194G]	2.152
-	Commission or brokerage [Section 194H]	2.156
-	Rent payments [Section 194-I]	2.160
-	Payment on transfer of certain immovable property [Section 194-IA]	2.164
-	Payment of Rent by Certain Individuals/HUFs [Section 194-IB]	2.166
-	Payment under real estate Agreement [Section 194-IC]	2.168
-	Fees for professional or technical services, etc. [Section 194J]	2.170
-	Payment of compensation on acquisition of certain immovable property [Section 194LA]	2.174
-	Income by way of Interest from Infrastructure Debt Fund [Section 194LB]	2.178
-	Income from units of a business trust [Section 194LBA]	2.181
-	Income in respect of units of investment fund [Section 194LBB]	2.184
-	Income in respect of investment in Securitisation Trust [Section 194LBC]	2.187
-	Interest from specified Indian Company/Business Trust [Section 194LC]	2.191
-	Interest on bonds/government securities [Section 194LD]	2.194
-	Payments to non-residents [Section 195]	2.198
-	Income from units in case of offshore fund [Section 196B]	2.205
-	Income from foreign currency bonds or global depository receipts of Indian companies [Section 196C]	2.208
-	Income of foreign institutional investors from securities [Section 196D]	2.211
-	Processing of TDS statements [Section 200A]	2.214
-	Effect of non-furnishing of PAN [Section 206AA]	2.214
To	ax Deduction and Collection Account Number [Section 203A]	2.215
C	ollection of tax at source [Section 206C]	2.216
	ollection of tax at source - Effect of non-furnishing of PAN section 206CC]	2.220
Pr	rocessing of statements of tax collected at source [Section 206CB]	2.221
Α	dvance tax [Section 211]	2.222

**

*

I-15 CONTENTS

		PAGE		
•	e-Payment of tax	2.224		
	Self-assessment tax [Section 140A]	2.225		
	Return of income [Section 139]	2.226		
*	Summary assessment [Section 143(1)]	2.228		
*	Scrutiny assessment [Section 143(2)/(3)]	2.229		
*	Refunds [Section 237]	2.231		
*	Interest chargeable [Sections 201(1A), 220(2), 234A to 234D & 244A]	2.233		
•	Fee for default in furnishing return of income [Section 234F]	2.237		
	Permanent Account Number [Section 139A]	2.238		
*	Quoting of Permanent Account Number in documents pertaining to certain prescribed transactions [Section 139A]	2.246		
•	Rectification of mistakes [Section 154]	2.252		
•	Revision of orders by Principal Commissioner/Commissioner [Sections 263 & 264]	2.253		
•	Waiver of penalty by Principal Commissioner/Commissioner [Section 273A]	2.255		
*	Waiver of penalty under section 273AA	2.256		
*	Appeals to Commissioner (Appeals) [Sections 246A to 249]	2.256		
*	Appeals to Tribunal [Sections 252 to 255]	2.257		
*	Appeal to High Court [Section 260A]	2.260		
*	Advance rulings [Sections 245N to 245V]	2.261		
•	Survey [Section 133A]	2.263		
•	Search and seizure [Section 132]	2.265		
•	Obligation to furnish statement of financial transaction or reportable account [Section 285BA]	2.268		
		2.273		
	Quoting of aadhaar number [Section 139AA]	2.273		
	3			
	TAX RATES			
*	Tax liability - How to find out	2.274		
*	Income-tax	2.275		
*	Compulsory Deposit	2.284		
*	Wealth-tax	2.284		
*	Gift-tax	2.284		
•	Estate Duty	2.284		

CONTENTS	I-16
	PAGE
 Rates for tax deduction at source 	2.284
 Rates for tax collection at source 	2.289
 Tax on distribution of dividend, distributed income for buy-back of shares and distribution by securitization trust under sections 115-O and 115QA 	2.290
1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	
Tax on income distributed by UTI/Mutual Fund under section 115R	2.291 2.292
◆ Other taxes	2.292
4	
TAX RATES FOR THE LAST TEN ASSESSMENT YEARS	
 Income-tax rates for individuals, HUFs, associations of persons 	
and body of individuals	2.295
♦ Income-tax rates for firms	2.297
♦ Income-tax rates for companies	2.298
Dividend tax rates under section 115-0	2.298
 Income-tax rates for co-operative societies 	2.299
Rates of wealth-tax	2.299
Rates of gift-tax	2.299
5	
GOLD AND SILVER RATES FOR THE CURRENT YEAR, LAST TEN ASSESSMENT YEARS AND ON APRIL 1, 1981/APRIL 1, 2001	
 Gold and Silver rates for last ten assessment years 	2.300
DIVISION THREE	
Circulars, Clarifications & Notifications [1961 - February 2018]	
 Section key to Circulars, Clarifications & Notifications issued by CBDT [1961 - February 2018] 	3.i
 Alphabetical key to Circulars, Clarifications & Notifications issued by CBDT [1961 - February 2018] 	3.v
 Circulars, Clarifications & Notifications [1961 - February 2018] 	3.3

I-17 CONTENTS

DIVISION FOUR	PAGE
Case Laws [1922 - February 2018]	
 Section key to Landmark Rulings of Supreme Court/High Courts [1922 - February 2018] 	4.i
 Alphabetical key to Landmark Rulings of Supreme Court/ High Courts [1922 - February 2018] 	4.v
Case Laws [1922 - February 2018]	4.3