



Bhartiya Vitta Salahkar Samiti

**CHANGES IN
INCOME TAX RETURN FORM
AND
TAX AUDIT REPORT**

Compiled by : CA Baldev Raj

brc@baldevrajco.in

9312235173

Tax audit

A.Y. 2017-18

Clause No. 13(d)

Whether any adjustment is required to be made to the profits or loss for complying with the provisions of income computation and disclosure standards notified under section 145(2).

~~(d) Details of deviation, if any, in the method of accounting employed in the previous year from accounting standards prescribed under section 145 and the effect thereof on the profit or loss.~~

SECTION 145-Method of Accounting

(1) Income chargeable under the head "Profits and gains of business or profession" or "Income from other sources" shall, subject to the provisions of sub-section (2), be computed in accordance with either cash or mercantile system of accounting regularly employed by the assessee.

(2) The Central Government may notify in the Official Gazette from time to time ~~accounting standards~~ (w.e.f. 1.4.2015) **income computation and disclosure standards** to be followed by any class of assessees or in respect of any class of income.

13(e). **If answer to above is in the affirmative,** give details of such adjustments :

		Increase in Profit (Rs.)	Decrease in Profit (Rs.)	Net effect (Rs.)
ICDS I	Accounting Policies			
ICDS II	Valuation of Inventories			
ICDS III	Construction Contracts			
ICDS IV	Revenue Recognition			
ICDS V	Tangible Fixed Assets			
ICDS VI	Changes in Foreign Exchange Rate			
ICDS VII	Government Grants			
ICDS VIII	Securities			
ICDS IX	Borrowing Costs			
ICDS X	Provision, contingent Liabilities and Contingent Assets			
	Total			

13(f) Disclosure as per ICDS

<i>(I)</i>	<i>ICDS I-Accounting Policies</i>
<i>(ii)</i>	<i>ICDS II- Valuation of Inventories</i>
<i>(iii)</i>	<i>ICDS III-Construction Contracts</i>
<i>(iv)</i>	<i>ICDS IV-Revenue Recognition</i>
<i>(v)</i>	<i>ICDS V-Tangible Fixed Assets</i>
<i>(vi)</i>	<i>ICDS VII-Governments Grants</i>
<i>(vii)</i>	<i>ICDS IX-Borrowing Costs</i>
<i>(viii)</i>	<i>ICDS X-Provisions, Contingent Liabilities and Contingent Assets.</i>

Applicable

To whom these ICDS are applicable ?

Class of assessee : *Assessee following mercantile system of accounting*

Class of Income : Income under head :

a) Business and professional and b) other source

Exemption to individual and HUF who are not required to get it accounts audit u/s 44AB

Minimum threshold ?

Residential status ?

Not Applicable

To whom ICDS are not applicable ?

1. Cash basis of accounting
2. Income other than Income under head : a) Business and professional and b) other source
salary income , house property income and capital gain .
3. Individual and HUF who is not required to get its accounts audit u/s 44AB

Business cash basis – other source mercantile basis ?

One business on mercantile basis or on cash basis ?

FAQ 7: Whether the provisions of ICDS shall apply to Banks, Non-banking financial institutions, Insurance companies, Power sector, etc.?

Answer: The general provisions of ICDS shall apply to all persons unless there are sector specific provisions contained in the ICDS or the Act. For example, ICDS VIII contains specific provisions for banks and certain financial institutions and Schedule-I of the Act contains specific provisions for Insurance business.

FAQ 14: Whether ICDS is applicable to revenues which are liable to tax on gross basis like interest, royalty and fees for technical services for non-residents u/s 115A of the Act.

Answer: Yes, the provisions of ICDS, shall also apply for computation of these incomes on gross basis for arriving at the amount chargeable to tax.

How to give effect of ICDS

1. Analyze of accounting policy are being followed by the assessee for maintained books of accounts
2. Applicable ICDS to Assessee
3. Note down the variance between accounting policies and ICDS requirement
4. Quantify the variance between accounting policies and ICDS requirement for each
5. ICDS and workout effect of that on books profit
6. Prepare disclosure requirement for each applicable ICDS

Check list - ICDS

contd.... give effect of ICDS

Sl. No	ICDS	Whether Applicable	AMT IN RETURN AND 3CD	Disclosure	Remarks
(i)	(ii)	(iii)	(iv)	(v)	(VI)
I	Accounting Policies	Yes			
II	Valuation of Inventories				
III	Construction Contract				
IV	Revenue Recognition	Yes			
V	Tangible Fixed Asset	Yes			
VI	Effects of changes in foreign exchange rates				
VII	Government Grants				
VIII	Securities				
IX	Borrowing Costs				
X	Provisions, Contingent liabilities and Contingent assets	Yes			

New provision w.e.f A.Y 2017-18

Section 40(ib) :

- Now includes equalization levy : **6%** levy –online advertisement, any provision for digital advertisement pace or any other facility or services the purpose of online advertisement
- Received by non –resident from resident and non resident having PE in India.
- Amounting > Rs 1 Lakh in P.Y.
- Non applicable if recipient Non resident have PE in India and that service are effective connected with PE
- **No clause inserted in form no 3CD**

•

New provision w.e.f A.Y 2017-18

43B....

(g) any sum payable by the assessee to the Indian Railways for the use of railway assets. **No change in the 3CD**

44AD : sub- section 4 and 5 inserted – eligibility – declaring profit for any of 5 years

(4) Where an eligible assessee declares profit for any previous year in accordance with the provisions of this section and he declares profit for any of the five assessment years relevant to the previous year succeeding such previous year **not in accordance with the provisions of sub-section (1)**, he shall not be eligible to claim the benefit of the provisions of this section for five assessment years subsequent to the assessment year relevant to the previous year in which the profit has not been declared in accordance with the provisions of sub-section (1).

44 ADA :

Special provision for computing profit and gain of **professional on presumptive basis**

- Gross Receipt < 50 lakh,
- 50% of gross receipt or higher profit – deemed professional income
- Otherwise - books of account 44AA and tax audit 44AB

Clause -12

- Whether the profit and loss account **includes any profits and gains assessable on presumptive basis**, if yes, indicate the amount and the relevant section (44AD, 44AE, 44AF, 44B, 44BB, 44BBA, 44BBB or Chapter XII-G, First Schedule any other relevant section)

No change in form – not mentioned 44ADA – Whether need to give that detail ?

Depreciation on fixed assets u/s 32

Rate of depreciation reduced –

40 % from 100% , 80 % and 60 %

Now maximum depreciation rate is 40 %

Example :

Purely temporary erections such as wooden structures – 40% -earlier 100%

Books owned by assessee carrying on a profession— 40 % earlier 60% and 100%

Income tax return

A.Y 2017-18

CBDT has notified the ITR forms in the month of March, 2017.

Individual and HUF				
Nature of income	ITR 1 (Sahaj)	ITR 2	ITR 3	ITR 4
Income from salary/pension	✓	✓	✓	✓
Income from one house property (excluding losses)	✓	✓	✓	✓
Income or losses from more than one house property		✓	✓	
Agricultural income exceeding Rs. 5,000		✓	✓	
Total income exceeding Rs 50 lakhs		✓	✓	✓
Dividend income exceeding Rs10 lakhs taxable under Section 115BBDA		✓	✓	
Unexplained credit or unexplained investment taxable at 60% under Sections 68, 69, 69A, etc.		✓	✓	
Income from other sources (other than winnings from lottery and race horses or losses under this head)	✓	✓	✓	✓
Income from other sources (including winnings from lottery and race horses)		✓	✓	
Capital gains/loss on sale of investments/property		✓	✓	
Share of profit of partner from a partnership firm			✓	
Income from business or profession			✓	
Income from presumptive business				✓
Income from foreign sources or Foreign assets or having Signing authority in any account outside India		✓	✓	
Claiming relief of tax under sections 90, 90A or 91		✓	✓	

<i>Other Assesseees</i>	<i>ITR 5</i>	<i>ITR 6</i>	<i>ITR 7</i>
Firm (including limited liability partnership firm)	✓		
Association of Persons (AOP)	✓		
Body of Individuals (BOI)	✓		
Companies other than companies claiming exemption under Sec. 11		✓	
Persons including companies required to furnish return under: (1) Section 139(4A); (2) Section 139(4B); (3) Section 139(4C); and (4) Section 139(4D)			✓

- Only Digital signature Accounts – Audit u/s 44AB and Company
- Paper return only in case : IND >80 YRS and INCOME < 5 L, no refund , filing ITR-1 or ITR 4
- Others : Three option – digital signature , transmitting data electronically and electronic verification, transmitting data electronically and form no V

Part A- OI Other Information (optional in a case not liable for audit under section 44AB) OTHER INFORMATION

Effect on the profit because of deviation, if any, as per Income Computation Disclosure Standards notified under section 145(2)
[column 11(iii) of Schedule ICDS]

Form no 3, 5 and 6

Schedule ICDS : Effect of Income Computation Disclosure Standards on profit

No	ICDS	Amount
(i)	(ii)	(iii)
I	Accounting Policies	
II	Valuation of Inventories	
III	Construction Contract	
IV	Revenue Recognition	
V	Tangible Fixed Asset	
VI	Effects of changes in foreign exchange rates	
VII	Government Grants	
VIII	Securities	
IX	Borrowing Costs	
X	Provisions, Contingent liabilities and Contingent assets	
II	Total Net Effect (+II+III+IV+V+VI+VII+VIII+IX+X)	

Income tax return and computation of income

When no column to give effect of ICDS in computation of income in income tax return ?

139AA- Aadhaar

1. Every person who is eligible to obtain Aadhaar number shall, on or after the **1st day of July, 2017, quote Aadhaar number—**

a) in the application form for allotment of permanent account number;

b) in the return of income:

Provided that where the person does **not possess** the Aadhaar Number, **the Enrolment ID of Aadhaar application** form issued to him at the time of enrolment shall be quoted in the application for permanent account number or, as the case may be, in the return of income furnished by him.

2. Every person who has been allotted permanent account number as on the 1st day of July, 2017, and **who is eligible to obtain Aadhaar number**, shall intimate his Aadhaar number to such authority in such form and manner as may be prescribed, on or before a date to be notified by the Central Government in the Official Gazette:

Provided that in case of failure to intimate the Aadhaar number, the permanent account number allotted to the person shall be deemed to be invalid and the other provisions of this Act shall apply, as if the person had not applied for allotment of permanent account number.

139AA- Aadhaar

3. The provisions of this section shall not apply to such person or class or classes of persons or any State or part of any State, as may be notified by the Central Government in this behalf, in the Official Gazette.

Explanation.—For the purposes of this section, the expressions—

(i) "Aadhaar number", "Enrolment" and "resident" shall have the same meanings respectively assigned to them in clauses (a), (m) and (v) of section 2 of the Aadhaar (Targeted Delivery of Financial and other Subsidies, Benefits and Services) Act, 2016;

(ii) "Enrolment ID" means a 28 digit Enrolment Identification Number issued to a resident at the time of enrolment .'.

Central Board of Direct Taxes

Section 139AA of the Income-tax Act, 1961 as introduced by the Finance Act, 2017 provides for mandatory quoting of Aadhaar / Enrolment ID of Aadhaar application form, for filing of return of income and for making an application for allotment of Permanent Account Number with effect from 1st July, 2017.

It is clarified that such mandatory quoting of Aadhaar or Enrolment ID shall apply only to a person who is eligible to obtain Aadhaar number. As per the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, only a resident individual is entitled to obtain Aadhaar. **Resident as per the said Act means an individual who has resided in India for a period or periods amounting in all to one hundred and eighty-two days or more in the twelve months immediately preceding the date of application for enrolment. Accordingly, the requirement to quote Aadhaar as per section 139AA of the Income-tax Act shall not apply to an individual who is not a resident as per the Aadhaar Act, 2016.**

Penalty for failure to comply with the provisions of section 139A.

272B. (1) If a person fails to comply with the provisions of section 139A, the Assessing Officer may direct that such person shall pay, **by way of penalty, a sum of ten thousand rupees.**

(2) If a person who is required to quote his permanent account number in any document referred to in clause (c) of sub-section (5) of section 139A, or to intimate such number as required by sub-section (5A) or sub-section (5C) of that section, quotes or intimates a number which is false, and which he either knows or believes to be false or does not believe to be true, the Assessing Officer may direct that such person shall pay, **by way of penalty, a sum of ten thousand rupees.**

(3) No order under sub-section (1) or sub-section (2) shall be passed unless the person, on whom the penalty is proposed to be imposed, **is given an opportunity of being heard in the matter.**

Details of cash deposited **equal to or above Rs.200000**
in the period of Demonetization from 9/11/2016 to 30/12/2016

14 Details of all Bank Accounts held in India at any time during the previous year (excluding dormant accounts)

SL.	IFS Code of the Bank	Name of the Bank	Account Number (the number should be 9 digits or more as per CBS system of the bank)	Indicate the account in which you prefer to get your refund credited, if any (tick one account _/)	Cash deposited during 09.11.2016 to 30.12.2016 (if aggregate cash deposits during the period >= Rs.2 lakh)
i	SYNB0009039	Syndicate Bank		R	150000.00
ii	KKBK0000214	Kotak Mahindra Bank			50000.00
iii	BKDN0710351	Dena Bank			25000.00

Taxpayers -Presumptive taxation

Need not maintain any books of accounts - tax on profit calculated on the turnover/ receipt .

(a) In F.Y 2016-17 - Income does not exceed Rs.2 Crore,
Show income at the rate of 8% of the turnover realized in cash and
at the rate of 6% of turnover realized through digital receipts.

(b) In ITR-4 form,
New column -Presumptive taxation-u/s 44ADA
Professionals-Receipts < Rs.50 lakhs.

.

SCHEDULE BP – DETAILS OF INCOME FROM BUSINESS OR PROFESSION

COMPUTATION OF PRESUMPTIVE INCOME UNDER 44AD

E1	Gross Turnover or Gross Receipts			
	a	Through a/c payee cheque or a/c payee bank draft or bank electronic clearing system received before specified date	E1a	
	b	Any other mode	E1b	
E2	Presumptive Income under section 44AD			
	a	6% of E1a	E2a	
	b	8% of E1b	E2b	
	c	Total (a + b)	E2c	
		NOTE —If Income is less than the above percentage of Gross Receipts, it is mandatory to have a tax audit under 44AB & regular ITR 3 or 5 has to be filled not this form		

COMPUTATION OF PRESUMPTIVE INCOME UNDER 44ADA (PROFESSION)

E3	Gross Receipts	E3	
E4	Presumptive Income under section 44ADA (50% of E3) NOTE —If Income is less than 50% of Gross Receipts, it is mandatory to have a tax audit under 44AB & regular ITR 3 or 5 has to be filled not this form	E4	

Schedule A & L

-Individuals and HUF

-value of Assets and Liabilities

-total income exceeds Rs.50Lakhs.

-Required to disclose address of immovable property and description of movable properties

- New field to disclosure of 'Interest held in the assets of a firm or AOP as a partner or member'.

- Such members or partners -required to disclose- Name, address, PAN of the firm or AOP.

Schedule AL Asset and Liability at the end of the year (applicable in a case where total income exceeds Rs.50 lakh)

A			
Details of Immovable Asset			
Sl. No.	Description	Address	Amount (cost) in Rs.
(1)	(2)	(3)	(4)
i			
ii			
B			
Details of movable Asset			
Sl. No.	Description	Amount (cost) in Rs.	
(1)	(2)	(3)	
(i)	Jewellery, bullion etc.		
(ii)	Archaeological collections, drawings, painting, sculpture or any work of art		
(iii)	Vehicles, yachts, boats and aircrafts		
(iv)	Financial asset	Amount (cost) in Rs.	
	(a) Bank (including all deposits)		
	(b) Shares and securities		
	(c) Insurance policies		
	(d) Loans and advances given		
	(e) Cash in hand		
C			
Interest held in the assets of a firm or association of persons (AOP) as a partner or member thereof			
Sl. No.	Name and address of the firm(s)/ AOP(s)	PAN of the firm/ AOP	Assessee's investment in the firm/ AOP on cost basis
(1)	(2)	(3)	(4)
i			
ii			
iii			
D			
Liability in relation to Assets at (A + B + C)			

Schedule AL Asset and Liability at the end of the year (other than those included in Part A- BS) (applicable in a case where total income exceeds Rs.50 lakh)

DETAILS OF ASSETS AND LIABILITIES	A Details of immovable asset			
	Sl. No.	Description	Address	
	(1)	(2)	(3)	
	(i)			
	(ii)			
	B Details of movable asset			
	Sl. No.	Description	Amount (cost) in Rs.	
	(1)	(2)	(3)	
	(i)	Jewellery, bullion etc.		
	(ii)	Archaeological collections, drawings, painting, sculpture or any work of art		
	(iii)	Vehicles, yachts, boats and aircrafts		
	(iv)	Financial asset	Amount (cost) in Rs.	
		(a) Bank (including all deposits)		
		(b) Shares and securities		
		(c) Insurance policies		
		(d) Loans and advances given		
		(e) Cash in hand		
	C Interest held in the assets of a firm or association of persons (AOP) as a partner or member thereof			
	Sl. No.	Name and address of the firm(s)/ AOP(s)	PAN of the firm/ AOP	Assessee's investment in the firm/ AOP on cost basis
	(1)	(2)	(3)	(4)
(i)				
(ii)				
D Liability in relation to Assets at (A + B + C)				
NOTE ► Please refer to instructions for filling out this schedule.				

t	Total number of employees employed by the company (<i>mandatory in case company has recognized Provident Fund</i>)		
	i deployed in India	i	
	ii deployed outside India	ii	
	iii Total	iii	

Capital gain : long term

- Deduction/ Exemption and
- deemed income

8 Amount deemed to be long-term capital gains						
a Whether any amount of unutilized capital gain on asset transferred during the previous year shown below was deposited in the Capital Gains Accounts Scheme within due date for that year? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable. If yes, then provide the details below						
Sl.	Previous year in which asset transferred	Section under which deduction claimed in that year	New asset acquired/constructed		Amount not used for new asset or remained unutilized in Capital gains account (X)	
			Year in which asset acquired/constructed	Amount utilised out of Capital Gains account		
i	2013-14	54/54D/54F/54G/54GA				
b Amount deemed to be long-term capital gains, other than at 'a'						

D Information about deduction claimed			
1 In case of deduction u/s 54B/54D/54EC/54EE /54G/54GA give following details			
	a	<i>Section under which deduction claimed</i>	1a <i>amount of deduction</i>
		i Cost of new asset	ai
		ii Date of its acquisition/construction	aii <i>dd/mm/yyyy</i>
		iii Amount deposited in Capital Gains Accounts Scheme before due date	aiii
	b	<i>Section under which deduction claimed</i>	1b <i>amount of deduction</i>
		i Cost of new asset	bi
		ii Date of its acquisition/construction	bii <i>dd/mm/yyyy</i>
		iii Amount deposited in Capital Gains Accounts Scheme before due date	biii
	c	Total deduction claimed (1a + 1b)	1c

Unexplained credit or investment -tax @ rate of 60%
Dividend > Rs. 10 Lakhs tax @ 10%

“Schedule OS”.

New column has been inserted to report dividend income up to Rs.10 Lakhs.

d	Others, Gross (excluding income from owning race horses)Mention the nature				
i	Winnings from lotteries, crossword puzzles etc.		1di		
ii	a	Cash credits u/s 68			
	b	Unexplained investments u/s 69			
	c	Unexplained money etc. u/s 69A			
	d	Undisclosed investments etc. u/s 69B			
	e	Unexplained expenditure etc. u/s 69C			
	f	Amount borrowed or repaid on hundi u/s 69D			
		Total (a + b + c + d + e + f)			

f	Income included in '1e' chargeable to tax at special rate (to be taken to schedule SI)		
i	Income by way of winnings from lotteries, crossword puzzles, races, games, gambling, betting etc (u/s 115BB)	1fi	
ii	Dividend Income from domestic company that exceeds Rs.10 Lakh (u/s 115BBDA)	1fii	
iii	Deemed Income chargeable to tax u/s 115BBE – tax on income -68.69,69A, 69C and 69C	1fiii	
iv	Income from patent chargeable u/s 115BBF Tax on patent	1fiv	
v	Any other income chargeable to tax at the rate specified under Chapter XII/XII-A	1fv	

Bifurcation of receipt from business and profession

[ITR 3, 5]

Now in new ITR forms, To show receipts from business and profession separately.

Part A-P& L		Profit and Loss Account for the financial year 2016-17 (fill items 1 to 52 in a case where regular books of accounts are maintained, otherwise fill item 53)							
CREDITS TO PROFIT AND LOSS ACCOUNT	1	Revenue from operations							
		A	Sales/ Gross receipts of business (net of returns and refunds and duty or tax, if any)						
			i	Sale of goods		i			
			ii	Sale of services		ii			
			iii	Other operating revenues (specify nature and amount)					
				a		iiia			
				b		iiib			
				c	Total (iiia + iiib)	iiic			
			iv	Total (i + ii + iiic)				Aiv	
			B	Gross receipts from Profession				B	

Deduction of additional depreciation in case of asset put to use for less than 180 days in preceding year

ITR 3, 5, 6]

In case of purchase of an asset which is put to use for less than 180 days, additional depreciation shall be restricted to 50% for that year and remaining would be allowable in the succeeding year.

In old ITR Forms, no column was there under 'Schedule DPM' to claim unutilized 50% additional depreciation in succeeding year. Now in new ITR Forms such column has been inserted to claim unutilized 50% depreciation.

Details of receipts as mentioned in Form 26AS under TDS schedule

[ITR 4]

ITR 4 which is now applicable for taxpayer opting for presumptive taxation scheme has a new column under the 'Schedule TDS2' to show the receipts as mentioned in Form 26AS.

SCHEDULE TDS2 DETAILS OF TAX DEDUCTED AT SOURCE FROM INCOME OTHER THAN SALARY [As per Form 16 A issued by Deductor(s)]

	TAN of the Deductor	Name of the Deductor	Unique TDS Certificate Number	Deducted year	Details of Receipt as mentioned in Form 26AS	Tax Deducted	Amount out of (6) claimed this Year	If A23 is applicable, amount claimed in the hands of spouse
	Col (1)	Col (2)	Col (3)	Col (4)	Col (5)	Col (6)	Col (7)	Col (8)

Disallowance for non-deducting or non-payment of Equalisation levy

[ITR 3, 5, 6]

Any default in deduction or payment of Equalization levy would attract disallowance of Section 40(a)(ib).

New column has been inserted under 'Part A-OI' to mention such disallowance under section 40(a)(ib).

8	A.	Amounts debited to the profit and loss account , to the extent disallowable under section 40		
	a	Amount disallowable under section 40 (a)(i), on account of non-compliance with the provisions of Chapter XVII-B	Aa	Nil
	b	Amount disallowable under section 40(a)(ia) on account of non-compliance with the provisions of Chapter XVII-B	Ab	Nil
	c	Amount disallowable under section 40(a)(ib), on account of non-compliance with the provisions of Chapter VIII of the Finance Act, 2016	Ac	Nil
	d	Amount disallowable under section 40(a)(iii) on account of non-compliance with the provisions of Chapter XVII-B	Ad	Nil
	e	Amount of tax or rate levied or assessed on the basis of profits [40(a)(ii)]	Ae	Nil
	f	Amount paid as wealth tax [40(a)(ia)]	Af	Nil
	g	Amount paid by way of royalty, license fee, service fee etc. as per section 40(a)(iib)	Ag	Nil
	h	Amount of interest, salary, bonus, commission or remuneration paid to any partner or member [40(b)]	Ah	Nil

Disallowance of any amount payable for use of railway assets-
43B (g)

[ITR 3, 5, 6]

Column under 'Part A-OI' for disallowance

u/s 43B in case of non-payment of such amount on or before due date
of furnishing return of income.

11	Any amount debited to profit and loss account of the previous year but disallowable under section 43B:-			
a	Any sum in the nature of tax, duty, cess or fee under any law	11a	Nil	
b	Any sum payable by way of contribution to any provident fund or superannuation fund or gratuity fund or any other fund for the welfare of employees	11b	Nil	
c	Any sum payable to an employee as bonus or commission for services rendered	11c	Nil	
d	Any sum payable as interest on any loan or borrowing from any public financial institution or a State financial corporation or a State Industrial investment corporation	11d	Nil	
e	Any sum payable as interest on any loan or borrowing from any scheduled bank	11e	Nil	
f	Any sum payable towards leave encashment	11f	Nil	
g	Any sum payable to the Indian Railways for the use of railway assets	11g	Nil	
h	Total amount disallowable under Section 43B(total of 11a to 11g)			11h Nil

Changes related to ITR 7

Trust is required to furnish following additional details in new ITR 7 -

- 'Schedule ER' to report amount applied to charitable or religious purposes (revenue account).
- 'Schedule EC' to report amount applied to charitable or religious purposes (capital account).
- 'Schedule 115TD' to report accreted income of trust under section 115TD
- Registration number and date of registration for business trusts registered with the SEBI.

Part B - TI	STATEMENT OF INCOME FOR THE PERIOD ENDED ON 31ST MARCH 2017		
	If registered under section 12A/12AA, fill out items 7 to 13		
1	Voluntary contribution forming part of corpus as per section 11(1)(d) [(Ai + Bi) of schedule VC]	1	
2	Voluntary Contributions other than corpus(C – (Ai+Bi) of schedule VC)	2	
3	Aggregate of income referred to in sections 11 and 12 derived during the previous year excluding Voluntary contribution included in 1 and 2 above (9 of Schedule AI)	3	

4	Application of income for charitable or religious purposes				
	i	Amount applied to charitable or religious purposes in India during the previous year - Revenue Account (24 of Schedule ER)		4i	
	ii	Amount applied to charitable or religious purposes in India during the previous year- Capital Account [Excluding application from Borrowed Funds] (8 of Schedule EC)		4ii	
	iii	Amount applied to charitable or religious purposes in India during the previous year - Capital Account (Repayment of Loan)		4iii	
	iv	Amount deemed to have been applied to charitable or religious purposes in India during the previous year as per clause (2) of Explanation to section 11(1)		4iv	
	a	If (iv) above applicable, whether option Form No. 9A has been furnished to the Assessing Officer	O Yes	R No	
	b	If yes, date of furnishing Form No. 9A (DD/MM/YYYY)	__/__/____		
	v	Amount accumulated or set apart for application to charitable or religious purposes to the extent it does not exceed 15 per cent of income derived from property held in trust/ institution under section 11(1)(a)/11(1)(b) [restricted to the maximum of 15% of (2 + 3) above]		4v	
	vi	Amount in addition to amount referred to in (iv) above, accumulated or set apart for specified purposes if all the conditions in section 11(2) and 11(5) are fulfilled (fill out schedule I)		4vi	
	vii	Amount eligible for exemption under section 11(1)(c)		4vii	
	a	Approval number given by the Board		4viia	
	b	Date of approval by board		4viib	
	viii	Total [4i +4ii+4iii+4iv+4v+4vi+4vii]		4viii	

Schedule ER		Amount applied to charitable or religious purposes in India during the previous year - Revenue Account	
1	Rents	1	Nil
2	Repairs	2	Nil
3	Compensation to employees	3	Nil
4	Insurance	4	Nil
5	Workmen and staff welfare expenses	5	Nil
6	Entertainment and Hospitality	6	Nil
7	Advertisement	7	Nil
8	Commission	8	Nil
9	Royalty	9	Nil
10	Professional / Consultancy fees / Fee for technical services	10	Nil
11	Conveyance and Traveling expenses other than on foreign travel	11	Nil
12	Foreign travel expenses	12	Nil
13	Scholarship	13	Nil
14	Gift	14	Nil
15	Donation	15	
	i Corpus		Nil
	ii Other than corpus		Nil
16	Rates and taxes, paid or payable to Government or any local body (excluding taxes on income)	16	Nil
17	Audit fee	17	Nil
18	Other expenses (Specify nature and amount)		

Schedule EC	Amount applied to charitable or religious purposes in India during the previous year—Capital Account [excluding application from borrowed funds and amount exempt u/s 11(1A)]		
1	Addition to Capital work in progress (for which exemption u/s 11(1A) has not been claimed)	1	
2	Acquisition of capital asset (not claimed earlier as application of income and for which exemption u/s 11(1A) has not been claimed)	2	
3	Total (1 + 2)	3	
4	Net consideration on transfer of capital asset	4	
5	Exemption u/s 11(1A)	5	
6	Net consideration on transfer of capital asset excluding amount exempt u/s 11(1A) (4 - 5) (take 6 as nil, if negative)	6	
7	Other capital expenses		
	a	a	
	b	b	
	c	c	
	d	d	
	e Total expenses (7i +7ii+7iii)	e	7 i v
8	Total (3 – 6 + 7)	8	

Schedule 115TD		Accreted income under section 115TD		
1	Aggregate Fair Market Value (FMV) of total assets of trust/institution			1
2	Less: Total liability of trust/institution			2
3	Net value of assets (1 – 2)			3
4	(i) FMV of assets directly acquired out of income referred to in section 10(1)	4i		
	(ii) FMV of assets acquired during the period from the date of creation or establishment to the effective date of registration u/s 12AA, if benefit u/s 11 and 12 not claimed during the said	4ii		
	(iii) FMV of assets transferred in accordance with third proviso to section 115TD(2)	4iii		
	(iv) Total (4i + 4ii + 4iii)		4iv	
5	Liability in respect of assets at 4 above			5
6	Accreted income as per section 115TD [3 – (4 – 5)]			6
7	Additional income-tax payable u/s 115TD at maximum marginal rate			7
8	Interest payable u/s 115TE			8
9	Additional income-tax and interest payable			9
10	Tax and interest paid			10
11	Net payable/refundable (9 – 10)			11
12	Date(s) of deposit of tax on accreted income	Date1	Date2	Date3
13	Name of Bank and Branch			
14	BSR Code			
15	Serial number of challan			
16	Amount deposited			

Income Tax Act

TDS

194-IB w.e.f 01.06.17

1. Any person, being an individual or a Hindu undivided family (**other than those referred to in the second proviso to section 194-I**), responsible for paying to a resident any income by way of rent exceeding fifty thousand rupees for a month or part of a month during the previous year, shall deduct an amount equal to five per cent. of such income as income-tax thereon.
2. The income-tax referred to in sub-section (1) **shall be deducted on such income at the time of credit of rent, for the last month of the previous year or the last month of tenancy, if the property is vacated during the year**, as the case may be, to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier.
3. The provisions of section **203A shall not apply** to a person required to deduct tax in accordance with the provisions of this section.
4. In a case where the tax is required to be deducted as per the provisions of section 206AA, such deduction shall not exceed the amount of rent payable for the last month of the previous year or the last month of the tenancy, as the case may be.

Explanation.—For the purposes of this section, “rent” means any payment, by whatever name called, under any lease, sub-lease, tenancy or any other agreement or arrangement for the use of any land or building or both.’.

CASH PAYMENTS

REDUCTION IN LIMITED U/S 40A(3A) Rs. 10,000/- from Rs 20,000

NO DEPRECIATION AND DEDUCTION U/S 35AD ON CASH PAYMENT >
Rs. 10,000

Cash expenses Section 40 A.....

Where the assessee incurs any expenditure in respect of which a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or account payee bank draft, ~~exceeds twenty thousand rupees~~, or **use of electronic clearing system through a bank account, exceeds ten thousand rupees** no deduction shall be allowed in respect of such expenditure.

(3A) Where an allowance has been made in the assessment for any year in respect of any liability incurred by the assessee for any expenditure and subsequently during any previous year (hereinafter referred to as subsequent year) the assessee makes payment in respect thereof, otherwise than by an account payee cheque drawn on a bank or account payee bank draft or **use of electronic clearing system through a bank account**, the payment so made shall be deemed to be the profits and gains of business or profession and accordingly chargeable to income-tax as income of the subsequent year if the payment or aggregate of payments made to a person in a day, exceeds **Ten twenty** thousand rupees:

Cash expenses Section 40 A.....

Provided that no disallowance shall be made and no payment shall be deemed to be the profits and gains of business or profession under sub-section (3) and this sub-section where a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or account payee bank draft, [~~exceeds twenty thousand rupees,~~] or use of electronic clearing system through a bank account, exceeds ten thousand rupees—in such cases and under such circumstances as may be prescribed, having regard to the nature and extent of banking facilities available, considerations of business expediency and other relevant factors :

Provided further that in the case of payment made for plying, hiring or leasing goods carriages, the provisions of sub-sections (3) and (3A) shall have effect as if for the words ~~twenty~~—ten thousand rupees", the words "thirty-five thousand rupees" had been substituted.

Section 43 : “actual cost” Capital assets

In section 43 of the Income-tax Act, in clause (1), with effect from the 1st day of April, 2018,—

(a) after the proviso and before Explanation 1, the following proviso shall be inserted, namely:—

“Provided further that where the assessee incurs any expenditure for acquisition of any asset or part thereof in respect of which a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account, exceeds ten thousand rupees, such expenditure shall be ignored for the purposes of determination of actual cost.”;

Section 35AD

Sub-section (8), in clause (f), : “shall not include”,

any expenditure in respect of which the payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account, exceeds ten thousand rupees or

Restriction on cash received

u/s 269 ST > Rs 2, 00,000/-

Penalty – u/s 271D

269 ST

No person shall receive an amount of two lakh rupees or more—

(a) in aggregate from a person in a day ; or

(b) in respect of a single transaction ; or

(c) in respect of transactions relating to one event or occasion from a person,

otherwise than by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account:

Provided that the provisions of this section shall not apply to—

(i) any receipt by—

(a) Government;

(b) any banking company, **post office savings bank** or co-operative bank;

(ii) transactions of the nature referred to in section 269SS;

(iii) such other persons or class of persons or receipts, which the Central Government may, by notification in the Official Gazette, specify.

(a) in aggregate from a person in a day

Q. Mr. A received payment from Mr. B on a single day in four equal installments of Rs. 50000/- each,
the aggregate cross the specified limit of Rs. 2 Lakhs and hence, would be hit by section 269ST

Q . Mr. A received payment from four different persons namely B, C and D

and all these payments are within the specified limits, then even though in aggregate total receipts exceeded the limit of Rs. 2 Lakhs, the section would not be attracted.

Note : The section uses the word 'receives', it does not necessarily use the words sale consideration or payment or the like. Thus covers all receipts which are not covered by section 269SS whether by way of sale of movable goods, cash gifts, cash received for providing a service, donations made in cash etc.

B) Receipt of Rs 2 Lakhs or more in respect of a single transaction:

Q. Mr. A receives a sum of Rs. 6 Lakhs in respect of a single transaction in four instalments of Rs. 1.5 Lakhs each, on different dates in respect of a single transaction say for a single sale bill.

This is a very important condition which prohibits the splitting of payments over several days.

(iii) Receipt of Rs 2 Lakhs or more in relation to one event or occasion from a person:

What all events and occasions not explained

Cover all transactions relating to one event or occasion i.e.

- a) Cash gifts on the occasion of marriage, birthday, anniversary or the like,
- b) payments received in respect of catering, decoration etc. in marriage,
- c) Travel receipt expenses,
- d) Payments of rent receive

Gifts received from 'relatives' are exempt without any upper limit u/s 56

Cash gifts received even from relatives to the tune of more than Rs. 2 Lakhs in respect of single event or occasion. ?

CBDT Clarifies Imp Law On Cash Transaction Limits Imposed By Sections 269ST And 271DA on 5th April 2017

1. In exercise of the powers conferred by clause (iii) of the proviso to section 269ST of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies that the provision of section 269ST shall not apply to receipt by any person from an entity referred to in sub-clause (b) of clause (i) of the proviso to section 269ST.

2. The notification shall be deemed to have come into force with effect from 1st day of April, 2017

The CBDT has clarified that the said cash transaction limit of Rs 2 lakh will not apply to withdrawal from banks, cooperative bank and post offices

A penalty u/s 271D

If a person receives any sum in contravention of the provisions of section 269ST, he shall be liable to pay, by way of penalty, a sum equal to the amount of such receipt:

Provided that no penalty shall be imposable if such person proves that there were good and sufficient reasons for the contravention

What will constitute good and sufficient reasons for contravention have not been defined?

SECTION 6 : (POEM)

Residence in India.

6. For the purposes of this Act

(3) A company is said to be a resident in India in any previous year, if—

(i) it is an Indian company; or

(ii) its place of effective management, in that year, is in India.

Explanation.—For the purposes of this clause "place of effective management" means a place where key management and commercial decisions that are necessary for the conduct of business of an entity as a whole are, in substance made.]

SECTION 6 : (POEM)

On 24 January, 2017, the Ministry of Finance issued a press release and a circular laying down the final guidelines for the determination of POEM.

The press release on POEM guidelines specifies that the intention is neither to target Indian multinational companies engaged in business activities in India nor to tax the global income of foreign companies merely on the ground of the presence of permanent establishment or business connection in India.

The press release and later a circular was also issued by Central Board of Direct Taxes (CBDT) to provide an **exception to companies having turnover/gross receipts of 50 crore rupees or less in a financial year from the applicability of POEM provisions.**

CHAPTER X-A : GENERAL ANTI-AVOIDANCE RULE

w.e.f. 01.04.2017

Applicability of General Anti-Avoidance Rule.

95. (1) Notwithstanding anything contained in the Act, an arrangement entered into by an assessee may be declared to be an impermissible avoidance arrangement and the consequence in relation to tax arising therefrom may be determined subject to the provisions of this Chapter.

(2) This Chapter shall apply in respect of any assessment year beginning on or after the 1st day of April, 2018.

Explanation. —For the removal of doubts, it is hereby declared that the provisions of this Chapter may be applied to any step in, or a part of, the arrangement as they are applicable to the arrangement.

Impermissible avoidance arrangement.

96. (1) An impermissible avoidance arrangement means an arrangement, the main purpose of which is to obtain a tax benefit, and it—

- a) creates rights, or obligations, which are not ordinarily created between persons dealing at arm's length;
- b) results, directly or indirectly, in the misuse, or abuse, of the provisions of this Act;
- c) lacks commercial substance or is deemed to lack commercial substance under section 97, in whole or in part; or
- d) is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes.

(2) An arrangement shall be presumed, **unless it is proved to the contrary by the assessee, to have been entered into, or carried out, for the main purpose of obtaining a tax benefit,** if the main purpose of a step in, or a part of, the arrangement is to obtain a tax benefit, notwithstanding the fact that the main purpose of the whole arrangement is not to obtain a tax benefit.

97. (1) An arrangement shall be deemed to lack commercial substance, if—

Consequences :

98. (1) If an arrangement is declared to be an impermissible avoidance arrangement, then, the consequences, in relation to tax, of the arrangement, including denial of tax benefit or a benefit under a tax treaty, shall be determined, in such manner as is deemed appropriate, in the circumstances of the case, including by way of but not limited to the following, namely: —

- (a) disregarding, combining or re-characterising any step in, or a part or whole of, the impermissible avoidance arrangement;
- (b) treating the impermissible avoidance arrangement as if it had not been entered into or carried out;
- (c) disregarding any accommodating party or treating any accommodating party and any other party as one and the same person;

- (d) deeming persons who are connected persons in relation to each other to be one and the same person for the purposes of determining tax treatment of any amount;
- (e) reallocating amongst the parties to the arrangement—
 - (i) any accrual, or receipt, of a capital nature or revenue nature; or*
 - (ii) any expenditure, deduction, relief or rebate;*
- (f) treating—
 - (i) the place of residence of any party to the arrangement; or*
 - (ii) the situs of an asset or of a transaction, at a place other than the place of residence,* location of the asset or location of the transaction as provided under the arrangement; or
- (g) considering or looking through any arrangement by disregarding any corporate structure.

Treatment of connected person and accommodating party.

99. For the purposes of this Chapter, in determining whether a tax benefit exists, —

- (i) the parties who are connected persons in relation to each other may be treated as one and the same person;
- (ii) any accommodating party may be disregarded;
- (iii) the accommodating party and any other party may be treated as one and the same person;
- (iv) the arrangement may be considered or looked through by disregarding any corporate structure.

Application of General Anti Avoidance Rule

10U. Chapter X-A not to apply in certain cases.—

(1) The provisions of Chapter X-A shall not apply to—

(a) an arrangement **where the tax benefit** in the relevant assessment year arising, in aggregate, **to all the parties to the arrangement does not exceed a sum of rupees three crore;**

(b) a Foreign Institutional Investor,—

- i. *who is an assessee under the Act;*
- ii. *who has not taken benefit of an agreement referred to in section 90 or section 90A as the case may be; and*
- iii. *who has invested in listed securities, or unlisted securities, with the prior permission of the competent authority, in accordance with the Securities and Exchange Board of India (Foreign Institutional Investor) Regulations, 1995 and such other regulations as may be applicable, in relation to such investments;*

Application of General Anti Avoidance Rule

- (c) a person, being a non-resident, in relation to investment made by him by way of offshore derivative instruments or otherwise, directly or indirectly, in a Foreign Institutional Investor;
- (d) any income accruing or arising to, or deemed to accrue or arise to, or received or deemed to be received by, any person from transfer of investments made before the 1st day of April, 2017 by such person

Thanks

BALDEV RAJ & Co.
1206, PADMA TOWER-1, RAJENDRA PLACE , NEW DELHI
011-49876673 / 9312235173