

## **HIGHLIGHTS OF FINANCE BILL 2010**

### **Proposed Amendments in Direct Tax**

#### **INCOME TAX RATES FOR THE ASSESSMENT YEAR 2011-12**

For Individuals (other than Women and Senior Citizen), HUF, AOP, BOI, Artificial Judicial Person

Range of Income (in Rupees)	Income Tax Rate	Surcharge	Education Cess	Higher Education Cess
Income upto 160000	Nil	Nil	Nil	Nil
160001 to 500000	10% of (Total Income minus 160000)	Nil	2% of I. Tax	1% of I. Tax
500001 to 800000	34000+20% of (Total Income minus 500000)	Nil	2% of I. Tax	1% of I. Tax
Above 800000	94000+30% of (Total Income minus 800000)	Nil	2% of I. Tax	1% of I. Tax

For Resident women and below the Age of 65 Year

Range of Income (in Rupees)	Income Tax Rate	Surcharge	Education Cess	Higher Education Cess
Income upto 190000	Nil	Nil	Nil	Nil
190001 to 500000	10% of (Total Income minus 190000)	Nil	2% of I. Tax	1% of I. Tax
500001 to 800000	31000+20% of (Total Income minus 500000)	Nil	2% of I. Tax	1% of I. Tax
Above 800000	91000+30% of (Total Income minus 800000)	Nil	2% of I. Tax	1% of I. Tax

For Resident Senior citizen (Age of 65 Years)

Range of Income (in Rupees)	Income Tax Rate	Surcharge	Education Cess	Higher Education Cess
Income upto 240000	Nil	Nil	Nil	Nil
240001 to 500000	10% of (Total Income minus 240000)	Nil	2% of I. Tax	1% of I. Tax
500001 to 800000	26000+20% of (Total Income minus 500000)	Nil	2% of I. Tax	1% of I. Tax
Above 800000	86000+30% of (Total Income minus 800000)	Nil	2% of I. Tax	1% of I. Tax

For Co-Operative Society

Range of Income (in Rupees)	Tax Rate	Surcharge	Education Cess	Higher Education Cess
Income upto 10000	10%	Nil	2% of I. Tax	1% of I. Tax
10001 to 20000	1000+20% of (Total Income minus 10000)	Nil	2% of I. Tax	1% of I. Tax

Above 20000	3000+30% of (Total Income minus 20000)	Nil	2% of I. Tax	1% of I. Tax
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#### **For Firms**

Range of Income (in Rupees)	Tax Rate	Surcharge	Education Cess	Higher Education Cess
Any Income	30%	Nil	2% of I. Tax	1% of I. Tax

#### **For Local Authorities**

Range of Income (in Rupees)	Tax Rate	Surcharge	Education Cess	Higher Education Cess
Any Income	30%	Nil	2% of I. Tax	1% of I. Tax

#### **For Domestic Company**

Range of Income (in Rupees)	Tax Rate	Surcharge	Education Cess	Higher Education Cess
Upto 1 Crore	30%	Nil	2% of I. Tax	1% of I. Tax
Above 1 Crore*	30 lacs+30% of (Total Income minus 1 Crores)	7.5% of I. Tax	2% of I. Tax	1% of I. Tax

**\*Marginal Relief** - in the case of every company having a total income exceeding one crore rupees, the total amount payable as income-tax and surcharge on such income shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

#### **For Foreign Company**

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Range of Income (in Rupees)	Tax Rate	Surcharge	Education Cess	Higher Education Cess
<b>Upto 1 Crore</b>				
<ul style="list-style-type: none"> <li>Royalties received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976; or fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976,</li> </ul>	50%	Nil	2% of I. Tax	1% of I. Tax
<ul style="list-style-type: none"> <li>Other Income</li> </ul>	40%	Nil	2% of I. Tax	1% of I. Tax
<b>Above 1 Crore*</b>				
<ul style="list-style-type: none"> <li>Royalties received from Government or an Indian concern in pursuance of an</li> </ul>	50	2.50% of	2% of I. Tax	1% of I. Tax

agreement made by it with the Government or the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976; or fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976,	lacs+50% of (Total Income minus 1 Crores)	I.Tax		
• Other Income	40 lacs+40% of (Total Income minus 1 Crores)	2.50% of I.Tax	2% of I. Tax	1% of I. Tax

**\*Marginal Relief** - in the case of every company having a total income exceeding one crore rupees, the total amount payable as income-tax and surcharge on such income shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

#### **MINIMUM ALTERNATE TAX FOR DOMESTIC COMPANY**

Range of Book Profit (in Rupees)	Tax Rate	Surcharge	Education Cess	Higher Education Cess
Upto 1 Crore	18%	Nil	2% of I. Tax	1% of I. Tax
Above 1 Crore*	18 lacs+18% of (Total Income minus 1 Crores)	7.5% of I.Tax	2% of I. Tax	1% of I. Tax

**\*Marginal Relief Available**

#### **MINIMUM ALTERNATE TAX FOR FOREIGN COMPANY**

Range of Book Profit (in Rupees)	Tax Rate	Surcharge	Education Cess	Higher Education Cess
Upto 1 Crore	18%	Nil	2% of I. Tax	1% of I. Tax
Above 1 Crore*	18 lacs+18% of (Total Income minus 1 Crores)	2.50% of I.Tax	2% of I. Tax	1% of I. Tax

**\*Marginal Relief Available**

- **Amendment in Clause 15 of section 2 relating to “any other object of general public utility”**

Proviso not applicable if receipt from such activity does not exceeds Rs. 10 lacs

- **Amendment if in the explanation to sub section (2) of section 9 with effect from 1<sup>st</sup> June 1976**

*“Explanation.—*For the removal of doubts, it is hereby declared that for the purposes of this section, income of a non-resident shall be deemed to accrue or arise in India under clause (v) or clause (vi) or clause (vii) of sub-section (1) and shall be included in the total income of the nonresident, whether or not,—

- (i) the non-resident has a residence or place of business or business connection in India; or
- (ii) the non-resident has rendered services in India.”.

- **Amendment in Section 40(a)(ia) – Disallowance of Expenditure for non-deduction or non-deposit of TDS**

After this amendment Expenditure will be allowed in the previous year, if TDS deposit on or before the due date of filing the return. Now it is not relevant the expenditure is relating to the last month of the previous year or any other months.

- **Amendment In section 43 of the Income-tax Act, with effect from the 1st day of April, 2011,— Cost of block of Assets on conversion of Private company or an unlisted public company to a LLP**

The actual cost of the block of assets in the case of the limited liability partnership shall be the written down value of the block of assets of the transferee company on the date of conversion of the company into the limited liability partnership.

- **Amendment in section 44AB of the Income-tax Act, with effect from the 1st day of April, 11,(Asst Year 2011-12)—**

After this amendment audit of accounts required if gross turnover exceeds Rs. 60 lacs in the case of carrying on business

After this amendment audit of accounts required if gross receipts exceeds Rs. 15 lacs in the case of carrying on profession

- **Amendment in section 47 – Regarding transfer of assets on conversion of private company or unlisted public company to a LLP**

Subject to condition given in section 47, transfer of assets to a LLP on conversion of Private Company or unlisted Company shall not be treated as transfer.

- **Amendment in section 56(2) – Transfer of property without consideration or inadequate consideration**

Now section 56(2) hit if property transferred to a firm or a company in which public is not substantially interest earlier it was applicable only Individual & HUF

Immovable property hit if transferred at without consideration and it is a capital asset in the hands of recipient. (Remove the stipulation regarding transactions involving cases of inadequate consideration in respect of immovable property).

- Allow addition deduction Rs. 20000/- u/s 80CCF for investment in long term infrastructure bond from the Asst Year 2011-12

- **Increase in threshold limit for TDS Deduction**

In order to adjust for inflation and also to reduce the compliance burden of deductors and taxpayers, it is proposed to raise the threshold limit for payments mentioned in sections 194B, 194BB, 194C, 194D, 194H, 194-I and 194J as under:

Sl.	Section	Nature of payment	Existing threshold limit	Proposed threshold limit
1	194B	Winnings from lottery or crossword puzzle	5000.00	10000.
2	194BB	Winnings from horse race	2500.00	5000.00
3	194C	Payment to contractors	20000.00 (For a single Transaction)  50000.00 (for aggregate of transactions during previous year)	30000.00 (for as single transaction)  75000.00 (for aggregate of transactions during previous year)
4	194D	Insurance commission	5000.00	20000.00
5	194H	Commission or Brokerage	2500.00	5000.00
6	194-I	Rent	120000.00	180000.00
7	194J	Fees for professional or technical services	20000.00	30000.00

These amendments are proposed to take effect from 1st July, 2010.

- Interest u/s 201(1A) for default in depositing TDS is proposed to 1.5% for every month or part of month instead of existing 1%
- Under section 282B allotment of computer generated document identification number will be require on or after 1<sup>st</sup> July 2011.

- Weighted deduction to a company for in-house scientific research is proposed 200 per cent instead of existing 150 percent.[35(2A)]
- Weighted deduction to a company for any sum paid to an approved scientific research programme is proposed 175 percent instead of existing 125 per cent. [Sec 35(2AA)]
- Time period for completion of housing project is proposed to 5 year instead of existing 4 year, and built up area of shop and other commercial establishment is proposed to increase 3 per cent of built up area or 5000 sq. ft. whichever is lower instead of existing 5 per cent of built up area or 2000 sq. ft. whichever is lower for deduction u/s 80-IB (10) for developing and building of housing project.
- Time limit for start the function of hotel or conventional centre proposed to extend upto 31<sup>st</sup> July 2010 instead of existing 31<sup>st</sup> March 2010 for getting of deduction u/s 80-ID(**Deduction of profits of a hotel or a convention centre in the National Capital Territory**)
- Under section 44 –Computation of Non life insurance Company following amendment proposed in the bill:  
It has also been provided that any gain or loss on realisation of investments shall be added or deducted for the purpose of computation of the total income, if the same is not already credited or debited in the profit and loss account.

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