

JNANA DASOHA
Virtual CPE Meeting
Bengaluru Branch of SIRC of ICAI

7th October 2020

**Changes
in
Tax Audit provisions
and
Issues Thereof**



CA K. Gururaj Acharya, Bangalore
acharya@kgacharya.com



Faceless Assessment → Professional Assessment !!

National E-Assessment Centre – Delhi (NeAC) – NODAL

Nodal for all communication between the Assessee and different units of ReAC below.

1. Serve Notice on Assessee [Assessee to submit response in 15 days]
2. Assignment of case to **Assessment unit** on Random basis
3. Notice for additional information
4. Provide SCN for draft Asst. order (If prejudicial)
5. Send Final Asst. order with demand and Penalty notice

Regional E-Assessment Centre – 20 cities (ReAC) - Team based Assessment

1. **Assessment Unit – Maker**

1. Request for information
2. Request for **Verification**
3. Request for **technical assistance**
4. Send draft Asst. order to **Review Unit** [incl penalty proceedings]
5. Send revised draft Asst order

2. **Verification Unit – Checker-1**

Enquiry/ Cross verification/ Examine Books/ Record / Statement

3. **Technical Unit**

Legal/Accounting/Valuation /TP

4. **Review Unit - Checker-2**

1. Concur with draft Asst. Order
2. Suggest modification to asst. order

- All functions through electronic means only
- WEF 13th Aug 2020 – Faceless or Non-EST [**Except Search & TP cases**]
- NeAC with previous approval of CBDT transfer case to Juridical AO

On receipt of draft Asst. order, Assessee or his AR can seek personal hearing conducted only thro VC.

Faceless appeal with dynamic jurisdiction extended to CIT (A) & E-penalty proceedings

S.271AAD: Penalty of 100% of fake invoice accounted, to both - WEF AY 2020-21

- The person who has issued the invoice and
- The person who has accounted it as an expenditure

[Similar provision introduced for GST also]

S. 271AAD - Penalty for false entry, etc., in books of account.

1. Without prejudice to any other provisions of this Act, if during any proceeding under this Act, it is found that in the books of account maintained by any person there is—
 - i. a false entry; or
 - ii. an omission of any entry which is relevant for computation of TI of such person, to evade tax liability,AO may direct that such person shall pay by way of penalty = aggregate amount of such false or omitted entry.
2. Without prejudice to provisions of sub-section (1), the AO may direct that any other person, who causes the person referred to in sub-section (1) in any manner to make a false entry or omits or causes to omit any entry referred to in that sub-section, shall pay by way of penalty = aggregate amount of such false or omitted entry.

Explanation.—For the purposes of this section, "false entry" includes use or intention to use—

- a. forged or falsified documents such as a false invoice or, in general, a false piece of documentary evidence; or
- b. invoice in respect of supply or receipt of goods or services or both issued by the person or any other person without actual supply or receipt of such goods or services or both; or
- c. invoice in respect of supply / receipt of goods /services or both to or from a person who does not exist.

Income Tax for Domestic Companies for FY 2019-20

(Taxation laws (Amendment) ordinance Act 2019 - Notified on 20th Sept 2019.)

1. Regular Tax

	<u>S.115BAB</u>	<u>S.115BAA</u>	"Regular Companies" to whom Rates are specified in Finance Act, 2019					
			Turnover < 400 Cr in FY 2017-18 and Total Income			Turnover > 400 Cr in FY 2017-18 and Total Income		
			< 1Cr	1 Cr to 10 Cr	> 10 Cr	< 1Cr	1 Cr to 10 Cr	>10 Cr
Tax	15%	22%	25%			30%		
Surcharge	10%	10%	Nil	7%	12%	Nil	7%	12%
Cess	4%	4%	4%	4%	4%	4%	4%	4%
Effective Tax (with SC & Cess)	17.16%	25.17%	26%	27.82%	29.12%	31.2%	33.384%	34.944%

2. Regular MAT u/s 115 JB

[Reduced from 18.5% to 15% for "Regular cos."]

MAT	Nil	Nil	15%	15%	15%	15%	15%	15%
Effective MAT (with SC & Cess)	0%	0%	15.60%	16.692%	17.472%	15.6%	16.692%	17.472%

3. Additional Condition

	Note 1	Note 2	Note 3

Note 1 – Additional conditions U/s.115BAB - IFF

- i. New **manufacturing** companies incorporated > 01/10/2019 →
- ii. **Commence production before 31/03/2023**
- iii. **Not formed by splitting up or reconstruction of a business already in existence**
- iv. Not > 20% of P & M previously used in India - used in the company
- v. Not used any building previously used as a **Hotel or convention centre, which has claimed deduction U/s.80-ID.** [*applicable to “Specified Area” (Around Delhi) / “Specified Dists” (Bellary in Karnataka)*]
- vi. Any business transaction > 20 Cr in PY by the company with its **Closely connected person** will be considered as **Specified Domestic Transaction** and will s.t **TP study to determine if such transactions are at Arm’s length.** [*Excess profit, if any, Taxed @ 30%*]
- vii. **Not eligible for certain specific exemption / Deduction**
Profit / Investment linked Deductions [S.10AA SEZ, S.35AD Specified Business, S.80H to S.80TT Except S.80JJAA & 80LA] & Accelerated depreciation [S.32(1)(ia)] - Details Vide Annexure- I
- viii. **Co. cannot set-off loss c/f from earlier AY if attributable to deductions referred in (vii) above.**
Such loss deemed to have been given full effect to & no further deduction for such loss shall be allowed in any subsequent year. Business loss c/f is allowed as a deduction except for loss arising from deduction claimed under specified sections mentioned above.
- ix. **Depreciation U/s.32 determined in the manner prescribed** - [*vide Notn 82/2020 dtd 1.10.2020*]
[as against Rate of Depreciation prescribed in S.32 (1) thro Rule 5 and Appendix I of IT Rules]

Expln. to S.115BAB(2)(b)

Manufacture or production of any article or thing shall not include business of

1. Development of computer software in any form or in any media;
2. Mining;
3. Conversion of marble blocks or similar items into slabs;
4. Bottling of gas into cylinder;
5. Printing of books or production of cinematograph film; or
6. Any other business notified by Central Government

Finance Act 2020: Co. engaged in **generation of electricity** also considered as business of manufacture & eligible for concessional rates @ 15% without claiming deduction & exemption. (WREF F.Y 2019-20)

Table Showing various Tax Rates U/s.115 BAB

A.	Income from Business from	
	a. Manufacturing or production of article or thing <u>and</u> any income derived from or is incidental thereto.	15%
	b. Other than "a." (no deduction or allowance of any expenditure)	22%
B.	If in "A" above, Profit is not at arms' length	30%
C.	STCG on assets on which depreciation is not allowable	22%

Note 2 - Additional conditions U/s.115BAA.

1. Not eligible for certain specific exemption/ Deduction

Profit / Investment linked Deductions [S.10AA SEZ, S.35AD Specified Business, S.80H to S.80TT Except S.80JJAA & 80LA] & Accelerated depreciation [S.32(1)(iia)] - Details Vide table in Annexure- I

2. Co. cannot set-off any loss c/f from earlier AY if attributable to deductions referred in (1) above

i. *Such loss deemed to have been given full effect to & no further deduction for such loss shall be allowed in any subsequent year.*

ii. *No Carry forward of unabsorbed Additional Depreciation*

– Issue: Getting details of unabsorbed Additional depreciation from past records

[Cos. may exercise option to shift to lower tax U/s.115BAA after set-off of Addl. Depreciation so accumulated]

iii. *Unutilized MAT credit to be given up*

– Write off DTA / MAT credit eligibility from assets as Tax expense, in one go, affects NW / EPS.

[Cos. may exercise option to shift to lower tax U/s.115BAA after utilising its MAT credit]

[Other Business loss & Regular Depn. c/f is allowed as deduction]

3. **Depreciation U/s.32 determined in the manner as prescribed** [vide Notn 82/2020 dtd 1.10.2020]

4. **Depreciation in respect of a block of asset which has not been given full effect** prior to AY 20-21, corresponding adjustment shall be made to WDV of such block of assets as on 1.04.2019 in prescribed manner, for the PY relevant to AY 20-21. Proviso to S.115BAA(3) [vide Notn 82/2020 dtd 1.10.2020]

S.115BAA allows the company to come U/s.115BAA if option exercised U/S. 115BAB is rendered invalid.

In case of amalgamation or demerger, losses of amalgamating Cos. treated as losses of new amalgamated Co. u/s 72A

- Such losses shall also not be allowed to be set off as per S. 115BAA/115BAB.

S.115BAB(2)(c)(ii)

without set off of any loss or allowance for unabsorbed depreciation deemed so U/s. 72A where such loss or depreciation is attributable to any of the deductions referred to in sub-clause (i)

S.115BAA(2)(iii)

Without set off of any loss or allowance for unabsorbed depreciation deemed so U/s. 72A, if such loss or depreciation is attributable to any of the deductions referred to in clause (i);

Note 3 – Option to Regular Companies.

Existing Domestic Co. can opt for lower tax U/s.115BAA/115BAB for FY 2019-20 or in any later year, s.t conditions specified therein. Further,

- Option to be exercised in prescribed manner on or before due date of filing ITR.
Form 10-IC for S. 115BAA & Form 10-ID for S. 115BAB notified [*vide Notn. 10/2020 dated 12.02.2020*]
- Once option exercised, **cannot be subsequently withdrawn** for same or any other tax year.

If Company fails to satisfy conditions (*in Note-1 for S.115BAB or in Note-2 for S.115BAA*) **in any PY:**

Option shall **become invalid** for AY relevant to **that PY and subsequent AY** and other provisions of Act shall apply, as if option had not been exercised for AY relevant to that PY & subsequent AY.

Annexure – I

S. 10AA	Special Provisions iro <u>Newly established units in SEZ</u> [IT exemption on Profit @ 100% for first 5 years, @ 50% for next 5 years & @ 50% for next 5 years s.t certain conditions]
S. 32 (1) (ia)	<u>Additional depreciation @ 20%</u> allowed in case of any new plant or machinery which has been acquired and installed after 31 st March, 2005, by an assessee engaged in Manufacture or Production.
S. 32AD	Additional deduction @ 15% of actual cost of such asset allowed in case of any new P&M acquired & installed between 1 st April 2015 & 1 st April 2020 in backward areas notified by CG.
S. 33AB	Tea, Coffee and Rubber Development account Deduction allowed @ ✓ A sum equal to the amount or aggregate amounts so deposited in <u>aforsaid a/c</u> ; or ✓ 40% of profits of such business (Whichever is less)
S. 33ABA	Business of prospecting for, extraction or production of, petroleum or natural gas Deduction allowed @ ✓ Amount deposited in <u>Site Restoration Fund</u> (including interest);or ✓ 20% of profits of such business (Whichever is less)
S. 35 (1)(ii)	150% of payment to Scientific Research to a Research Assoc., university, college or other institution (s.t certain conditions)
S.35(1)(ia)	Payment to Scientific Research to a Company (s.t certain conditions)
S.35 (1)(iii)	Payment to research association for research in social science or statistical research or to a university, college or other institution for use in research in social science or statistical research
S. 35 (2AA)	150% of payment to Scientific Research to National Laboratory, university, IIT or specified person (s.t certain conditions)
S.35 (2AB)	150% of exp. on Scientific Research on in-house R&D by Co. engaged in biotech / manufacturing (s.t certain conditions).
S. 35AD	Deduction in respect of capital expenditure on specified business
S. 35CCC	Expenditure on agricultural Extension Project – allowed deduction is 150% of Expenditure.
S. 35CCD	Expenditure on Skill Development Project – Allowed deduction is 150% of the Expenditure.
Chapter VI-A	Chapter –VI-A Part-C “Deduction in respect of certain income” other than S. 80JJAA & 80LA. 80HH, 80HHA, 80HHB, 80HHBA, 80HHC, 80HHD, 80HHE, 80HHF, 80-I, 80-IA, 80-IAB, 80-IAC, 80-IB, 80-IBA, 80-IC, 80-ID, 80-IE, 80JJA, 80JJAA, 80LA, 80-O, 80P, 80PA, 80Q, 80QQA, 80QQB, 80R, 80RR, 80RRA, 80RRB.

S.115BA - Gist

New Manufacturing (research /distribution) Domestic Co's incorporated on or after 1.3.2016 given option *[exercised before filing first ITR with no subsequent withdrawal]* **to be taxed @ 25% (+SC +Cess) (U/s.115BA)**

1. IFF

- Profit / Investment linked Deductions,
- Investment allowance &
- Accelerated depreciation

as per table in Annexure- II are not claimed / availed. AND

2. Co. cannot set-off any loss c/f from earlier AY if it is attributable to deductions referred in 1 above.

Such loss deemed to have been given full effect to & no further deduction for such loss shall be allowed in any subsequent year.

CBDT Notn No.82/2020 - Amended Rules WEF 01/10/2020

Rule 5 - Depreciation

For S.115BA/BAA/BAB/BAC/BAD

1) Regular Depreciation u/s 32(1)(ii) - Restricted to 40%

(otherwise so except for motor cars, lorries, etc purchased between 23/8/19 to 31/3/20 @ 45%)

2) Unabsorbed Additional depreciation u/s 32(1)(ia) - Not Claimable added to WDV

- On 1/4/2019 to 115BAA cases
- On 1/4/2020 to 115BAC/BAD cases

Rule 21AF

opt for S.115BAC thro. form 10-1E

opt for S.115BAD thro. form 10-1F

Form 3CD

Cl 8a inserted: Whether opted u/s 115BA/BAA/BAB? →

Cl.18 amended to insert →

(ca) Adjustment made to WDV u/s 115BAA (For AY 20-21 only) - To add unobserved additional depreciation

(cb) Adjustment WDV

Cl.32 B/F Loss or depreciation - table format changed to provide for S.15BAA

- Losses/Allowance not allowed
- Additional depreciation eligible to be not allowed

Form 3CEB

Amendment of Format of TP report on International transaction & SDT given u/s 92E

1) Sl.No 22 dropped - Dealing with S.40A(2)(b) wrt SDT - as it is no longer valid

2) Additional Profit to be added under new Sl. No. 23

- Details of any extra ordinary profit made by any SDT as referred u/s 115BAB(6)

ITR 6 changed include

1. **Schedule DPM** - Adjustment for Addl Depn for S.115BAA cases

2. **Schedule CFL & Schedule UD**

Table format showing details of C/f losses & Unobserved Addl. Depn. changed to provide for S.115BAA losses/Allowances not allowed.

Form 3CD - WEF 1.10.2020

Cl 8a inserted

8	Indicate the relevant clause of S.44AB under which audit has been conducted
	<ul style="list-style-type: none">a. Business > 100 Lacs (Rs. 200 lacs if income offered under Presumptive basis)b. Profession > 50 Lacs from FY 2016-17 (Thin Line of difference b/n B & P)c. S.44AE/BB/BBB - Lower than presumptive profit declaredd. S.44ADA - Lower than presumptive profit declarede. S.44AD- Lower than presumptive profit declared
8a.	Whether opted for 115BA/BAA/BAB

Form 3CD - WEF 1.10.2020
Cl.18 amended to insert

18	Particulars of depreciation allowable as per the Income-tax Act, 1961 in respect of each asset or block of assets, as the case may be, in the following form :-
a.	Description of asset/block of assets.
b.	Rate of depreciation.
c.	Actual cost or written down value, as the case may be.
ca.	Adjustment made to the written down value under section 115BAA (for AY 2020-21 only)
cb.	Adjusted written down value
d.	Additions/deductions during the year with dates; in the case of any addition of an asset, date put to use; including adjustments on account of— i. Central Value Added Tax credits claimed and allowed under the Central Excise Rules, 1944, in respect of assets acquired on or after 1st March, 1994, ii. change in rate of exchange of currency, and subsidy or grant or reimbursement, by whatever name called.
e.	Depreciation allowable.
f.	Written down value at the end of the year.

Form 3CD - WEF 1.10.2020

Cl.32 B/F Loss or depreciation - table format changed to provide for S.15BAA

32 (a) Details of brought forward loss or depreciation allowance, in the following manner, to the extent available:

Sl No	AY	Nature of loss/ allowance (in rupees)	Amount as returned* (in rupees)	All losses/ allowances not allowed under section 115BAA	Amount as adjusted by withdrawal of additional depreciation on account of opting for taxation under section 115BAA[^]	Amounts as assessed (give reference to relevant order)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

*If the assessed depreciation is less and no appeal pending than take assessed.

[^] To be filled in for assessment year 2020-21 only.”;

Amendment of Format of TP report on International transaction & SDT given u/s 92E

in Form No 3CEB, in Part C,-

- i. serial number 22 and the entries relating thereto shall be omitted;
- Dealing with S.40A(2)(b) wrt SDT - as it is no longer valid
- ii. serial numbers 23 & 24 be re-numbered as serial numbers 22 & 23 respectively;
- iii. after serial number 23 as so renumbered, the following shall be inserted, namely: -

24.	<p>Particulars in respect of specified domestic transaction in the nature of any business transacted between the persons referred to in sub-section (6) of section 115BAB:</p> <p>Has the assessee entered into any specified domestic transaction(s) with any persons referred to in sub-section (6) of section 115BAB which has resulted in more than ordinary profits expected to arise in such business?</p> <p>If “yes”, provide the following details:</p> <ol style="list-style-type: none">a. Name of the person with whom the specified domestic transaction has been entered intob. Description of the transaction including quantitative details, if any.c. Total amount received/receivable or paid/ payable in the transaction -<ol style="list-style-type: none">i. as per books of account;ii. as computed by the assessee having regard to the arm’s length price.d. Method used for determining the arm’s length price [See section 92C(1)].	Yes/No
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Form 3CD – Overview

3CD

Part A

1-8

**S. No. 13
w.e.f.
1.4.2017**

**S. No. 31
w.e.f.
19.7.2017**

**7 items
amended**

Part B

9-44

Out of 10 new 2 DEFERRED – 30C (GAAR) & 44 (GST)

Now upto 31.3.2021

**10 items
inserted w.e.f.
20.8.18**

Amendments in Finance Act – 2020 – Relevant to Tax Audit

S. 44AB	Threshold limit for Tax audit u/s 44AB increased from Rs.1Cr to Rs.5 Cr iff - Total Cash receipt < 5% of Total receipt. AND - Total Cash payment < 5% of total payment. (WREF FY 2019-20)
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Caution

i. Applicable to All assesses including Companies

ii. Contra entries, Bank to Bank transfer & journal entries ??

iii. Tax Audit case of last year may not be s.t Tax Audit this year.

- So double check and accordingly filing due dates could change for Non-corporate assesses.
- Deduction U/s.80JJAA cannot be claimed by such an assessee !!
- **Applicability of TDS for Individuals** wrt Contract(194C), Interest(194A),Commission(194H), Rent(194I), Prof & Tech Ser(194J)

iv. Ironically

- An Individual with Rs 4.9 crores Turnover showing 5% Profits is NOT LIABLE to TAX Audit as long as his cash receipts and cash payments < 5% threshold.
- But an Individual with Rs. 1.9 crores Turnover SHALL be liable to TAX Audit if he shows 5% profits and had earlier opted S.44AD. This is so even if his cash receipts and cash payments < 5% threshold.

S. 44AB. Audit of accounts of certain persons carrying on business or profession.

Every person,—

- (a) carrying on business shall, if his total sales, turnover or gross receipts, as the case may be, in business > Rs. 1 Cr in any PY; or
- (b) carrying on profession shall, if his gross receipts in profession > Rs. 50 L in any PY; or
- (c) If profits from business are deemed to be profits U/s. 44AE / 44BB / 44BBB, and he has claimed his income to be lower than profits so deemed, in any PY; or
- (d) If profits from profession are deemed to be profits U/s. 44ADA and he has claimed such income to be lower than profits so deemed and his income exceeds maximum amount which is not chargeable to income-tax in any PY; or
- (e) carrying on business shall, if provisions of S.44AD(4) are applicable and his income exceeds maximum amount which is not chargeable to income-tax in any PY, →

get his accounts - audited - by accountant before the specified date

Proviso: This section shall not apply to person, who declares profits for PY in accordance with provisions S. 44AD(1) and his total sales, turnover or gross receipts, as case may be, in business < Rs. 2 Cr. in such PY:]

WEF FY 2019-20 - Threshold limit for Tax audit u/s 44AB increased from Rs. 1Cr to Rs.5 Cr iff
- Total Cash receipt < 5% of Total receipt AND - Total Cash payment < 5% of total payment.

Cl.8 of Form 3CD:

Indicate the relevant clause of section 44AB under which the audit has been conducted

: 44AB(a)/b/c/d/e

Does Gross Receipt include - Dividends & Interest, Advance received / proceeds towards sale of Fixed Assets, etc.

S. 44AD. Presumptive basis for business.

Notwithstanding anything to the contrary contained in S. 28 to 43C, in case of eligible assessee engaged in eligible business, a sum = 8%# of total turnover / gross receipts on account of such business or, as the case may be, a sum higher than aforesaid sum **claimed to have been earned by eligible assessee**, shall be deemed to be profits & gains of such business.

(a) “Eligible assessee” means,—

- (i) Individual, HUF or a partnership firm, who is a resident, but not a LLP; and
- (ii) who has not claimed deduction under any of the sections 10A, 10AA, 10B, 10BA or deduction under any provisions of Chapter VIA under the heading “C. - *Deductions in respect of certain incomes*” in the relevant assessment year;

(b) “Eligible business” means,—

- (i) any business except the business of plying, hiring or leasing goods carriages referred to in section 44AE; and
- (ii) whose total turnover or gross receipts in PY < Rs. 2 Cr.

#

1. 6% for receipts thro: A/c Payee cheque/bank draft or by use of ECS through a bank a/c or through such other electronic mode as may be prescribed. →
2. 8%/6% is after charging partners remuneration & interest on Capital.

“Other electronic modes” of payment (WREF 1st Sept 2019) *[vide Notification No. 08/2020 dated 29.01.2020]*

- **Insertion of new Rule 6ABBA**

For S.13A, 35AD, 40A, 43, 43CA, 44AD, 50C, 56(2), 80JJAA, 269SS, 269ST & 269T

1. Credit Card;
2. Debit Card;
3. Net Banking;
4. IMPS (Immediate Payment Service);
5. UPI (Unified Payment Interface);
6. RTGS (Real Time Gross Settlement);
7. NEFT (National Electronic Funds Transfer), and
8. BHIM (Bharat Interface for Money) Aadhar Pay”

RULE 6DD - EXCEPTION TO S. 40A(3) - When payment made to

Rule 6DD amendment to include ref. of Rule 6ABBA for prescribed modes of payment.

- a) RBI or any Banking Co, Co-operative Bank, LIC or
- b) Govt.
- c) Payment by LC /mail/TT / book adj. from any a/c in a bank to any other a/c in that or any other bank/ BoE/~~use of ECS through a bank a/c /credit card / debit card~~ (WEF 29-01-2020 as it is now allowed under Rule 6ABBA)
- d) **By way of adj. against amount of any liability incurred by payee for any goods supplied or services rendered by the assessee to such payee [Book Adjustment]**
- e) **To the cultivator, grower or producer of agricultural produce/ animal husbandry/ dairy or poultry farming/ fish or fish products/ horticulture or apiculture.**
- f) To producer of products without aid of power in a cottage industry
- g) In a village / town, which on the date of such payment is **not served by any bank**, to any person who ordinarily resides, or is carrying on any business, profession or vocation, in any such village or town
- h) Payment towards gratuity, retrenchment compensation or similar terminal benefit made to employee in connection with retrenchment, resignation, discharge or death of such employee < Rs. 50K.
- i) Salary paid to employee working in the ship
- ~~j) **Payment made when banks were closed due to holiday or strike** (WEF 29-01-2020)~~
- k) **Payment made by any person to his agent who is required to make payment in cash for goods/services on his behalf.**
- l) Authorized dealer or a money changer against purchase of foreign currency or travelers' cheque in the normal course of business.

INCOME TAX DUE DATE EXTENSION

The Taxation and other Laws (Relaxation of certain provisions) **Ordinance, Act 2020**

	Original	Extended
Filing date for FY 2019-20 extended		
ITR of Non-Tax Audit	31 st July 2020	30 th Nov. 2020 # [Also for Belated / Revised ITR for FY 2018-19]
ITR of Companies & Tax Audit @ <i>@ incl. partners (earlier only working partners) of a firm s.t Tax Audit</i>	31 st October 2020	
ITR of TP cases	30 th Nov 2020 (No extension)	
Tax Audit Report	Cos & Tax Audit - 30 th Sept 2020 TP Cases - 31 st Oct 2020	31 st Oct. 2020
Assessments getting barred extended		
On	30 th Sept, 2020	31/3/2021
On <small>@ Press note</small>	31 st March, 2021	30 th Sept. 2021 @
# Interest U/s. 234A WEF Original Due Date payable if SAT > Rs.1 Lakh		
S.80 Deductions under Chapter VI-A “B-Deductions iro certain payments” Like S.80C, 80D, 80G .. (PM Cares) for the period 20/3/2020 to 30/7/2020		Extended to 31/7/2020
Under Cl.33 of Form 3CD – Amount admissible under chapter VIA includes Deductions iro investments or donations made during 1 st April 2020 to 31 st July 2020 – Any precaution !!		
Last date for AGM extended upto 31st Dec 20 for all Cos. without filing any Form in this regard [ROC order dtd. 8 th Sept. 2020]		

Direct Tax Amendments in Finance (No.2) Act 2019 - Relevant to Tax Audit

Regular Budget- presented by Nirmala Seetharaman on 5th July 2019

1	S.2 R/w Schedule I of Finance Act →	Surcharge Increased on super rich <u>Individuals, HUF, AOP, BOI & AJP</u> with TI > Rs 2 Cr. From 15% to 25% for 2-5 crore & 37% for above 5 crore- Marginal relief continues in all cases where SC is proposed.
2	Finance Act →	Threshold Limit for lower Corporate tax @ 25% increased from Rs. 250 Cr. To Rs. 400 Cr
3	115QA	Any buy back by listed companies s.t additional IT @ 20%. WEF July 5, 2019
4	80EEA	Enhanced interest deduction of Rs. 1.5 lakh (in addition to Rs. 2 L) on purchase of first-time house used as SOP. [IFF Loans taken in FY 19-20 with Cost < 45L and FI Loan < 35L]
5	80EEB	Addl. IT deduction for interest upto Rs.1.5L on loan taken for purchase of electric vehicle
6	S.201 & 40(a)(i)	Relaxing provisions for payments to non-residents without TDS WEF Sep. 1, 2019 →
7	139A	PAN & Aadhaar can be used interchangeably for income tax purpose. WEF Sep. 1, 2019
8	92CE	Indian entity suffering primary adjustment (applicable beyond threshold of Rs.1Cr) - option to pay one-time tax of 18% plus SC 12%. WEF Sept. 1, 2019 →
9	12AA	Cancel registration of Trust U/s. 12A, for non-compliance of provision of “any other laws” compliance of which is required to achieve its objectives. WEF Sept. 1, 2019
10	9	S.56(2)(x) roped in for non- resident also WEF July 5, 2019 →
11	50CA & 56(2)(x)	Prescription of exemption from <u>deeming FMV of shares</u> for certain class of persons s.t such conditions. →
12	43B	Extension of scope of S.43B to include Interest not paid to <u>specified NBFC</u> (Deposit taking NBFCs or systemically impt. Non dep taking NBFC with asset size > Rs. 500 Cr.)

Direct Tax Amendments in Finance (No.1) Act 2019

Interim Budget - presented by Piyush Goyal on 1st Feb 2019

S.No	Sec	
1	87A	Relief extended to Resident Individuals earning up to Rs. 5 Lakhs; No change in tax rates for all taxpayers.
2	16	Standard deduction for all salaried employees increased from Rs. 40,000 to Rs. 50,000 for FY.
3	24	Income from 2 SOP will be exempt as against 1 SOP at present. But for both SOPs Interest claim will be restricted to Rs. 2,00,000.
4	54	Capital gain extended for investment upto 2 residential houses. However, this concession will be available once in lifetime - Iff capital gain < Rs.2 Cr.
5	194A	Threshold limit for TDS on interest on deposits with Banks / co-op./ post office increased from Rs. 10,000 PA to Rs. 40,000 PA.
6	194-I	Threshold limit for TDS for payment of rent has been increased from Rs. 1,80,000 to Rs. 2,40,000 during the FY.
7	23(5)	Where house property (consisting of any building and land appurtenant thereto) is held as stock-in-trade and it is not let during previous year, the annual value of such property shall be taken as nil . Henceforth, this concession will be extended from existing limit of 1 year to 2 years (from end of FY in which certificate of completion is obtained).
8	80-IBA	Extended by 1 year for projects approved up to March 31, 2020 for taxpayers engaged in developing & building affordable housing projects

34.

(a) Whether the assessee is required to deduct or collect tax as per the provisions of Chapter XVII-B or Chapter XVII-BB, if yes please furnish:

TAN	Section	Nature of Payment	Total amount of payment or receipt of the nature specified in column (3)	Total amount on which tax was required to be deducted or collected out of (4)	Total amount on which tax was deducted or collected at specified rate out of (5)	Amount of <u>Tax Deducted</u> or collected out of (6)	Total amount on which tax was deducted or collected at less than specified rate out of (5)	Amount of <u>Tax deducted</u> or collected on (8)	Amount of <u>Tax deducted</u> or collected not deposited to the credit of the Central Government out of (7) and 9)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)

MEASURES TO BOOST ECONOMY - Taxes Measures Vide Press release dtd. 24th Aug 2019

1. Relief from enhanced surcharge (applicable to Individuals, HUF, AOP, BOI & AJP with TI > Rs 2 Cr.) **on Long term/Short term Capital Gains** arising from transfer of equity shares/units referred in S. 111A & 112A respectively.

Enhanced SC withdrawn on tax payable at special rate -

1. For All Individuals, HUF, AOP, BOI & AJP on

- Capital gains (Long-term & short-term) on transfer of equity share in a company or unit of an equity-oriented fund/business trust liable for STT, and

2. For FPIs

- Capital gains arising from transfer of any security including derivatives (F&O) on tax payable at special rate U/s. 115AD

- To encourage investment in capital market.
- Tax payable at normal rate on business income arising from transfer of derivatives to a person other than FPI shall be liable for enhanced surcharge.

MEASURES TO BOOST ECONOMY - Taxes Measures Vide Press release dtd. 24th Aug 2019

2. Withdrawal of Angel Tax provisions for startups and their investor - Circular No. 22/2019 dated 30.08.2019

- **S. 56(2)(viib) shall not be applicable to a startup registered with DPIIT.**
- It has also been decided to set up a dedicated cell under Member of CBDT for addressing the problems of startups. A startup having any income tax issue can approach the cell for quick resolution of the same.
- To mitigate genuine difficulties of startups and their investors.

3. Issue of IT orders, notices, summons, letters etc through a centralized system

- i. **From 1st October,2019 all notices summons orders etc. by IT authorities shall be issued through a Centralized computer system and will contain a computer-generated unique Documentation Identification number (UDIN).**
- ii. **From 1st October,2019, all notices to be disposed off within 3 months from date of reply.**
- iii. Any communication issued without computer generated UDIN shall be non est in law.
- iv. All old notices to be decided by 1st October 2019 or uploaded again through the system
- v. **Faceless Tax Scrutiny from Vijay Dashami**
- **To address complaints of harassment on account of issue notices, summons, orders etc. by certain IT authorities**

ADDITIONAL 15% DEPRECIATION ON MOTOR VEHICLE

Acquired on or after 23.08.2019 (and put to use) till 31.03.2020.

	Earlier	Revised
Motor Cars	15%	30%
Motor Buses, lorries & Taxies (Cars) used for hire	30%	45%

To give a boost to automobile sector by driving sales

**What about Second hand Cars acquired
between 23rd Aug 2019 and 31.3.2020 ??**

Tax Audit = Tax + Audit



Revised “Code of Ethics” WEF 1st July, 2020

Accessible on www.icai.org at the following links :-

- Code of Ethics Volume – I <https://www.icai.org/resource/55133CodeofEthics-2019.pdf>
- Code of Ethics Volume – II <https://www.icai.org/resource/60018code-of-ethics-2020vol2.pdf>
- Code of Ethics Volume –III (Case Laws Reference) <https://www.icai.org/resource/59111esb48239.pdf>

Due to Covid situation, following provisions of Volume-I of CoE, 2020 deferred till further notification-
[393rd Council Meeting held on 30th June to 1st July, 2020]

- 1. Responding to Non-Compliance of Laws & Regulations (NOCLAR) - [S. 260 & 360]**
- 2. Fees - Relative Size - [Para 410.3 to R410.6]**
- 3. Taxation Services to Audit Clients - [Subsection 604]**

Tax Auditors Beware !!

Taxation Audits Quality Review Board (TA-QRB) of ICAI set up in 2018

To review any report certified by CA's - under

- Income-tax Act &
- Indirect Tax Laws including GST Law

to determine - compliance with reporting requirements under **respective Acts & ICAI GN issued.**



Penalty of Rs. 10,000/- on Accountant, "merchant banker" or "registered valuer" for furnishing incorrect information in each report or certificate leviable by AO or CIT (A) - [S. 271J] - WEF 1.4.2017

may be further s.t to **disciplinary action by ICAI !!**

Negligence in reporting 40A(3) & 40(a)(ia) violation is Professional Negligence

CA awarded punishment of removal of his name from Register of Members – Later Appellate Authority awarded punishment to "Reprimand", though, further, it directed CA to be more cautious in future.

**"The signature of a Chartered Accountant
is more important than the signature
of the Prime Minister"
- PM Narendra Modi**



**What does it mean?
Should we CA's be happy about it or
Duty or Right ??**



Know the Law – Not the Officer !!
["Jaan Pehchan" Nahi chalega]

FACELESS ASSESSMENT WEF 13th Aug 2020 AND FACELESS APPEALS WEF 25th Sept 2020

CA K. Gururaj Acharya
acharya@kgacharya.com
www.kgacharya.com