



AMENDMENTS BY FINANCE (NO.2) ACT, 2009 (APPLICABLE FOR MAY & NOVEMBER 2010 CA FINAL EXAMS)

Section	Amendment	Effective Date
Basic Concepts of Income Tax Law		
2(24)	Definition of income includes – <ul style="list-style-type: none"> • Voluntary Contribution received by an Electoral Trust. • Money or Value of Property u/s 56(2)(vii). 	01.04.2010
Analysis of Exemptions		
10(23C)	Institutions seeking approval u/s 10(23C) can make application on or before 30 th September of the relevant assessment year.	01.04.2010
10(44)	Any income received by any person for or on behalf of the New Pension System Trust established on 27.02.2008 under the provisions of the Indian Trusts Act, 1882.	01.04.2010
10A	Exemption u/s 10A available till Assessment Year 2011–12.	01.04.2010
10B	Exemption u/s 10B available till Assessment Year 2011–12.	01.04.2010
10AA	Deduction shall be computed with reference to the Total Turnover of the undertaking in SEZ and not w.r.t. to the Total turnover of the Assessee.	01.04.2010
13B	Voluntary contributions received by an Electoral Trust shall not be included in the Total Income if it distributes to any political party 95% of aggregate donations received by it during the previous year along with surplus.	01.04.2010
Salaries		
10(10C) / 89	If deduction is claimed u/s 10(10C), then VRS Compensation will not be eligible for relief u/s 89(1).	01.04.2010
17(2)	Perquisites taxable in the hands of the employees – <ul style="list-style-type: none"> • Securities offered under ESOP scheme • Employer's Contribution to approved Superannuation Fund in excess of Rs.1 Lakh • Value of any other prescribed fringe benefit. 	01.04.2010
Profits and Gains of Business or Profession		
28	Any sum receivable in cash or kind, on account of any capital asset (other than land or goodwill or financial instrument) being demolished, destroyed, discarded or transferred, if the whole of the expenditure on such capital asset has been allowed as a deduction u/s 35AD shall be chargeable to tax under Business income.	01.04.2010
32	Definition of block of assets provided in Explan.3 to Sec.32 deleted.	01.04.2010
35(2AB)	All assessee engaged in any business of manufacture or production of any article or thing, not being an article or thing specified in the list of the 11 th Schedule eligible for weighted deduction for scientific research expenditure.	01.04.2010
35AD	Assessee engaged in the business of Cold chain facility, Warehousing facility, Cross country natural gas network can claim deduction in respect of capital expenditure incurred for the specified business. Capital expenditure incurred during the previous year prior to commencement of operation can be claimed as deduction in the year of commencement of operation subject to fulfillment of conditions.	01.04.2010

Section	Amendment	Effective Date
36(1)(iiia)	Scheduled Bank entitled for deduction in respect of discount on zero coupon bonds.	01.04.2010
36(1)(viii)	For claiming deduction u/s 36(1)(viii), the specified entity shall carry on the eligible business of providing long-term finance for- <ul style="list-style-type: none"> • industrial or agricultural development; • development of infrastructure facility in India; or • development of housing in India. 	01.04.2010
40A(3)	Maximum permissible cash payment for the purposes of plying, hiring or leasing goods carriages increased to Rs.35,000.	01.10.2009
43	<ul style="list-style-type: none"> • Determination of actual cost of Capital asset allowed as a deduction u/s 35AD. • If the Total Income of an assessee includes Agricultural income, depreciation shall be computed as if entire income is chargeable under the head 'Profits and Gains of Business or Profession'. 	01.04.2010
44AA and 44AB	Assessee declaring income lower than specified u/s 44AD and whose Total Income exceeds Basic Exemption shall maintain books of accounts and get them audited.	01.04.2011
44AD	Presumptive taxation of 8% of Gross receipts extended to all businesses except business covered u/s 44AE. However eligible assessee restricted to Resident Individual, Resident HUF, Resident Firm (other than LLP)	01.04.2011
44AE	Increase in presumptive income: For Heavy Goods Vehicle from – Rs.3,500 to Rs.5,000 For Other than Heavy goods vehicle – Rs.3,150 to Rs.4,500	01.04.2011
44AF	Presumptive Taxation u/s 44AF withdrawn.	01.04.2011
Capital Gains		
2(48)	Scheduled Banks eligible to issue zero coupon bonds.	01.04.2010
49(2AA)	<ul style="list-style-type: none"> • Cost of acquisition of shares / securities allotted under ESOP shall be the FMV determined u/s 17(2)(vi). • Cost of acquisition of property taxable u/s 56(2)(vii) shall be the value determined u/s 56(2)(vii) 	01.04.2010
50B	Cost of acquisition of capital assets which have been allowed as a deduction for the purposes of slump sale shall be nil.	01.04.2010
50C	Scope of Section 50C extended to assessable transactions also. Assessable means the price which the Stamp valuation authority would have adopted or assessed for the purposes of payment of stamp duty.	01.10.2009
Income under the head Other Sources		
56 / 145A	<ul style="list-style-type: none"> • Gift in kind received by an Individual / HUF is taxable. • Interest received on compensation or enhanced compensation taxable in the year of receipt under the head other sources 	01.10.2009 01.04.2010
57	Deduction shall be allowed to the extent of 50% of interest received on account of compensation or enhanced compensation.	01.04.2010
Set – off and carry forward of losses		
73A	Loss arising from Specified Businesses u/s 35AD eligible to be carried forward for the purposes of set off against income from specified businesses.	01.04.2010

Section	Amendment	Effective Date
Deductions under Chapter VI-A		
2(29BA)	<p>Definition of Manufacture: Manufacture with its grammatical variations, means a change in a non-living physical object or article or thing —</p> <ul style="list-style-type: none"> resulting in transformation of the object or article or thing into a new and distinct object or article or thing having a different name, character and use; or bringing into existence of a new and distinct object or article or thing with a different chemical composition or integral structure. 	01.04.2010
80A	<ul style="list-style-type: none"> Deduction u/s 10A / 10AA / 10B / 80H to 80RRB shall not exceed profits and gains of the undertaking / eligible assessee. Transfer of goods and services between the eligible undertaking and any other undertaking shall be determined at the Market value of such goods and services for the purposes of claiming deduction. 	01.04.2003 01.04.2010
80CCD	<ul style="list-style-type: none"> Benefit of deduction u/s 80CCD extended to all Individuals. Maximum deduction shall not exceed 10% of Gross Total Income. Assessee shall be deemed not to have received any amount if the amount is used for purchasing an annuity plan in the same previous year. 	01.04.2010
80DD	Deduction to assessee having dependants with severe liability increased from Rs.75,000 to Rs.1,00,000.	01.04.2010
80E	<ul style="list-style-type: none"> Higher Education means any course of study pursued after passing the Senior Secondary Examination or its equivalent from any School, Board or University recognised by the Central or State Government or Local authority or by any other Authorized Authority. Relative in relation to an Individual includes student for whom the individual is a legal guardian. 	01.04.2010
80G	<ul style="list-style-type: none"> Where an Institution or Fund has been approved u/s 80G(5)(vi) for the Previous Year 2007–08, such an institution or fund shall be deemed to have been established for charitable purposes and approved for the Previous Year 2008–09. 5 year time limit will not be applicable to approval accorded by Commissioner. 	01.04.2010
80GGB / GGC	Donations made to Electoral Trust eligible for deduction.	01.04.2010
80IA	Last date for commencing activity u/s 80-IA (4)(iii) / (iv) / (v) / (vi) extended upto 31.03.2011.	
80IB	For Undertakings engaged in commercial production of mineral oil and natural gas last date for commencement of operations extended upto 31.03.2012.	
80U	Assessee suffering from severe disability eligible for deduction upto Rs.1,00,000.	01.04.2010
Taxation of Partnership Firms		
2(23)	Definition of Firm includes Limited Liability Partnership as defined in Limited Liability Partnership Act, 2008.	01.04.2010
2(23)	Definition of Partner includes Minor who has been admitted for benefits of partnership and a Partner of limited liability partnership.	01.04.2010
40(b)	Increase in ceiling limit on allowability of deduction w.r.t. remuneration paid to Working Partner of a Partnership Firm.	01.04.2010
167B	Liability of Partners of a LLP in respect of the tax dues of the Limited Liability Partnership Firm.	01.04.2010

Section	Amendment	Effective Date
Taxation of Companies		
115JB	MAT rate increased from 10% to 15%.	01.04.2010
115JA / JB	Book Profits shall be increased any amount set aside as provision for diminution in the value of any asset. Supreme Court Ruling in CIT VS HCL Comnet Systems & Services Ltd 305 ITR 409 overruled.	01.04.2001
115JAA	MAT credit can be carried forward for 10 Assessment Years.	01.04.2010
115-O	Dividends liable for Dividend distribution tax shall be reduced by dividend payable to any person for or on behalf of New Pension System Trust.	01.04.2010
Charitable Trust		
2(15)	Definition of Charitable purpose includes preservation of environment (including watersheds, forests and wildlife) and preservation of monuments or places or objects of artistic or historic interest.	01.04.2010
115BBC	Anonymous donations to the extent it exceeds higher of 5% of Total donations received or Rs.1,00,000 shall be taxable @ 30%.	01.04.2010
Taxation of Non-residents		
90	Central Government empowered to enter into agreements with non-sovereign territories.	01.10.2009
92C	When more than 1 price is determined by the most appropriate method, ALP shall be the arithmetic mean of the prices. If the variation between ALP and the Actual Price does not exceed 5% then Actual Price shall be taken as ALP.	01.10.2009
92CB	Safe Harbour Rule shall be prescribed by the Board.	01.04.2010
144C	Constitution of Dispute Resolution Panel for resolving disputes in cases on account of TPO's order u/s 92CA.	
TDS and TCS		
194A	Interest payable on Zero Coupon Bond issued by a Scheduled Bank exempt from TDS.	01.04.2010
194C	<ul style="list-style-type: none"> • Contract includes sub-contract. • Rates of TDS revised as follows – Payment made to Individual / HUF – 1% Payment made to person other than Individual / HUF – 2% If material value separately mentioned in the invoice then TDS on Invoice value excluding value of materials. • Exclusions from TDS: Contractor in the business of plying, hiring or leasing goods carriages on furnishing of PAN. If the Contractor purchases such materials from a person other than the customer, then such "Manufacture or supply" is not work for TDS purposes. • Specified Person includes Government of a Foreign State or a Foreign Enterprise or any Association or Body established outside India. 	01.10.2009
194I	Rate of TDS revised as follows – Use of any Machinery, Plant or Equipment – 2% Use of any Land, Building (including Factory Building) or land appurtenant thereto, Furniture or Fittings – 10%	01.10.2009

Section	Amendment	Effective Date
197A	No TDS shall be made from any payment to any person for or on behalf of New Pension System Trust.	01.04.2010
200A	Procedure for processing of TDS Returns filed.	01.04.2010
201	No Order shall be passed deeming an assessee as, assessee in default for non-deduction of tax from a Resident after the expiry of – <ul style="list-style-type: none"> • 2 years from the end of the Financial Year in which the Statement u/s 200 is filed [statements in Form 24Q / 26Q], • 4 years from the end of the Financial Year in which the payment is made. For periods upto Financial Year 2007 – 08, order can be passed on or before 31.03.2011.	01.04.2010
200(3)/ 206A/ 206C	Periodicity of TDS Return filing to be prescribed.	01.10.2009
206AA	Requirement to furnish PAN in applications made for obtaining No or lower deduction of tax at source Certificates and in Self Declaration forms. In case PAN is not furnished to the Deductor TDS to be deducted at the rate of 20%.	01.04.2010
	TDS on payments other than Salaries to Domestic Company and any other person being resident in India has to be deducted on the Basic Rate. Surcharge, Education Cess, Secondary and Higher Education Cess is not applicable for such payments.	01.10.2009
Fringe Benefits Tax		
115WM	FBT not applicable from Assessment Year 2010–11.	01.04.2010
Income Tax Authorities		
132	Additional Directors / Additional Commissioner have power to issue authorization.	01.06.1994
132A	Authorised Officer includes Additional Director / Addln. Commissioner.	01.06.1994
282B	Notice, order or any correspondence issued or received by any Income Tax Authority without a computer generated Document Identification Number shall be treated as invalid.	01.10.2010
293C	Central Government, Board or Income Tax Authority vested with powers to grant approval shall also have power to withdraw approval at any time after providing an opportunity of being heard to the assessee.	01.10.2009
Assessment Procedure		
140	In case of Limited Liability Partnership Firm Signatory shall be designated Partner. If there is no designated Partner or the designated Partner is not able to sign then any partner.	
147	The Assessing Officer may assess or reassess the income in respect of any issue which has escaped assessment which has come to his notice subsequently in the course of the proceedings u/s 147 even if reasons for such issue have not been included in the reasons recorded u/s 148(2).	01.04.1989
Advance Tax, Collection and Recovery of Tax		
208	Person shall be liable to pay advance tax if the tax payable on his Total Income exceeds Rs.10,000.	
281B	Time limit for validity of attachment to exclude period during which the proceedings for assessment or reassessment are stayed by an order or injunction of any court.	01.04.1988
282	Mode of Service of Notice, summon, requisition, order or any other communication.	01.10.2009

Section	Amendment	Effective Date
Appeals and Revisions		
246A	Order passed by AO u/s 143(3) in pursuance of direction of Dispute Resolution Panel not appealable before CIT (A).	01.10.2009
253	Order passed by AO u/s 143(3) / 147 in pursuance of direction of Dispute Resolution Panel appealable before ITAT.	01.10.2009

TAX RATES APPLICABLE FOR INDIVIDUALS, HUF, AOP AND BOI

FINANCIAL YEAR 2009-10				ASSESSMENT YEAR 2010-11	
Taxable Income (Rs.)	Tax Rate			Income Tax (IT)	TP = IT + SC + EC + SHEC
	IT	SC	EC + SHEC		
(A) FOR INDIVIDUALS OTHER THAN (B) & (C) BELOW					
Upto 1,60,000	Nil	Nil	Nil	Nil	Nil
1,60,010–3,00,000	10%	Nil	3%	$IT = (TI \text{ Less } 1,60,000) \times 10\%$	$TP = IT + 3\% \text{ of } IT$
3,00,010–5,00,000	20%	Nil	3%	$IT = 14,000 + [(TI \text{ Less } 3,00,000) \times 20\%]$	$TP = IT + 3\% \text{ of } IT$
Above 5,00,000	30%	Nil	3%	$IT = 54,000 + [(TI \text{ Less } 5,00,000) \times 30\%]$	$TP = IT + 3\% \text{ of } IT$
(B) RESIDENT WOMEN ASSESSEES BELOW 65 YEARS					
Upto 1,90,000	Nil	Nil	Nil	Nil	Nil
1,90,010–3,00,000	10%	Nil	3%	$IT = (TI \text{ Less } 1,90,000) \times 10\%$	$TP = IT + 3\% \text{ of } IT$
3,00,010–5,00,000	20%	Nil	3%	$IT = 11,000 + [(TI \text{ Less } 3,00,000) \times 20\%]$	$TP = IT + 3\% \text{ of } IT$
Above 5,00,000	30%	Nil	3%	$IT = 51,000 + [(TI \text{ Less } 5,00,000) \times 30\%]$	$TP = IT + 3\% \text{ of } IT$
(C) RESIDENT SENIOR CITIZENS					
Upto 2,40,000	Nil	Nil	Nil	Nil	Nil
2,40,010–3,00,000	10%	Nil	3%	$IT = (TI \text{ Less } 2,40,000) \times 10\%$	$TP = IT + 3\% \text{ of } IT$
3,00,010–5,00,000	20%	Nil	3%	$IT = 6,000 + (TI \text{ Less } 3,00,000) \times 20\%$	$TP = IT + 3\% \text{ of } IT$
Above 5,00,000	30%	Nil	3%	$IT = 46,000 + [(TI \text{ Less } 5,00,000) \times 30\%]$	$TP = IT + 3\% \text{ of } IT$