

Guwahati Branch of EIRC
The Institute of Chartered Accountants of India

Changes in ITR Forms

Applicable for AY 2019-20

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KEY CHANGES IN DIRECT
TAX

Changes effective from AY 2019-20 (effected by Finance Act 2018)

Tax Rates

Individuals/HUF/AOP/BOI:

Same as 2018-19 AY

- Basic Exemption 2.50/3.00/5.00 L
- 5% upto 5.00
- 20% between 5.00-10.00
- 30% thereafter
- Surcharge 50L-1.00Cr 10%: Above 1Cr 15%

EC and SHEC (3%) replaced with Health and Education Cess (HEC) 4%

Tax Rates

Firms:

Same as 2018-19 AY

- 30%
- Surcharge : Above 1Cr 12%

Domestic Companies:

Turnover upto 250Cr during 2016-17: 25%

Others 30%

Surcharge 7% (1-10Cr) 12% for 10Cr+

EC and SHEC (3%) replaced with Health and Education Cess (HEC) 4%

Special Rates

112A:

Tax on LTCG from Equity Shares and EOF @10% of LTCG over 1 Lakh

115O:

30% Tax on Distributed Profits u/s 2(22)(e)
(Normal rate for DDT is 17.647%)

SC+HEC applicable

TDS Rates 2019-20 FY

194A limit increased

- from 10,000/- to 40,000/- for banks, post office and co-op banks;
- Limit 50,000/- for senior citizen as earlier

194I now applicable for Rent > 2.4 Lakhs

Standard Deduction

Sec 16 & 17

- Standard Deduction
 - Clause (ia): A deduction of ₹ 40,000 or amount of salary, whichever is less
- Withdrawal of Exemptions
 - Medical Reimbursement u/s 17(2) upto 15000/-
 - Transport Allowance u/s 10(14) @ 1600/- pm

Exempt Entities

Sec 40(a)(ia) and 40A(3)/(3A) disallowances

- Applicable to Sec 11 and 10(23C)
- Application of Income not to include
 - Amounts on which TDS not Deducted (30% disallowance)
 - Paid in Cash in excess of 10,000/-

Tax on LTCG

Sec 10(38)

- Not to apply on transfers made after 1.4.2018

Sec 112A

- Tax = 10% of (LTCG – 1Lakh)+ Normal Tax
- No Indexation Benefit (Sec 48)
- Basic Exemption Limit available for resident
- No VIA Deduction
- No 87A rebate

Tax on LTCG

Sec 55(2)(ac)

Cost of Acquisition of Shares acquired before 1st February 2018

- Cost = Higher of
 1. Actual Cost of Acquisition
 2. Lower of
 - FMV
 - Consideration received on transfer
- FMV = Highest quoted price/ NAV as on 31.01.2018 etc.

Tax on Conversion of Stock into Capital Asset

Sec 2(24)(xiia) and 28(via)

FMV of Inventory on date of Conversion to be taxed

- Method of determining FMV has been prescribed by rule 11UAB
- Cost of Capital Asset = FMV (Sec 43)

Compensation

Sec 28(ii)(e)

Compensation received at or in connection with termination or modification of terms of any contract relating to his business

56(2)(xi)

Compensation received in connection with termination or modification of terms of employment to be taxed as “Other Source”

Alignment with ICDS

Sec 36 and 40A

- Marked to Market Losses

Sec 43AA

- Gains arising out of Effects of change in foreign exchange rates

Sec 43CN

- Construction & Services Contract

Sec 145A & 145B

- New Sections inserted w.e.f 1.4.2017

Presumptive Taxation

Sec 44AE

- Heavy Vehicles (Unladen weight > 12000KG)
- @1000/- pm for each ton
- Other Vehicles @7500/- pm as before

Deemed Consideration

Sec 43CA

Applicable for Land & Building (Other than Capital Asset)

Sec 50C

Applicable for Land & Building (Being a Capital Asset)

Sec 56(2)(x)

Applicable to purchaser of Land & Building

Variation of upto +5% in Stamp Duty Valuation to be ignored for computing deemed consideration

54EC Bonds

Sec 54EC

- Now limited only to transfer of Land or Building or both
- Period of holding of Bonds extended from 3years to 5years

Belated Return: Denial of Deductions

Sec 80AC

- Earlier applicable to 80IA, 80IAB, 80IB, 80IC, 80ID and 80IE
- W.e.f. **2018-19** AY, extended to other business deductions also (under ***Part C of Ch. VIA***) : 80IAC, 80-IBA, 80JJA, 80JJAA, 80LA, 80P, 80QQB and 80RRB
- Has no effect on other Chapter VIA deductions

Health Insurance Senior Citizen

Sec 80D

- ₹ 30,000 deduction for Senior Citizen extended to ₹ 50,000 (Normal 25000/-)
- Medical Expenditure for Super Senior Citizen similarly extended
- Single premium Health insurance: Proportionate Allowance over number of years

Sec 80DDB

- Limit increased to ₹ 1L from ₹ 60K-80K for senior/ super senior citizen (Normal 40000/-)

Bank Interest for Senior Citizens

Sec 80TTB

- 80TTA No longer applicable for Senior Citizen
- 80TTB deduction allowed
 - For Senior Citizen
 - Has Income from Bank / PO Deposits
 - Deduction of upto 50,000/- is allowed
- Not applicable to deposits held on behalf of Firm or AOP

Sec 194A

- Threshold for Senior Citizen increased to ₹ 50,000

MAT for Bankrupt Companies

Sec 115JB

- Computation of Book Profit:
- Lower of Loss or Depreciation allowed to be adjusted at present
- In case of Bankrupt Companies, aggregate of loss and depreciation shall be allowed
- Applicable from AY 2018-19

PAN Mandatory

Sec 139A

- Person entering into transactions **aggregating to 2,50,000/-** or more in a FY
- MD/Director/Trustee/Partner/Karta etc of Such entities

Penalties and Prosecution

Sec 253

- 271J penalty order now appealable before ITAT

Sec 271FA

- Penalty for Default in furnishing SFT u/s 285BA(1) increased from 100/- per day to 500/- per day and from 500/- to 1000/- where notice is issued u/s 285BA(5) and not complied

Sec 276CC

- Imprisonment for willful default in furnishing returns: Now applicable to all companies even if assessed tax payable is below 3000/-

KEY CHANGES IN DIRECT
TAX

Amendments

(effected by Finance Act 2019)

Tax Rates

No Change in Tax Rates & Slabs

- **Individuals, HUF**
 - **Companies**
 - **Firms**
 - **Co-operative Society**
-
- No Change in Surcharge
 - No Change in Health & Education Cess
 - No Change in MAT/ AMT

Rebate

Sec 87A

Rebate applicable to income upto 5 Lakhs
(present 3.50 lakhs)

- Maximum Rebate 12,500/- (Present 5000/-)
- No Marginal Relief

Standard Deduction

Salaried Employess: Sec 16(ia)

- Increased to Rs. 50,000/- (Present 40000/-)

House Property

Notional Rent: Sec 23

Annual Value of **two** self-occupied properties to be taken as NIL

Interest: Sec 24

Interest on both Properties eligible (subject to Maximum of 2 Lakhs)

House Property

Stock in Trade: Sec 23(5)

- No notional rent upto two years on House property held as stock-in-trade

Sec 54: Deduction from Capital Gains

- LTCG of upto 2 Crore from sale of Residential Property may be invested in two residential houses.
- Once in a lifetime deduction
- No extended benefit if gains exceeds 2 Crores

Others

80-IBA:

Deduction in respect of affordable housing projects approved upto 31.03.2020 now available

TDS thresholds

94A and 94-I limits increased

KEY CHANGES

Returns for 2019-20