



# ***TAX UPDATES***

## ***APPLICABLE FOR JUNE 2015 EXAMINATION***

1. Finance (No. 2) Act, 2014 is applicable for June 2015 Examination.
2. Applicable Assessment Year for June 2015 Examination is 2015-16 (Previous Year 2014-15)
3. Students are also required to update themselves about all Circulars, Clarifications, etc. issued by the CBDT, CBEC & Central Government, on or before six months prior to the date of the respective examinations, i.e. upto December, 2014
4. Students can access the Study Material of Tax Laws and Practice (Executive Programme-New Syllabus) & Advance Tax Laws and Practice (Professional Programme- New Syllabus) as per Finance (No. 2) Act, 2014 on ICSI Website under the head 'Academic Corner' at the link <https://www.icsi.edu/AcademicCorner.aspx>
5. Students having edition of study material prior to September, 2014, may please refer to the Tax Updates produced here.

In the event of any doubt, students may write to the Institute for clarifications at [academics@icsi.edu](mailto:academics@icsi.edu)

### ***Disclaimer***

***These Tax Updates have been prepared purely for academic purposes only and it does not necessarily reflect the views of ICSI. Any person wishing to act on the basis of these Tax updates should do so only after cross checking with the original source.***

## TABLE OF CONTENTS

<b>DIRECT TAXATION LAW AND PRACTICE</b>
<b>A. INCOME TAX (INCOME TAX ACT, 1961)</b>
(1) <a href="#">Definitions</a>
(2) <a href="#">Tax Rates</a>
(3) <a href="#">Amendments Relating to Income from Capital Gains</a>
(4) <a href="#">Amendments Relating Income Under The Head Income From Business And Profession</a>
(5) <a href="#">Amendments Relating to Charitable Trusts</a>
(6) <a href="#">Amendments Relating to Deductions</a>
(7) <a href="#">Amendments Relating to International Taxation</a>
(8) <a href="#">Amendments Relating to Tax Authorities and their Powers</a>
(9) <a href="#">Other Amendments Relating to Income Tax Act, 1961</a>
<b>INDIRECT TAXATION LAW AND PRACTICE</b>
<b>B. SERVICE TAX</b>
(1) <a href="#">Amendments vide Finance (No. 2) Act, 2014</a>
(2) <a href="#">Amendments vide Notifications</a>
<b>C. CUSTOM DUTY (CUSTOMS ACT, 1962)</b>
(1) <a href="#">Amendments vide Finance (No. 2) Act, 2014</a>
(2) <a href="#">Amendments vide Notifications</a>
<b>D. CENTRAL EXCISE (CENTRAL EXCISE ACT, 1944)</b>
(1) <a href="#">Amendments vide Finance (No. 2) Act, 2014</a>
(2) <a href="#">Amendments vide Notifications</a>

**DIRECT TAXATION- LAWS AND PRACTICE**  
**A. AMENDMENTS IN INCOME TAX ACT, 1961**

**AMENDMENTS VIDE FINANCE (NO. 2) ACT, 2014**

**Definitions**

**(a)** As per clause (13A) inserted under section 2 of the Income Tax Act vide Finance (No. 2) Act, 2014, “business trust” means a trust registered as an Infrastructure Investment Trust or a Real Estate Investment Trust, the units of which are required to be listed on a recognised stock exchange, in accordance with the regulations made under the Securities Exchange Board of India Act, 1992 and notified by the Central Government in this behalf;

**(b)** Finance (No. 2) Act, 2014 amended the definition of capital gain and for the words in the opening portion of clause (14) of section 2:

“capital asset” means property of any kind held by an assessee, whether or not connected with his business or profession, but does not include—

(i) any stock-in-trade’,

the following has been substituted, namely

“capital asset” means—

(a) property of any kind held by an assessee, whether or not connected with his business or profession;

(b) any securities held by a Foreign Institutional Investor which has invested in such securities in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992, but does not include—

(i) any stock-in-trade [other than the securities referred to in sub-clause (b)]

Further, following explanation has been inserted vide Finance (No. 2) Act, 2014:

‘Explanation 2.—For the purposes of this clause—

(a) the expression “Foreign Institutional Investor” shall have the meaning assigned to it in clause (a) of the Explanation to section 115AD;

(b) the expression “securities” shall have the meaning assigned to it in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956;’

**Tax Rates**

**Tax Slab**

**(a) In case of Individual (including women) or Hindu undivided family or association of persons or body of individuals or every artificial juridical person:**

Upto Rs. 2,50,000	Nil
Rs. 2,50,001 to Rs. 5,00,000	10% of the amount in excess of Rs. 2,50,000
Rs. 5,00,001 to Rs.10,00,000	Rs. 25,000 plus 20% of the amount in excess of Rs. 5,00,000
Rs. 10,00,001 and above	Rs. 1,25,000 plus 30% of the amount in excess of Rs. 10,00,000

**(b) In the case of every individual, being a resident in India, who is of the age of sixty years or more at any time during the previous year but not more than 80 years on the last day of the previous year:-**

Upto Rs. 3,00,000	Nil
Rs. 3,00,001 to Rs. 5,00,000	10 % of the amount in excess of Rs. 3,00,000
Rs. 5,00,001 to Rs. 10,00,000	Rs. 20,000 plus 20% of the amount in excess of Rs. 5,00,000
Rs. 10,00,001 and above	Rs. 1,20,000 plus 30% of the amount in excess of Rs. 10,00,000

However, in case of super senior citizen i.e. individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year the rates of income-tax for previous year 2014-15 will continue to be the same as those specified previous year 2013-14.

**(c) Companies, Co-operative Societies, Firms and Local Authorities**

In the case of Companies, Co-operative Societies, Firms and Local Authorities the rates of income-tax for financial year 2014-15 will continue to be the same as those specified financial year 2013-14.

**SURCHARGE ON INCOME-TAX**

**(i) In case of Individual/HUF/AOP/BOI/Artificial Juridical Person/Co-operative society/firm/LLP:** Where the total income exceeds 1 crore rupees, surcharge @10% shall be applicable.

However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees 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.

**(ii) In case of Company:** In case of every domestic company having a total income exceeding 1 crore rupees but not exceeding 10 crore rupees surcharge @5% of such income-tax and surcharge @ 10% if the total income exceeds 10 crore rupees shall be applicable. Further, in case of company other than domestic company having a total income exceeding 1 crore rupees but not exceeding 10 crore rupees@ 2% and where the total income exceeds 10 crore rupees the surcharge @ 5% shall be applicable.

However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees but not exceeding ten crore rupees, 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. The total amount payable as income-tax and surcharge on total income exceeding ten crore rupees, shall not exceed the total amount payable as income-tax and surcharge on a total income of ten crore rupees, by more than the amount of income that exceeds ten crore rupees.

In other cases including the following, the surcharge shall continue to be levied at the rate of 10%:

- a) Section 115-O- Tax on distributed income of domestic companies by way of dividend

- b) Section 115QA- Tax on distributed income of domestic company for buyback of shares
- c) Section 115R- Tax on distributed income of mutual funds
- d) Section 115TA- Tax on income distributed by securitization trusts

### **EDUCATION CESS AND SECONDARY AND HIGHER EDUCATION CESS**

For financial year 2014-2015, additional surcharge called the “Education Cess on income-tax” and “Secondary and Higher Education Cess on income-tax” shall continue to be levied at the rate of 2% and 1% respectively, on the amount of tax computed, inclusive of surcharge (wherever applicable), in all cases. No marginal relief shall be available in respect of such Cess.

### **DIVIDEND AND INCOME DISTRIBUTION TAX**

In order to ensure that tax is levied on proper base, the amount of distributable income and the dividends which are actually received by the unit holder of mutual fund or shareholders of the domestic company need to be grossed up for the purpose of computing the additional tax.

Therefore, section 115-O has been amended to provide that for the purposes of determining the tax on distributed profits payable in accordance with the section 115-O, any amount by way of dividends referred to in sub-section (1) of the said section, as reduced by the amount referred to in sub-section (1A) [referred to as net distributed profits], shall be increased such amount as would, after reduction of the tax on such increased amount at the rate specified in sub-section (1), be equal to the net distributed profits.

Similarly, section 115R has been amended to provide that for the purposes of determining the additional income-tax payable in accordance with sub-section (2) of the said section, the amount of distributed income shall be increased to such amount as would, after reduction of the additional income-tax on such increased amount at the rate specified in sub-section (2), be equal to the amount of income distributed by the Mutual Fund.

**Illustration:** Where the amount of dividend paid or distributed by a company is Rs. 85, then Dividend Distribution Tax under the amended provision would be calculated as follows:

Dividend amount distributed = Rs. 85

Increase by Rs. 15 [i.e.  $(85 \times 0.15) / (1 - 0.15)$ ] = Rs. 100

Tax payable u/s 115-O will be DDT @ 15% of Rs. 100 = Rs. 15

### **REDUCTION IN TAX RATE ON CERTAIN DIVIDENDS RECEIVED FROM FOREIGN COMPANIES**

Section 115BBD of the Act was introduced as an incentive for attracting repatriation of income earned by Indian companies from investments made abroad. It provides for taxation of gross dividends received by an Indian company from a specified foreign company at the concessional rate of 15 per cent. if such dividend is included in the total income for the assessment year 2012-13 or 2013-14 or 2014-2015.

With a view to encourage Indian companies to repatriate foreign dividends into the country, Finance Act (No. 2), 2014 has amended the provisions to extend the benefit of lower rate of taxation without limiting it to a particular assessment year. Thus, such foreign dividends received in financial year 2014-15 and subsequent financial years shall continue to be taxed at the lower rate of 15%.

### **CONCESSIONAL RATE OF TAX ON OVERSEAS BORROWING**

Section 194LC has been amended to extend the benefit of the concessional rate of withholding tax @ 5% to borrowings by way of issue of any long-term bond, and not limited to a long term infrastructure bond.

Further, Finance Act (No. 2), 2014 extends by two years the period of borrowing for which the said benefit shall be available. The concessional rate of withholding tax is now available in respect of borrowings made before 1<sup>st</sup> day of July, 2017.

Section 206AA of the Act provides for levy of higher rate of withholding tax in case the recipient of income does not provide permanent account number to the deductor. An exception from applicability of section 206AA in respect of payment of interest on long-term infrastructure bonds eligible for benefit under section 194LC is currently provided in sub-section (7) of this section.

Consequential amendment has been made in section 206AA to ensure that this benefit of exemption is extended to payment of interest on any long-term bond referred to in section 194LC.

### **TAX DEDUCTION AT SOURCE FROM NON-EXEMPT PAYMENTS MADE UNDER LIFE INSURANCE POLICY**

Under the existing provisions of section 10(10D) of the Act, any sum received under a life insurance policy, including the sum allocated by way of bonus on such policy is exempt subject to fulfilment of conditions specified under the said section.

Therefore, the sum received under a life insurance policy which does not fulfill the conditions specified under section 10(10D) are taxable under the provisions of the Act.

In order to have a mechanism for reporting of transactions and collection of tax in respect of sum paid under life insurance policies which are not exempted under section 10(10D) of the Act a new section has been inserted vide Finance (No. 2) Act, 2014 to provide for deduction of tax at the rate of 2 per cent. on sum paid under a life insurance policy, including the sum allocated by way of bonus, which are not exempt under section 10(10D) of the Act.

Further, it has also been provided that no deduction under this provision shall be made if the aggregate sum paid in a financial year to an assessee is less than Rs.1,00,000/-.

## **Amendments Relating to Income from Capital Gains**

### **LONG-TERM CAPITAL GAINS ON DEBT ORIENTED MUTUAL FUND AND ITS QUALIFICATION AS SHORT-TERM CAPITAL ASSET**

The existing provisions contained in clause (42A) of section 2 of the Act provides that short-term capital asset means a capital asset held by an assessee for not more than thirty six

months immediately preceding the date of its transfer. However, in the case of a share held in a company or any other security listed in a recognised stock exchange in India or a unit of the Unit Trust of India or a unit of a Mutual Fund or a zero coupon bond, the period of holding for qualifying it as short-term capital asset is not more than twelve months.

The Finance (No. 2) Act, 2014 amends the aforesaid clause (42A) of section 2 so as to provide that an unlisted security and a unit of a mutual fund (other than an equity oriented mutual fund) shall be a short-term capital asset if it is held for not more than thirty-six months.

The Finance (No. 2) Act, 2014 as passed by the Lok Sabha has inserted a new proviso to provide that the unlisted shares and units of a Mutual Fund (other than an equity oriented mutual fund) shall continue to be deemed to be long-term capital assets if they have been transferred during the period from April 1, 2014 to July 10, 2014 after holding them for a period of more than 12 months.

**Example:**

Asset	Long term /Short term Capital Asset	Explanation
A Ltd. sold a motor car, not being asset held in stock within two years of its purchase	Short term Capital Asset	Held for less than 36 months
A plot of land purchased for construction of farm house in 1992 sold on 21.07.2014	Long term Capital Asset	Held for more than 36 months
A land not being agricultural land purchased on 1.06.2014 and sold on 1.09.2014	Short term capital asset	Held for less than 36 months
Bought shares of ABC Ltd on 15 <sup>th</sup> June, 2013 and transferred them on 17 <sup>th</sup> August, 2014. (Shares being listed on recognized stock exchange)	Long term Capital Asset	Listed security held for more than 12 months
Bought shares of X Ltd. on 10 <sup>th</sup> June, 2013 and transferred them on 7 <sup>th</sup> July, 2014. (Shares are not listed on stock exchange)	Long term Capital Asset	Unlisted securities held for more than 12 months and transferred during the transitional period of April 1, 2014 to July 10, 2014. (Proviso to section 2(42A) as amended by Finance Act, 2014)
Bought shares of Y Ltd. on 15 <sup>th</sup> June, 2013 and transferred them on 17 <sup>th</sup> August, 2014. (Shares are not listed on stock exchange)	Short term Capital Asset	Unlisted security held for more than 12 months but less than 36 months and transferred after the expiry of transitional period. (Proviso to section 2(42A) as amended by Finance Act, 2014)

**CAPITAL GAINS ARISING FROM TRANSFER OF AN ASSET BY WAY OF COMPULSORY ACQUISITION**

The provisions contained in section 45 (5) of the Income Tax Act has been amended to provide that the amount of compensation received in pursuance of an interim order of the court, Tribunal or other authority shall be deemed to be income chargeable under the head 'Capital gains' in the previous year in which the final order of such court, Tribunal or other authority is made.

**COST INFLATION INDEX**

The release of Consumer Price Index (CPI) for urban non-manual employees (UNME) has been discontinued. Accordingly, clause (v) of the Explanation to section 48 has been

amended to provide that “Cost Inflation Index” in relation to a previous year means such index as may be notified by the Central Government having regard to seventy-five percent of average rise in the Consumer Price Index (Urban) for the immediately preceding previous year to such previous year. This amendment will take effect from 1<sup>st</sup> April, 2016 and will, accordingly, apply in relation to assessment year 2016-17 and subsequent assessment years.

### **CAPITAL GAINS EXEMPTION IN CASE OF INVESTMENT IN A RESIDENTIAL HOUSE PROPERTY**

The provisions contained in sub-section (1) of section 54 and sub-section (1) of section 54F inter alia, provide that subject to certain conditions, capital gains to the extent invested in residential house is not chargeable to tax under section 45 of the Act. Since this benefit was intended for investment in one residential house within India. Accordingly, provisions of section 54 (1) and 54F(1) has been amended vide Finance (No. 2) Act, 2014 so as to provide that the relief under the said sections are available if the investment is made in one residential house situated in India.

### **CAPITAL GAINS EXEMPTION ON INVESTMENT IN SPECIFIED BONDS**

A proviso in sub-section (1) of section 54EC has been inserted vide Finance (No. 2) Act, 2014 so as to provide that the investment made by an assessee in the long-term specified asset, out of capital gains arising from transfer of one or more original asset, during the financial year in which the original asset or assets are transferred and in the subsequent financial year does not exceed fifty lakh rupees.

### **TRANSFER OF GOVERNMENT SECURITY BY ONE NON-RESIDENT TO ANOTHER NON-RESIDENT**

With a view to facilitate listing and trading of Government securities outside India, clause (viib) has been inserted under section 47 of the Income Tax Act so as to provide that any transfer of a capital asset, being a Government Security carrying a periodic payment of interest, made outside India through an intermediary dealing in settlement of securities, by a non-resident to another non-resident shall not be considered as transfer for the purpose of charging capital gains.

### **TAX ON LONG-TERM CAPITAL GAINS ON UNITS**

Under the existing provisions of section 112 of the Income Tax Act, where tax payable on long-term capital gains arising on transfer of a capital asset, being listed securities or unit or zero coupon bond exceeds ten percent of the amount of capital gains before allowing for indexation adjustment, then such excess shall be ignored. As long-term capital gains is not chargeable to tax in the case of transfer of a unit of an equity oriented fund which is liable to securities transaction tax.

Provisions of section 112 of the Income Tax Act has been amended vide Finance (No. 2) Act, 2014 so as to allow the concessional rate of tax of ten percent on long term capital gain to listed securities (other than unit) and zero coupon bonds.

### **TAXABILITY OF ADVANCE FOR TRANSFER OF A CAPITAL ASSET**



Finance (No. 2) Act, 2014 has inserted a new clause (ix) in sub-section (2) of section 56 to provide for the taxability of any sum of money, received as an advance or otherwise in the course of negotiations for transfer of a capital asset. Such sum shall be chargeable to income-tax under the head 'income from other sources' if such sum is forfeited and the negotiations do not result in transfer of such capital asset. A consequential amendment in clause (24) of section (2) has also been made to include such sum in the definition of the term 'income'.

The existing provisions of section 51 provide that any advance retained or received shall be reduced from the cost of acquisition of the asset or the written down value or the fair market value of the asset. In order to avoid double taxation of the advance received and retained, section 51 is also amended to provide that where any sum of money received as an advance or otherwise in the course of negotiations for transfer of a capital asset, has been included in the total income of the assessee for any previous year, in accordance with the provisions of clause (ix) of sub-section (2) of section 56, such amount shall not be deducted from the cost for which the asset was acquired or the written down value or the fair market value, as the case may be, in computing the cost of acquisition.

### **Amendments Relating Income Under The Head Income From Business And Profession**

#### **BUSINESS OF PLYING, HIRING OR LEASING GOODS CARRIAGES**

The provisions of section 44AE have been amended vide Finance (No. 2) Act, 2014 to provide for a uniform amount of presumptive income of Rs.7,500 for every month (or part of a month) for all types of goods carriage without any distinction between Heavy goods vehicle and vehicle other than Heavy goods vehicle.

#### **INVESTMENT ALLOWANCE TO A MANUFACTURING COMPANY**

Sub section 1A has been inserted under section 32AC vide Finance (No. 2) Act, 2014, which provides that, a deduction of a sum equal to 15% shall be allowed in case of acquisition and installation of new assets (plant or machinery) on or after 1<sup>st</sup> April, 2014 provided that the amount of actual cost of such new asset acquired or installed during any previous year exceeds Rs. 25 crore.

Provided that the assessee shall not be eligible to claim deduction under sub section (1A), if he is eligible to claim deduction under sub section (1) for any of the assessment year beginning from 1.04.2015. Further, deduction under sub section (1A) shall be provided only upto Assessment Year 2017-18.

The assessee eligible to claim deduction under the existing combined threshold limit of Rs.100 crore for investment made in previous year during the period 1<sup>st</sup> April, 2013 to 31<sup>st</sup> March, 2015 shall continue to be eligible to claim deduction under the provisions of Sub section (1) of Section 32AC even if its investment for the year 2014-15 is below the new threshold limit of investment of Rs. 25 crore.

Deduction under section 32AC (1) and 32AC (1A) can be understood by way of following

#### **Illustration**

(Rs. in crore)

Sl. No.	Investment in F.Y. 2013-14	Investment in F.Y. 2014-15	Investment in F.Y. 2015-16	Investment in F.Y. 2016-17	Eligibility
1	15	85	-	-	32AC(1)
2	28	38	-	-	32AC (1A)
3	140	5	-	-	32AC (1)
4	50	15	-	-	Not eligible
5	30	30	30	40	32AC (1A)
6	150	20	70	20	32AC(1) and 32AC(1A)

### **DEDUCTION IN RESPECT OF CAPITAL EXPENDITURE ON SPECIFIED BUSINESS**

Under the existing provisions of section 35AD of the Act, investment-linked tax incentive is provided by way of allowing a deduction in respect of the whole of any expenditure of capital nature (other than expenditure on land, goodwill and financial instrument) incurred wholly and exclusively, for the purposes of the “specified business” during the previous year in which such expenditure is incurred. “Specified businesses” which are eligible for availing the investment-linked deduction under section 35AD are enumerated in clause (c) of sub-section (8) of the said section.

Following two new businesses are included as “specified business” vide Finance (No. 2) Act, 2014 for the purposes of the investment-linked deduction under section 35AD:

- (a) laying and operating a slurry pipeline for the transportation of iron ore;
- (b) setting up and operating a semiconductor water fabrication manufacturing unit, if such unit is notified by the Board in accordance with the prescribed guidelines.

It is also proposed to provide that the date of commencement of operations for availing investment linked deduction in respect of the two new specified businesses shall be on or after 1<sup>st</sup> April, 2014.

Further, with a view to ensure that the capital asset on which investment linked deduction has been claimed is used for the purposes of the specified business, sub-section (7A) has been inserted under section 35AD vide Finance (No. 2) Act, 2014 to provide that any asset in respect of which a deduction is claimed and allowed under section 35AD, shall be used only for the specified business for a period of eight years beginning with the previous year in which such asset is acquired or constructed.

Sub-section (7B) has also been inserted vide Finance (No. 2) Act, 2014 to provide that if such asset is used for any purpose other than the specified business, the total amount of deduction so claimed and allowed in any previous year in respect of such asset, as reduced by the amount of depreciation allowable in accordance with the provisions of section 32 as if no deduction had been allowed under section 35AD, shall be deemed to be income of the assessee chargeable under the head “Profits and gains of business or profession” of the previous year in which the asset is so used.

The provisions contained in the sub-section (7B) of the said section would, however, not apply to a company which has become a sick industrial company under sub-section (1) of section 17 of the Sick Industrial Companies (Special Provisions) Act, 1985 within the time period specified in sub-section (7A).

The existing provisions of sub-section (3) of the aforesaid section provide that where any assessee has claimed a deduction under this section, no deduction shall be allowed under the provisions of Chapter VIA for the same or any other assessment year. As section 10AA also provides for profit linked deduction in respect of units set-up in Special Economic Zones, Finance (No. 2) Act, 2014 amends section 35AD so as to provide that where any deduction has been availed of by the assessee on account of capital expenditure incurred for the purposes of specified business in any assessment year, no deduction under section 10AA shall be available to the assessee in the same or any other assessment year in respect of such specified business.

As a consequence of this amendment, section 10AA stands amended so as to provide that no deduction under section 35AD shall be available in any assessment year to a specified business which has claimed and availed of deduction under section 10AA in the same or any other assessment year.

With a view to provide further time to the undertakings to commence the eligible activity to avail the tax incentive, the above provisions stands amended vide Finance (No. 2) Act, 2014 to extend the terminal date for a further period up to 31st March, 2017.

#### **CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Under the Companies Act, 2013 certain companies (which have net worth of Rs.500 crore or more, or turnover of Rs.1000 crore or more, or a net profit of Rs.5 crore or more during any financial year) are required to spend certain percentage of their profit on activities relating to Corporate Social Responsibility (CSR).

It has been clarified vide Finance (No. 2) Act, 2014 that for the purposes of section 37(1) any expenditure incurred by an assessee on the activities relating to corporate social responsibility referred to in section 135 of the Companies Act, 2013 shall not be deemed to have been incurred for the purpose of business and hence shall not be allowed as deduction under section 37. However, the CSR expenditure which is of the nature described in section 30 to section 36 of the Act shall be allowed deduction under those sections subject to fulfilment of conditions, if any, specified therein.

#### **DISALLOWANCE OF EXPENDITURE FOR NON- DEDUCTION OF TAX AT SOURCE**

Section 40(a)(i) has been amended vide Finance (No. 2) Act, 2014 to provide that the deductor shall be allowed to claim deduction for payments made to non-residents in the previous year of payment, if tax is deducted during the previous year and the same is paid on or before the due date specified for filing of return under section 139(1) of the Act.

Provisions of section 40(a) (ia) has been amended to provide that in case of non-deduction or non-payment of TDS on payments made to residents as specified in section 40(a)(ia) of the Act, the disallowance shall be restricted to 30% of the amount of expenditure claimed.

Section 40(a)(ia) has proved to be an effective tool for ensuring compliance of TDS provisions by the payers. Therefore, in order to improve the TDS compliance in respect of payments to residents which were not specified in section 40(a)(ia), Finance (No. 2) Act, 2014 has provided that the disallowance under section 40(a)(ia) of the Act shall extend to all expenditure on which tax is deductible under Chapter XVII-B of the Act.

### **EXTENSION OF THE SUNSET DATE UNDER SECTION 80-IA FOR THE POWER SECTOR**

Under the existing provisions of clause (iv) of sub-section (4) of section 80-IA of the Income-tax Act, a deduction of profits and gains is allowed to an undertaking which,—

- (a) is set up for the generation and distribution of power if it begins to generate power at any time during the period beginning on 1st April, 1993 and ending on 31<sup>st</sup> March, 2014;
- (b) starts transmission or distribution by laying a network of new transmission or distribution lines at any time during the period beginning on 1st April, 1999 and ending on 31 March, 2014;
- (c) undertakes substantial renovation and modernization of existing network of transmission or distribution lines at any time during the period beginning on 1st April, 2004 and ending on 31 March, 2014.

### **EXTENSION OF INCOME-TAX EXEMPTION TO SPECIAL UNDERTAKING OF UNIT TRUST OF INDIA (SUUTI)**

The Special Undertaking of the Unit Trust of India (SUUTI) was created vide the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002.

Vide section 13(1) of the said Repeal Act, SUUTI is exempt from income-tax or any other tax or any income, profits or gains derived, or any amount received in relation to the specified undertaking for a period of five years, computed from the appointed day, i.e. 1<sup>st</sup> day of February, 2003. This exemption was to come to an end on 31st January, 2008 and the exemption was extended up to the 31st March, 2009 and thereafter, up to the 31st March, 2014.

Since some of the tasks of SUUTI are still pending closure, section 13(1) is amended so as to extend the exemption for a further period of five years that is upto 31<sup>st</sup> March, 2019.

### **SPECULATIVE TRANSACTION IN RESPECT OF COMMODITY DERIVATIVES**

Finance (No. 2) Act, 2014 amends clause (e) of the proviso to the clause (5) of section 43 so as to provide that eligible transaction in respect of trading in commodity derivatives carried out in a recognised association and chargeable to commodities transaction tax under Chapter VII of the Finance Act, 2013 shall not be considered to be a speculative transaction. This amendment will take effect retrospectively from 1<sup>st</sup> April, 2014 and will accordingly apply, in relation to the assessment year 2014-15 and subsequent assessment years.

### **LOSSES IN SPECULATION BUSINESS**

The existing provisions of section 73 of the Act provide that losses incurred in respect of a speculation business cannot be set off or carried forward and set off except against the profits of any other speculation business.

Explanation to section 73 has been amended vide Finance (No. 2) Act, 2014 so as to provide that the provision of the Explanation shall also not be applicable to a company the principal business of which is the business of trading in shares.

### **MUTUAL FUNDS, SECURITISATION TRUSTS AND VENTURE CAPITAL COMPANIES OR VENTURE CAPITAL FUNDS TO FILE RETURN OF INCOME**

Sub-section (4C) of section 139 has been amended so as to provide that Mutual Fund referred to in clause (23D) of section 10, securitization trust referred to in clause (23DA) of section 10 and Venture Capital Company or Venture Capital Fund referred to in clause (23FB) of section 10 shall, if the total income in respect of which such fund, trust or company is assessable, without giving effect to the provisions of section 10, exceeds the maximum amount which is not chargeable to income-tax, furnish a return of such income of the previous year in the prescribed forms and verified in the prescribed manner and setting forth such other particulars as may be prescribed and all the provisions of the Act, so far as may be, apply as if it were a return required to be furnished under sub-section (1) of section 139.

Further, in the case of the Mutual Funds and securitisation trusts referred to above, the requirement of filing of statements before an income-tax authority is dispensed with by omitting sub-section (3A) of section 115R and sub-section (3) of section 115TA.

### **ALTERNATE MINIMUM TAX**

The existing provisions of section 115JC of the Act provide that where the regular income tax payable by a person, other than a company, for a previous year is less than the alternate minimum tax for such previous year, the person would be required to pay income tax at the rate of eighteen and one half per cent on its adjusted total income. The section further provides that the total income shall be increased by deductions claimed under Part C of Chapter VI-A and deductions claimed under section 10AA to arrive at adjusted total income.

Under the Act, the investment linked deductions have been provided in place of profit linked deductions. These profit linked deductions are subject to alternate minimum tax (AMT). Accordingly, with a view to include the investment linked deduction claimed under section 35AD in computing adjusted total income for the purpose of calculating alternate minimum tax, the section is amended vide Finance (No. 2) Act, 2014 to provide that total income shall be increased by the deduction claimed under section 35AD for purpose of computation of adjusted total income. The amount of depreciation allowable under section 32 shall, however, be reduced in computing the adjusted total income.

#### **Illustration**

Total income :	Rs. 60
Deduction claimed under Chapter VI-A :	Rs. 40
Deduction claimed under section 35AD on a capital asset :	Rs. 100
Computation of adjusted total income for the purposes of AMT	
Total income :	Rs. 60
Add:(i) deduction under Chapter VI-A (on non-specified business):	Rs. 40

(ii) deduction under section 35AD (on specified business):	Rs. 100
Less: depreciation under section 32	(Rs. 15)
	Rs. 85
Adjusted total income under section 115JC:	Rs. 185

### **CREDIT OF ALTERNATE MINIMUM TAX**

The existing provisions of sub-section (1) of section 115JEE of the Act provide that the provisions of Chapter-XII BA shall be applicable to any person who has claimed a deduction under part C of Chapter VI-A or claimed a deduction u/s 10AA. Further the present provisions of sub-section (2) of section 115JEE provide that the Chapter shall not be applicable to an individual or an HUF or an association of persons or a body of individuals (whether incorporated or not) or an artificial juridical person if the adjusted total income does not exceed twenty lakh rupees. This has created difficulty in claim of credit of alternate minimum tax under section 115JD in an assessment year where the income is not more than twenty lakh rupees or there is no claim of any deduction under section 10AA or Chapter VI-A.

With a view to enable an assessee who has paid alternate minimum tax in any earlier previous year to claim credit of the same, in any subsequent year, this section has been amended to provide that the credit for tax paid under section 115JC shall be allowed in accordance with the provisions of section 115JD, notwithstanding the conditions mentioned in sub-section(1) or (2) of section 115JEE.

### **Amendments Relating to Charitable Trusts**

#### **RATIONALISATION OF TAXATION REGIME IN THE CASE OF CHARITABLE TRUSTS AND INSTITUTIONS**

Sections 11, 12 and 13 of the Income tax Act are special provisions governing institutions which are being given benefit of tax exemption. Similar situation exists in the context of section 10(23C) which provides for exemption to funds, institution, hospitals, etc. which have been granted approval by the prescribed authority.

The Finance (No. 2) Act, 2014 provides specifically that where a trust or an institution has been granted registration for purposes of availing exemption under section 11, and the registration is in force for a previous year, then such trust or institution cannot claim any exemption under any provision of section 10 [other than that relating to exemption of agricultural income and income exempt under section 10(23C)]. Similarly, entities which have been approved or notified for claiming benefit of exemption under section 10(23C) would not be entitled to claim any benefit of exemption under other provisions of section 10 (except the exemption in respect of agricultural income).

The provisions of section 11 and section 10(23C) have been further amended to provide that income for the purposes of application shall be determined without any deduction or allowance by way of depreciation or otherwise in respect of any asset, acquisition of which

has been claimed as an application of income under these sections in the same or any other previous year.

### **CLARIFICATION IN RESPECT OF SECTION 10(23C) OF THE ACT**

Absence of a definition of the phrase “substantially financed by the Government” has led to litigation and varying decisions of judicial authorities who have, for this purpose, relied upon various other provisions of the Income-tax Act and other Acts. Thus, there is lack of certainty in this regard. Therefore, provisions of section 10(23C) has been amended vide Finance (No. 2) Act, 2014 by inserting following Explanation:

“Explanation.—For the purposes of sub-clauses (iiiab) and (iiiac), any university or other educational institution, hospital or other institution referred therein, shall be considered as being substantially financed by the Government for any previous year, if the Government grant to such university or other educational institution, hospital or other institution exceeds such percentage of the total receipts including any voluntary contributions, as may be prescribed, of such university or other educational institution, hospital or other institution, as the case may be, during the relevant previous year.”

### **CANCELLATION OF REGISTRATION OF THE TRUST OR INSTITUTION IN CERTAIN CASES**

In order to rationalise the provisions relating to cancellation of registration of a trust, section 12AA of the Income Tax Act has been amended vide Finance (No. 2) Act, 2014 to provide that where a trust or an institution has been granted registration, and subsequently it is noticed that its activities are being carried out in such a manner that,—

- (i) its income does not enure for the benefit of general public;
- (ii) it is for benefit of any particular religious community or caste (in case it is established after commencement of the Act);
- (iii) any income or property of the trust is applied for benefit of specified persons like author of trust, trustees etc.; or
- (iv) its funds are invested in prohibited modes,

then the Principal Commissioner or the Commissioner may cancel the registration if such trust or institution does not prove that there was a reasonable cause for the activities to be carried out in the above manner.

### **APPLICABILITY TO EARLIER YEARS OF THE REGISTRATION GRANTED TO A TRUST OR INSTITUTION**

Section 12 A of the Income Tax Act has been amended to provide that in case where a trust or institution has been granted registration under section 12AA of the Act, the benefit of sections 11 and 12 shall be available in respect of any income derived from property held under trust in any assessment proceeding for an earlier assessment year which is pending before the Assessing Officer as on the date of such registration, if the objects and activities of such trust or institution in the relevant earlier assessment year are the same as those on the basis of which such registration has been granted.

Further, no action for reopening of an assessment under section 147 shall be taken by the Assessing Officer in the case of such trust or institution for any assessment year preceding the first assessment year for which the registration applies, merely for the reason that such trust or institution has not obtained the registration under section 12AA for the said assessment year.

However, the above benefits would not be available in case of any trust or institution which at any time had applied for registration and the same was refused under section 12AA or a registration once granted was cancelled.

### **ANONYMOUS DONATIONS UNDER SECTION 115BBC**

Section 115BBC of the Income Tax has been amended to provide that the income-tax payable shall be the aggregate of the amount of income-tax calculated at the rate of thirty per cent on the aggregate of anonymous donations received in excess of five per cent of the total donations received by the assessee or one lakh rupees, whichever is higher, and the amount of income-tax with which the assessee would have been chargeable had his total income been reduced by the aggregate of the anonymous donations which is in excess of the five per cent of the total donations received by the assessee or one lakh rupees, as the case may be.

## **Amendments Relating to Deductions**

### **DEDUCTION FROM INCOME FROM HOUSE PROPERTY**

The second proviso to clause (b) of the section 24 provides that in case of self occupied property where the acquisition or construction of the property is completed within three years from the end of the financial year in which the capital is borrowed, the amount of deduction under that clause shall not exceed one lakh fifty thousand rupees.

The second proviso to clause (b) of said section 24 has been amended so as to increase the limit of deduction on account of interest in respect of property referred to in sub-section (2) of section 23 to two lakh rupees.

### **RAISING THE LIMIT OF DEDUCTION UNDER SECTION 80C, 80CCE AND 80CCD**

Under the existing provisions of section 80C of the Act, an individual or a Hindu undivided family, is allowed a deduction from income of an amount not exceeding one lakh rupees with respect to sums paid or deposited in the previous year, in certain specified instruments. The investments eligible for deduction, specified under sub-section (2) of section 80C, include life insurance premia, contributions to provident fund, schemes for deferred annuities etc. The assessee is free to invest in any one or more of the eligible instruments within the overall ceiling of Rs. 1 lakh.

The limit of above investments eligible for deduction under section 80C has been raised from the existing Rs. 1 lakh to Rs.1.5 lakhs vide Finance (No. 2) Act, 2014. In view of the same, consequential amendments are proposed in sections 80CCE and 80CCD of the Act.



## **EXTENSION OF TAX BENEFITS UNDER SECTION 80CCD TO PRIVATE SECTOR EMPLOYEES**

Under the existing provisions contained in sub-section (1) of section 80CCD of the Act, if an individual, employed by the Central Government or any other employer on or after 1<sup>st</sup> January, 2004, has paid or deposited any amount in a previous year in his account under a notified pension scheme, a deduction of such amount not exceeding ten per cent. of his salary is allowed.

Similarly, the contribution made by the Central Government or any other employer to the said account of the individual under the pension scheme is also allowed as deduction under sub-section (2) of section 80CCD, to the extent it does not exceed ten percent. of the salary of the individual in the previous year.

Considering the fact that for employees in the private sector, the date of joining the service is not relevant for joining the New Pension Scheme (NPS), the provisions of section 80CCD has been amended to provide that the condition of the date of joining the service on or after 1.1.2004 is not applicable to them for the purposes of deduction under the said section.

## **Amendments Relating to International Taxation**

### **RATIONALISATION OF THE DEFINITION OF INTERNATIONAL TRANSACTION**

Section 92B of the Income Tax Act has been amended to provide that where, in respect of a transaction entered into by an enterprise with a person other than an associated enterprise, there exists a prior agreement in relation to the relevant transaction between the other person and the associated enterprise or, where the terms of the relevant transaction are determined in substance between such other person and the associated enterprise, and either the enterprise or the associated enterprise or both of them are non-resident, then such transaction shall be deemed to be an international transaction entered into between two associated enterprises, whether or not such other person is a non-resident.

### **ROLL BACK PROVISION IN ADVANCE PRICING AGREEMENT SCHEME**

Finance (No. 2) Act, 2014 provides roll back mechanism in the Advance Pricing Agreement (APA) scheme. For this, under section 92CC of the Income-tax Act, after sub-section (9), the following sub-section has been inserted with effect from the 1st day of October, 2014, namely:—

“(9A) The agreement referred to in sub-section (1), may, subject to such conditions, procedure and manner as may be prescribed, provide for determining the arm’s length price or specify the manner in which arm’s length price shall be determined in relation to the international transaction entered into by the person during any period not exceeding four previous years preceding the first of the previous years referred to in sub-section (4), and the arm’s length price of such international transaction shall be determined in accordance with the said agreement.”.

## Amendments Relating to Tax Authorities and Their Powers

**(a)** In the Income-tax Act, save as otherwise expressly provided, and unless the context otherwise requires, the reference to any income-tax authority specified in column (1) of the Table below shall be substituted and shall be deemed to have been substituted with effect from the 1st day of June, 2013 by reference to the authority or authorities specified in the corresponding entry in column (2) of the said Table:

Sl. No.	(1)	(2)
1.	Commissioner	Principal Commissioner or Commissioner
2.	Director	Principal Director or Director
3.	Chief Commissioner	Principal Chief Commissioner or Chief Commissioner
4.	Director General	Principal Director General or Director General

**(b)** Section 271G of the Income Tax Act has been amended to include TPO, as referred to in Section 92CA, as an authority competent to levy the penalty under section 271G in addition to the Assessing Officer and the Commissioner (Appeals).

**(c)** The provisions of section 271H of the Income Tax Act do not specify the authority which would be competent to levy the penalty under the said section. Therefore, provisions of section 271H are amended vide Finance (No. 2) Act, 2014 to provide that the penalty under section 271H of the Act shall be levied by the Assessing officer.

**(d)** Section 133A of the Income Tax Act has been amended to provide that an income-tax authority may for the purpose of verifying that tax has been deducted or collected at source in accordance with the provisions of Chapter XVII-B or Chapter XVII-BB, as the case may be, enter any office, or a place where business or profession is carried on, within the limits of the area assigned to him, or any such place in respect of which he is authorised for the purposes of this section by such income-tax authority who is assigned the area within which such place is situated where books of account or documents are kept. The income-tax authority may for this purpose enter an office, or a place where business or profession is carried on after sunrise and before sunset. Further, such income-tax authority may require the deductor or the collector or any other person who may at the time and place of survey be attending to such work,—

- (i) to afford him the necessary facility to inspect such books of account or other documents as he may require and which may be available at such place, and
- (ii) to furnish such information as he may require in relation to such matter.

It is also proposed to provide that an income-tax authority may place marks of identification on the books of account or other documents inspected by him and take extracts and copies thereof. He may also record the statement of any person which may be useful for, or relevant to, any proceeding under the Act. However, while acting under sub-section (2A) he shall not impound and retain in his custody any books of account or documents inspected by him or make an inventory of any cash, stock or other valuables.

**(e)** With a view to enable prescribed income-tax authority to verify the information in its possession relating to any person, a new section 133C has been inserted vide Finance (No.

2) Act, 2014 so as to provide that for the purposes of verification of information in its possession relating to any person, prescribed income-tax authority, may, issue a notice to such person requiring him, on or before a date to be therein specified, to furnish information or documents, verified in the manner specified therein which may be useful for, or relevant to, any enquiry or proceeding under this Act.

(f) Section 142A has been amended so as to provide that the Assessing Officer may, for the purposes of assessment or reassessment, require the assistance of a Valuation Officer to estimate the value, including fair market value, of any asset, property or investment and submit the report to him. The Assessing Officer may make a reference whether or not he is satisfied about the correctness or completeness of the accounts of the assessee. The Valuation Officer, shall, for the purpose of estimating the value of the asset, property or investment, have all the powers of section 38A of the Wealth-tax Act, 1957.

If the assessee does not co-operate or comply with the directions of the Valuation Officer he may, estimate the value of the asset, property or investment to the best of his judgment. Further, the Valuation Officer shall send a copy of his estimate to the Assessing Officer and the assessee within a period of six months from the end of the month in which the reference is made. The Assessing Officer on receipt of the report from the Valuation Officer may, after giving the assessee an opportunity of being heard, take into account such report in making the assessment or reassessment.

(g) Sections 153 and 153B of the the Income Tax Act have also been amended so as to provide that the time period beginning with the date on which the reference is made to the Valuation Officer and ending with the date on which his report is received by the Assessing Officer shall be excluded from the time limit provided under the aforesaid section for completion of assessment or reassessment.

#### **Other Amendments in Income Tax Act, 1961**

#### **SIGNING AND VERIFICATION OF RETURN OF INCOME**

The existing provisions under section 140 of the Act provide that the return under section 139 shall be signed and verified in the manner specified therein.

With a view to enable the verification of returns either by a sign in manuscript or by any electronic mode, section 140 of the Income Tax Act has been amended vide Finance (No. 2) Act, 2014 so as to provide that the return shall be verified by the persons specified therein. The manner of verification of return is prescribed under section 139 of the Act.

#### **ASSESSMENT OF INCOME OF A PERSON OTHER THAN THE PERSON WHO HAS BEEN SEARCHED**

Finance (No. 2) Act, 2014 amends section 153C of the Act to provide that notwithstanding anything contained in section 139, section 147, section 148, section 149, section 151 and section 153, where the Assessing Officer is satisfied that any money, bullion, jewellery or other valuable article or thing or books of account or documents seized or requisitioned

belongs or belong to any person, other than the person referred to in section 153A, then books of account or documents or assets seized or requisitioned shall be handed over to the Assessing Officer having jurisdiction over such other person and that Assessing Officer shall proceed against each such other person and issue such other person notice and assess or reassess income of such other person in accordance with the provisions of section 153A if he is satisfied that the books of account or documents or assets seized or requisitioned have a bearing on the determination of the total income of such other person for the relevant assessment year or years referred to in sub-section (1) of section 153A.

### **INCOME COMPUTATION AND DISCLOSURE STANDARDS**

In order to clarify that the standards notified under section 145(2) of the Act are to be followed for computation of income and disclosure of information by any class of assessee or for any class of income, Finance (No. 2) Act, 2014 provides that the Central Government may notify in the Official Gazette from time to time income computation and disclosure standards to be followed by any class of or in respect of any class of income.

It further provides that if the income has not been computed in accordance with the standards notified under section 145(2) of the Act, the Assessing Officer may make an assessment in the manner provided in section 144 of the Act.

### **TAX DEDUCTION AT SOURCE**

Under Chapter XVII-B of the Act, a person is required to deduct tax on certain specified payments at the specified rates if the payment exceeds specified threshold. The person deducting tax ('the deductor') is required to file a quarterly statement of tax deduction at source (TDS) containing the prescribed details of deduction of tax made during the quarter by the prescribed due date.

Currently, a deductor is allowed to file correction statement for rectification/updation of the information furnished in the original TDS statement as per the Centralised Processing of Statements of Tax Deducted at Source Scheme, 2013 notified vide Notification No.03/2013 dated 15 January, 2013. However, there does not exist any express provision in the Act for enabling a deductor to file correction statement.

In order to bring clarity in the matter relating to filing of correction statement, section 200 of the Income Tax Act has been amended vide Finance (No. 2) Act, 2014 to allow the deductor to file correction statements. Consequently, provisions of section 200A of the Act have also been amended for enabling processing of correction statement filed.

Further, Clause (i) of sub-section (3) of section 201 of the Income Tax Act has been omitted vide Finance (No. 2) Act, 2014

In section 201 of the Income-tax Act, for sub-section (3), the following sub-section shall be substituted with effect from the 1st day of October, 2014, namely:—

“(3) No order shall be made under sub-section (1) deeming a person to be an assessee in default for failure to deduct the whole or any part of the tax from a person resident in India, at any time after the expiry of seven years from the end of the financial year in which payment is made or credit is given.”

### **INTEREST PAYABLE BY THE ASSESSEE UNDER SECTION 220**

A new sub-section in section 220 has been inserted vide Finance (No. 2) Act, 2014 to provide that where any notice of demand has been served upon an assessee and any appeal or other proceeding, as the case may be, is filed or initiated in respect of the amount specified in the said notice of demand, then such demand shall be deemed to be valid till the disposal of appeal by the last appellate authority or disposal of proceedings, as the case may be and such notice of demand shall have effect as provided in section 3 of the Taxation Laws (Continuation and Validation of Recovery Proceedings) Act, 1964.

Further, where as a result of an order under sections specified in the first proviso, the amount on which interest was payable under this section had been reduced and subsequently as a result of an order under said sections or section 263, the amount on which interest was payable under section 220 is increased, the assessee shall be liable to pay interest under sub-section (2) of the said section on the amount payable as a result of such order, from the day immediately following the end of the period mentioned in the first notice of demand referred to in sub section (1) of the said section and ending with the day on which the amount is paid.

### **MODE OF ACCEPTANCE OR REPAYMENT OF LOANS AND DEPOSITS**

Provisions of the sections 269SS and 269T of the Income Tax Act have been amended to provide that any acceptance or repayment of any loan or deposit by use of electronic clearing system through a bank account shall not be prohibited under the said sections if the other conditions regarding the quantum etc. are satisfied.

### **FAILURE TO PRODUCE ACCOUNTS AND DOCUMENTS**

The provisions of the section 276D have been amended to provide that if a person wilfully fails to produce accounts and documents as required in any notice issued under sub-section (1) of section 142 or wilfully fails to comply with a direction issued to him under sub-section (2A) of section 142, he shall be punishable with rigorous imprisonment for a term which may extend to one year and with fine.

### **PROVISIONAL ATTACHMENT UNDER SECTION 281B**

The proviso to sub-section (2) section 281B of the Act has been amended vide Finance (No. 2) Act, 2014 to provide that the Chief Commissioner, Commissioner, Director General or Director may extend the period of provisional attachment so that the total period of extension does not exceed two years or upto sixty days after the date of assessment or reassessment, whichever is later.

### **OBLIGATION TO FURNISH STATEMENT OF INFORMATION**

With a view to facilitate effective exchange of information in respect of residents and non-residents, section 285BA has been amended vide Finance (No. 2) Act, 2014 to also provide

for furnishing of statement by a prescribed reporting financial institution in respect of a specified financial transaction or reportable account to the prescribed income-tax authority, within such time, in the form and manner as may be prescribed.

It further provides that where any person, who has furnished a statement of information under sub-section (1), or in pursuance of a notice issued under sub-section (5), comes to know or discovers any inaccuracy in the information provided in the statement, then, he shall, within a period of ten days, inform the income-tax authority or other authority or agency referred to in sub-section (1) the inaccuracy in such statement and furnish the correct information in the manner as may be prescribed.

Also, that the Central Government may, by rules, specify,- (a) the persons referred to in sub-section (1) of section 285BA to be registered with the prescribed income-tax authority; (b) the nature of information and the manner in which such information shall be maintained by the persons referred to in (a) above; and (c) the due diligence to be carried out by the persons referred in (a) for the purpose of identification of any reportable account referred to in sub-section (1) of section 285BA.

Section 271FA has also been amended to provide for penalty for failure to furnish statement of information or reportable account. Further, a new section 271FAA has been inserted vide Finance (No. 2) Act, 2014 to provide that if a person referred to in clause (k) of sub-section (1) of section 285BA, who is required to furnish a statement of financial transaction or reportable account, provides inaccurate information in the statement and where, (a) the inaccuracy is due to a failure to comply with the due diligence requirement prescribed under sub-section (7) of section 285BA or is deliberate on the part of the person; or (b) the person knows of the inaccuracy at the time of furnishing the statement of financial transaction or reportable account, but does not inform the prescribed income-tax authority or such other authority or agency; or (c) the person discovers the inaccuracy after the statement of financial transaction or reportable account is furnished and fails to inform and furnish correct information within the time specified under sub-section (6) of section 285BA, then, the prescribed income-tax authority may direct that such person shall pay, by way of penalty, a sum of fifty thousand rupees.

**AMENDMENTS VIDE FINANCE (NO. 2) ACT, 2014**

**Review of the Negative List of services**

- (a) Service tax leviable on sale of space or time for advertisements in broadcast media, namely radio or television, has been extended to cover such sales on other segments like online and mobile advertising. Sale of space for advertisements in print media, however, would remain excluded from service tax. Print media is being defined in service tax law for the purpose.
- (b) Service tax to be levied on the services provided by radio taxis or radio cabs, whether or not air-conditioned. The abatement presently available to rent-a-cab service would also be made available to radio taxi service, to bring them on par.

**Amendments Relating to Notification No. 25/2012-ST**

**Following general exemptions extended under Notification No. 25/2012-ST in exercise of powers conferred under section 93(1) of the Finance Act, 1994 has been withdrawn vide Finance (No. 2) Act, 2014**

- (a) Clinical research on human participants
- (b) Air-conditioned contract carriages like buses

**Rationalization of general exemptions extended under Notification No. 25/2012-ST in exercise of powers conferred under section 93(1) vide Finance (No. 2) Act, 2014 (Notification No.06/2014 - Service Tax dated 11<sup>th</sup> July 2014):**

- (a) Exemption in respect of services provided to Government or local authority or governmental authority, is limited to services by way of water supply, public health, sanitation conservancy, solid waste management or slum improvement and upgradation
- (b) To bring clarity, the concept of 'auxiliary educational services' and specify in the notification, the services which will be exempt when received by the educational institutions. Accordingly, in respect of services received by an eligible educational institution:
  - (i) transportation of students, faculty and staff;
  - (ii) catering service including any mid-day meals scheme sponsored by the Government;
  - (iii) security or cleaning or house-keeping services in such educational institutions; and
  - (iv) services relating to admission to such institution or conduct of examination,

are exempted from service tax. In view of this rationalization, exemption extended so far in respect of renting of immovable property service received by educational institutions, stands withdrawn.

- (c) Exemption available to accommodation services provided by hotels, dharamshalas or ashrams when they provide rooms for less than Rupees One Thousand per day, has been re-worded to bring out the intent clearly.

However, in cases of (ii) and (iii) above, where the general exemptions are withdrawn, if the aggregate value of taxable service provided in a financial year does not exceed Rupees Ten Lakh, exemption will be available in terms of Notification 33/2012-ST.

#### **Rationalization of Service tax on service portion in Works Contracts vide Finance (No. 2) Act, 2014**

In Rule 2A of the Service Tax Valuation Rules, category 'B' and 'C' of works contracts merged into one single category, with service portion as 70%

#### **Service tax on taxable portion in respect of transportation service by vessels vide Finance (No. 2) Act, 2014**

Taxable portion in respect of transport of goods by vessel reduced from 50% to 40%.  
Effective service tax decreased from the present 6.18% to 4.944%.

#### **New Exemptions vide Finance (No. 2) Act, 2014**

- (a) Life micro-insurance schemes for the poor, approved by IRDA, where sum assured does not exceed Rupees Fifty Thousand to be exempted from service tax.
- (b) Transport of organic manure by vessel, rail or road (by GTA) has been exempted.
- (c) Loading, unloading, packing, storage or warehousing, transport by vessel, rail or road (GTA), of cotton, ginned or baled, has been exempted.
- (d) Services provided by common bio-medical waste treatment facility operators to clinical establishments have been exempted.
- (e) Specialized financial services received by RBI from global financial institutions in the course of management of foreign exchange reserves, e.g., external asset management, custodial services, securities lending services, etc. has been exempted.
- (f) Services provided by Indian tour operators to foreign tourists in relation to a tour wholly conducted outside India have been exempted.

#### **Retrospective Exemptions vide Finance (No. 2) Act, 2014:**

Service provided by Employees' State Insurance Corporation (ESIC) during the period prior to 1.7.2012 exempted from service tax.

#### **Certain other amendments in Chapter V of the Finance Act, 1994 vide Finance (No. 2) Act, 2014:**

- (a) In section 67A, for determination of rate of exchange, rules to be prescribed.



- (b) Section 73 to be amended to prescribe time limit for completion of adjudications; time limit to be followed, as far as possible.
- (c) Reference to first proviso to sub-section (1) of section 78, in section 80, omitted. In case of serious offences, waiver of penalty not to be available though details may be available in records.
- (d) Section 82(1) amended, along the lines of section 12F (1) of the Central Excise Act, so that Joint Commissioner or Additional Commissioner or any other officer notified by the Board can authorize any Central Excise Officer to search and seize.
- (e) Section 83 amended to include a reference to sections 5A (2A), 15A and 15B of the Central Excise Act :
  - (i) Section 5A(2A) prescribes that insertion of an explanation in notifications/orders within one year shall have the effect as if it had always been part of the notification;
  - (ii) Section 15A inserted in the Central Excise Act to prescribe that specified third party sources shall furnish periodic information in the manner as may be prescribed;
  - (iii) Section 15B inserted in the Central Excise Act to prescribe that failure to provide information under section 15A would attract penalty.
- (f) Vide section 83, Section 35F of the Central Excise Act is already applicable to service tax. Section 35F of the Central Excise Act has been substituted with a new section which prescribes a mandatory fixed pre-deposit of 7.5% of the duty demanded or penalty imposed or both, for filing appeal before the Commissioner (Appeals) or the Tribunal at the first stage and 10% of the duty demanded or penalty imposed or both, for filing the second stage appeal before the Tribunal. The amount of pre-deposit payable would be subject to a ceiling of Rs.10 Crore.
- (g) Sub-section (6A) of section 86 amended to omit the words “for grant of stay or”.
- (h) In section 87, power to recover dues of a predecessor from the assets of a successor purchased from the predecessor, provided, as it is available in section 11 of the Central Excise Act.
- (i) Section 94 amended to obtain rule making power:
  - (a) to impose upon assesseees, inter alia, the duty of furnishing information, keeping records and making returns and specify the manner in which they shall be verified;
  - (b)for withdrawal of facilities or imposition of restrictions (including restrictions on utilization of CENVAT credit) on a service provider or exporter, to check evasion of duty or misuse of CENVAT credit; and
  - (c) to issue instructions in supplemental or incidental matters.

## **AMENDMENTS VIDE NOTIFICATIONS**

### **SEZ– procedural simplification (Notification No.7/ 2014-Service Tax dated 11<sup>th</sup> July, 2014)**

- (a) The Central Excise Officer would issue Form A-2, within fifteen days from the date of receipt of Form A-1.
- (b) Exemption would be available from the date when list of service on which SEZ is entitled to upfront exemption is endorsed by the authorised officer of SEZ in Form A-1, provided Form A-1 is furnished to the jurisdictional Central Excise Officer within fifteen days of its verification. If furnished later, exemption would be available from the date on which Form A-1 is so furnished.
- (c) Pending issuance of Form A-2, exemption will be available subject to condition that authorization issued by the Central Excise officer will be furnished to service provider within a period of three months from provision of service.
- (d) As regards services covered under reverse charge, the requirement of furnishing service tax registration number of service provider has been dispensed with.
- (e) A service to be treated as exclusively used for SEZ operations if the recipient of service is a SEZ unit or developer, invoice is in the name of such unit/developer and the service is used exclusively for furtherance of authorized operations in the SEZ.

### **Cenvat Credit (Notification No. 08/2014 - Service Tax dated 11<sup>th</sup> July, 2014)**

- (a) Service tax paid under full reverse charge: the condition to pay invoice value to the service provider for availing credit of tax paid, omitted
- (b) Re-credit of Cenvat credit reversed on account of non-receipt of export proceeds within the specified period, allowed, if such export proceeds are received within one year from the specified period on the basis of documentary evidence of receipt of payment
- (c) Rent-a-cab operator and tour operator: service tax paid by sub-contractor in the same line of business allowed as eligible credit to the main service provider to avoid double taxation, subject to certain conditions
- (d) GTA service: service receiver may avail abatement, without having to obtain non-availment of Cenvat Credit certificate from service provider
- (e) Time limit for taking credit on input and input services: credit shall be taken within six months from the date of the invoice or challans or other documents specified

### **Service Tax Rules (Notification No. 9/2014- Service Tax dated 11<sup>th</sup> July, 2014)**

- (a) Service provided by a Director to a body corporate brought under the reverse charge mechanism; service receiver, who is a body corporate will be the person liable to pay service tax.
- (b) Services provided by Recovery Agents to Banks, Financial Institutions and NBFC brought under the reverse charge mechanism; service receiver will be the person liable to pay service tax.

**Simplification of partial reverse charge mechanism (Notification No. 10/2014- Service Tax dated 11<sup>th</sup> July, 2014)**

In renting of motor vehicle, portion of service tax payable by service provider and service receiver be 50% each.

**Simple interest rates per annum payable under section 75 vide Finance (No. 2) Act, 2014 (Notification No. 12/2014- Service Tax dated 11<sup>th</sup> July, 2014)**

Up to six months 18%

From six months and upto one year 24%

More than one year 30%

**Point of Taxation Rules (Notification No. 13/2014- Service Tax dated 11<sup>th</sup> July, 2014)**

In case of reverse charge services, to bring certainty in the determination of point of taxation, provisions have been amended to provide that point of taxation will be the payment date or first day after three months from the date of invoice, whichever is earlier.

**Place of Provision of Services Rules (Notification No. 14/2014- Service Tax dated 11<sup>th</sup> July, 2014)**

- (a) Provision for prescribing conditions for determination of place of provision of repair service carried out on temporarily imported goods, omitted.
- (b) Intermediary of goods given the same treatment as is given to intermediary of services.
- (c) Vessels (excluding yachts) and aircraft excluded from Rule 9(d); hiring of vessels or aircrafts, irrespective of whether short term or long term, will be covered by the general rule, which is place of location of the service receiver.

**Notification No.17/2014 - Service Tax dated 20<sup>th</sup> August, 2014**

In the notification of the Government of India in the Ministry of Finance (Department of Revenue) No.25/2012-Service Tax, dated the 20<sup>th</sup> June, 2012 (i.e. Mega Exemption Notification)–

- (i) in the opening paragraph, after entry 5, the following entry shall be inserted, namely:-

“5A. Services by a specified organisation in respect of a religious pilgrimage facilitated by the Ministry of External Affairs of the Government of India, under bilateral arrangement;”;

- (ii) in paragraph 2 relating to definitions, after clause (zf), the following clause shall be inserted, namely:-

‘(zfa) “specified organisation” shall mean,-

- (a) Kumaon Mandal Vikas Nigam Limited, a Government of Uttarakhand Undertaking; or
- (b) ‘Committee’ or ‘State Committee’ as defined in section 2 of the Haj Committee Act, 2002 (35 of 2002);’

**Notification No. 19 /2014-Service Tax dated 25<sup>th</sup> August, 2014**

The Central Government hereby makes the following rules further to amend the Service Tax Rules, 1994, namely:—

After rule 10, the following rules shall be inserted, namely:-

“11. Determination of rate of exchange.—The rate of exchange for determination of value of taxable service shall be the applicable rate of exchange as per the generally accepted accounting principles on the date when point of taxation arises in terms of the Point of Taxation Rules, 2011.

12. Power to issue supplementary instructions.— The Board or the Chief Commissioners of Central Excise may issue instructions for any incidental or supplemental matters for the implementation of the provisions of the Act.”.

**Notification No. 21/2014-Service Tax dated 16<sup>th</sup> September, 2014**

The Central Government hereby delegates the powers of the Central Board of Excise and Customs under rule 3 of the Service Tax Rules, 1994, to the Principal Chief Commissioner of Central Excise or the Chief Commissioner of Central Excise or the Chief Commissioner of Service Tax, as the case may be, to specify within his jurisdiction, the jurisdiction of a Commissioner of Service Tax (Appeals) or a Commissioner of Central Excise (Appeals) or a Commissioner of Service Tax (Audit) or a Commissioner of Central Excise (Audit) and the jurisdiction of such Commissioner of Service Tax (Appeals) or Commissioner of Central Excise (Appeals) or Commissioner of Service Tax (Audit) or Commissioner of Central Excise (Audit) shall be limited to the jurisdiction so specified.

2. This notification shall come into force on 15<sup>th</sup> October, 2014.

**Notification No. 23/2014-Service Tax dated 5<sup>th</sup> December, 2014**

The Central Government hereby makes the following rules further to amend the Service Tax Rules, 1994, namely:-

In the Service Tax Rules, 1994, in rule 5A, for sub-rule (2), the following sub-rule shall be substituted, namely:-

“(2) Every assessee, shall, on demand make available to the officer empowered under sub-rule (1) or the audit party deputed by the Commissioner or the Comptroller and Auditor General of India, or a cost accountant or chartered accountant nominated under section 72A of the Finance Act, 1994,-

(i) the records maintained or prepared by him in terms of sub-rule (2) of rule 5;

(ii) the cost audit reports, if any, under section 148 of the Companies Act, 2013 (18 of 2013); and

(iii) the income-tax audit report, if any, under section 44AB of the Income-tax Act, 1961 (43 of 1961),

for the scrutiny of the officer or the audit party, or the cost accountant or chartered accountant, within the time limit specified by the said officer or the audit party or the cost accountant or chartered accountant, as the case may be.”

## **C. CUSTOM DUTY (CUSTOMS ACT, 1962)**

### **AMENDMENTS VIDE FINANCE (NO. 2) ACT, 2014**

- Section 15(1) has been amended to provide for determination of rate of duty and tariff valuation for imports through a vehicle in cases where the Bill of Entry is filed prior to the filing of Import Report (as the Manifest is called in case of imports by land).
- Section 46(3) has been amended to allow the filing of a Bill of Entry prior to the filing of Import Report (as the Manifest is called in case of imports by land) for imports through land route.
- Section 127A has been amended to change the name of the 'Customs and Central Excise Settlement Commission' to the 'Customs, Central Excise and Service Tax Settlement Commission' since the scope of the functioning of the Customs and Central Excise Settlement Commission was expanded in the year 2012 so as to include settlement of Service Tax matters as well.
- Section 127B(1) has been amended to replace the reference to section 28AB with a reference to section 28AA since section 28AB has been omitted by the Finance Act, 2011 and to provide that an application for settlement of cases can also be filed in cases where a Bill of Export, Baggage Declaration, Label or Declaration accompanying the goods effected through Post or Courier have been filed.
- Section 127B has been amended so as to omit sub-section (2) since the same is redundant.
- Section 127L has been amended so as to insert an Explanation that the concealment of particulars of duty liability relates to any such concealment made from the officer of customs and not from the Settlement Commission.
- Section 129A(1) has been amended so as to increase the discretionary powers of the Tribunal to refuse admission of appeal from the existing Rs.50,000 to Rs.2 lakh.
- Section 129A(1B) has been amended to substitute the words "by notification in the official gazette" with the words "by order" so as to enable the Board to constitute a Review Committee by way of an order instead of by way of a notification.
- Section 129B(2A) has been amended to omit the first, second and third proviso in view of substitution of section 129E with a new section.
- Section 129D has been amended to insert a proviso in sub-section (3) so as to vest the Board with powers to condone delay for a period of upto 30 days, for review by the

Committee of Chief Commissioners of the orders in original passed by the Commissioner of Customs.

- Section 129E has been substituted with a new section to prescribe a mandatory fixed pre-deposit of 7.5% of the duty demanded or penalty imposed or both for filing appeal with the Commissioner (Appeals) or the Tribunal at the first stage and 10% of the duty demanded or penalty imposed or both for filing second stage appeal before the Tribunal. The amount of pre-deposit payable would be subject to a ceiling of Rs. 10 crores.
- Section 131BA has been amended so as to enable the Commissioner (Appeal) to take into consideration the fact that a particular order being cited as a precedent decision on the issue has not been appealed against for reasons of low amount.
- Section 8B of the Customs Tariff Act, 1975 has been amended so as to provide for levy of safeguard duty on inputs/raw materials imported by an EOU and cleared into DTA as such or are used in the manufacture of final products & cleared into DTA.
- Baggage Rules has been amended to,-
  - (i) raise the free baggage allowance from Rs.35,000 to Rs.45,000.
  - (ii) reduce the duty free allowance of cigarettes from 200 to 100, of cigars from 50 to 25 and of tobacco from 250 gms to 125 gms.
- Basic Customs Duty has been reduced from 5% to 2.5% on electrolyzers and their parts/spares required by caustic soda or caustic potash units and membranes and their parts/spares required by industrial plants based on membrane cell technology. The BCD on other spares (other than membranes and parts thereof) is also being reduced from 7.5% to 2.5%.
- A provision has been made for refund of Customs duty paid at the time of import of scientific and technical instruments, apparatus, etc. by public funded and other research institutions, subject to submission of a certificate of registration from the Department of Scientific & Industrial Research (DSIR).
- Section 8B of the Customs Tariff Act, 1975 has been amended so as to provide for levy of safeguard duty on inputs/raw materials imported by an EOU and cleared into DTA as such or are used in the manufacture of final products & cleared into DTA.

## AMENDMENTS VIDE NOTIFICATIONS

### **Notification No. 50/2014-Customs (N.T.) dated 11th July, 2014**

1. In the Baggage Rules, 1998 (hereinafter referred to as the said rules), in Appendix A,-

(A) against clause (a) of column (1), in item (ii) under column (2), for the symbol and figures “` 35,000”, symbol and figures “` 45,000” shall be substituted;

(B) against clauses (b) and (c) of column (1), in item (ii) under column (2), for the symbol and figures “` 15,000”, symbol and figures “` 17,500” shall respectively be substituted.

2. In said rules, in the Annex I, for item 3, the following item shall be substituted, namely:-

“3. Cigarettes exceeding 100 or cigars exceeding 25 or tobacco exceeding 125 gms.”.

### **Notification No. 51 /2014-Customs (N.T.) dated 11th July, 2014**

In exercise of the powers conferred by sub-clause (iii) of clause (c) of section 28E of the Customs Act, 1962 (52 of 1962), the Central Government hereby specifies “the resident private limited company” as class of persons for the purposes of the said clause.

Explanation.- For the purposes of this notification,-

(a) “private limited company” shall have the same meaning as is assigned to “private company” in clause (68) of section 2 of the Companies Act, 2013 (18 of 2013);

(b) “resident” shall have the same meaning as is assigned to it in clause (42) of section 2 read with sub-section (3) of section 6 of the Income-tax Act, 1961 (43 of 1961).

### **Notification No. 56/2014-Customs (N.T.) dated 6<sup>th</sup> August, 2014**

In exercise of the powers conferred by sections 25, 151A, 156 and 157 of the Customs Act, 1962 (52 of 1962) and of all other powers enabling it in this behalf, the Central Government hereby directs that the references to the authorities specified in column (2) of the Table below, in the rules made or deemed to have been made under the said sections or in any other notifications, instructions, regulations, decisions, orders, issued or made under the said sections or rules or under any other section of the said Act, shall, unless the context otherwise requires, be construed as references to the authorities specified in column (3) of the said Table, namely:

Sl. No.	Existing reference	Substituted reference
(1)	(2)	(3)
1.	Chief Commissioner	Principal Chief Commissioner or Chief Commissioner, as the case may be
2.	Commissioner	Principal Commissioner or Commissioner, as the case may be

**Notification No.70 / 2014 – Customs (N.T.) dated 12.08.2014**

In exercise of powers conferred by section 129EE of the Customs Act, 1962 (52 of 1962), the Central Government hereby fixes the rate of interest at six percent per annum for the purpose of the said Section.

**Notification No. 109 /2014- Customs (N.T) dated 17th November, 2014**

In the Customs, Central Excise Duties and Service Tax Drawback Rules, 1995, in rule 7, in sub-rule (1), for the words “he may within three months”, the words “he may, except where a claim for drawback under rule 3 or rule 4 has been made, within three months” shall be substituted.



## **D. CENTRAL EXCISE (CENTRAL EXCISE ACT, 1944)**

### **AMENDMENTS VIDE FINANCE (NO. 2) ACT, 2014**

- Section 31(g) and section 32(1) has been amended vide Finance (No. 2) Act, 2014 to change the name of the 'Customs and Central Excise Settlement Commission' to the 'Customs, Central Excise and Service Tax Settlement Commission' as the scope of the functioning of the Customs and Central Excise Settlement Commission was expanded in the year 2012 so as to include settlement of Service Tax matters as well.
- Section 35B(1) has been amended vide Finance (No. 2) Act, 2014 to increase the discretionary powers of the Tribunal to refuse admission of appeal from the existing Rs.50,000 to Rs.2 lakh.
- Section 35E has been amended vide Finance (No. 2) Act, 2014 to insert a proviso in sub-section (3) to vest the Board with powers to condone delay for a period upto 30 days for review by the Committee of Chief Commissioners of the orders in original passed by the Commissioner of Central Excise.
- Section 35F has been substituted with a new section vide Finance (No. 2) Act, 2014 to prescribe a mandatory fixed pre-deposit of 7.5% of the duty demanded or penalty imposed or both for filing appeal with the Commissioner (Appeals) or the Tribunal at the first stage and 10% of the duty demanded or penalty imposed or both for filing second stage appeal before the Tribunal. The amount of pre-deposit payable would be subject to a ceiling of Rs. 10 crores.
- Section 35L has been amended vide Finance (No. 2) Act, 2014 so as to clarify that determination of disputes relating to taxability or excisability of goods is covered under the term 'determination of any question having a relation to rate of duty' and hence, appeal against Tribunal orders in such matters would lie before the Supreme Court.
- Section 35R has been amended vide Finance (No. 2) Act, 2014 to enable the Commissioner (Appeal) to take into consideration the fact that a particular order being cited as a precedent decision on the issue has not been appealed against for reasons of low amount.
- Full exemption from Excise Duty has been provided to goods supplied to National Technical Research Organisation(NTRO), for security threads and security fibre supplied to Security Paper Mill Corporation of India Limited (SPMCIL) and Bank Note Paper Mill India Private Limited (BNPMIPL).
- Education cess and secondary & higher education cess (customs component) has been exempted on goods cleared by an EOU into the DTA. Further, a clarification has been

issued that the exemption from education cess and secondary & higher education cess under notifications No.28/2010-CE and No.29/2010-CE, both dated 22.06.2010 is applicable only in respect of the clean energy cess leviable on coal and not in respect of excise duty leviable on coal.

### **AMENDMENTS VIDE NOTIFICATIONS**

#### **Notification No. 18/2014-Central Excise (N.T.) dated 11th July, 2014**

In exercise of the powers conferred by sub-clause (iii) of clause (c) of section 23A of the Central Excise Act, 1944 (1 of 1944), the Central Government hereby specifies "the resident private limited company" as class of persons for the purposes of the said clause.

Explanation.- For the purposes of this notification,-

(a) "private limited company" shall have the same meaning as is assigned to "private company" in clause (68) of section 2 of the Companies Act, 2013 (18 of 2013);

(b) "resident" shall have the same meaning as is assigned to it in clause (42) of section 2 read with sub-section (3) of section 6 of the Income-tax Act, 1961 (43 of 1961).

#### **Notification No. 19/2014 - Central Excise (N.T.) dated 11th July, 2014**

In rule 8 of the Central Excise Rules, 2002, -

(i) in sub-rule (1), the third proviso shall be omitted with effect from the 1st October, 2014;

(ii) after sub-rule (1A), the following sub-rule shall be inserted with effect from the 1st October, 2014, namely :-

" (1B) Every assessee shall electronically pay duty through internet banking : Provided that the Assistant Commissioner or the Deputy Commissioner of Central Excise, for reasons to be recorded in writing, allow an assessee payment of duty by any mode other than internet banking. " ;

(iii) for sub-rule (3A), the following sub-rule shall be substituted, namely :—

" (3A) If the assessee fails to pay the duty declared as payable by him in the return within a period of one month from the due date, then the assessee is liable to pay the penalty at the rate of one per cent. on such amount of the duty not paid, for each month or part thereof calculated from the due date, for the period during which such failure continues .

Explanation- For the purposes of this sub-rule, month" means the period between two consecutive due dates for payment of duty specified under sub-rule (1) or the first proviso to sub-rule (1), as the case may be . " .

#### **Notification No. 20/2014 – Central Excise (N.T.) dated 11th July, 2014**

In the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 (hereinafter referred to as the said rules), in rule 6, before Explanation I , the following proviso shall be inserted , namely :-

“ Provided that where price is not the sole consideration for sale of such excisable goods and they are sold by the assessee at a price less than manufacturing cost and profit, and no additional consideration is flowing directly or indirectly from the buyer to such assessee, the value of such goods shall be deemed to be the transaction value.” .

**Notification No. 21/2014-Central Excise (N.T.) dated 11th July, 2014**

1. In the CENVAT Credit Rules, 2004 (herein after referred to as the said rules), in rule 2, after clause (q), the following clause shall be inserted, namely –

“(qa) “place of removal” means-

(i) a factory or any other place or premises of production or manufacture of the excisable goods;

(ii) a warehouse or any other place or premises wherein the excisable goods have been permitted to be deposited without payment of duty;

(iii) a depot, premises of a consignment agent or any other place or premises from where the excisable goods are to be sold after their clearance from the factory, from where such goods are removed;”

2. In the said rules, in rule 4, -

(a) in sub-rule (1), after the second proviso, the following proviso shall be inserted with effect from first day of September 2014, namely :–

“Provided also that the manufacturer or the provider of output service shall not take CENVAT credit after six months of the date of issue of any of the documents specified in sub- rule (1) of rule 9.”;

(b) in sub-rule (7),-

(i) for the first and second provisos the following provisos shall be substituted, namely:- “Provided that in respect of input service where whole of the service tax is liable to be paid by the recipient of service, credit shall be allowed after the service tax is paid: Provided further that in respect of an input service, where the service recipient is liable to pay a part of service tax and the service provider is liable to pay the remaining part, the CENVAT credit in respect of such input service shall be allowed on or after the day on which payment is made of the value of input service and the service tax paid or payable as indicated in invoice, bill or, as the case may be, challan referred to in rule 9: Provided also that in case the payment of the value of

input service and the service tax paid or payable as indicated in the invoice, bill or, as the case may be, challan referred to in rule 9, except in respect of input service where the whole of the service tax is liable to be paid by the recipient of service, is not made within three months of the date of the invoice, bill or, as the case may be, challan, the manufacturer or the service provider who has taken credit on such input service, shall pay an amount equal to the CENVAT credit availed on such input service and in case the said payment is made, the manufacturer or output service provider, as the case may be, shall be entitled to take the credit of the amount equivalent to the CENVAT credit paid earlier subject to the other provisions of these rules :”

(ii) after the fifth proviso, the following proviso shall be inserted with effect from first day of September, 2014, namely :- “Provided also that the manufacturer or the provider of output service shall not take CENVAT credit after six months of the date of issue of any of the documents specified in sub-rule (1) of rule 9.”.

3. In rule 6 of the said rules, in sub-rule (8), after clause (b), the following proviso shall be inserted, namely; “Provided that if such payment is received after the specified or extended period allowed by the Reserve Bank of India but within one year from such period, the service provider shall be entitled to take the credit of the amount equivalent to the CENVAT credit paid earlier in terms of sub rule (3) to the extent it relates to such payment, on the basis of documentary evidence of the payment so received.”.

4. In rule 12A of the said rules, in sub-rule (4), for the words “available with one of his registered manufacturing premises”, the words, figures and letter “taken, on or before the 10th July, 2014, by one of his registered manufacturing premises” shall be substituted.

**Notification No. 23/2014-Central Excise (N.T.) dated 6<sup>th</sup> August, 2014**

In exercise of the powers conferred by sections 5A, 37, 37A and 37B of the Central Excise Act, 1944, (1 of 1944) and of all other powers enabling it in this behalf, the Central Government hereby directs that the references to the authorities specified in column (2) of the Table below, in the rules made or deemed to have been made under the said sections or in any other notifications, instructions, decisions, or orders, issued or made under the said sections or rules or under any other section of the said Act, shall, unless the context otherwise requires, be construed as references to the authorities specified in column (3) of the said Table, namely:-

Sl. No.	Existing reference	Substituted reference
(1)	(2)	(3)
1.	Chief Commissioner	Principal Chief Commissioner or Chief Commissioner, as the case may be
2.	Commissioner	Principal Commissioner or Commissioner, as the case may be

**Notification No. 24 / 2014 – CE (N.T.) dated 12.08.2014**

In exercise of powers conferred by section 35FF of the Central Excise Act, 1944 (1 of 1944), the Central Government hereby fixes the rate of interest at six percent per annum for the purpose of the said Section.

**Notification No. 25/2014-Central Excise (N.T.) dated 25<sup>th</sup> August, 2014**

In the CENVAT Credit Rules, 2004, in rule 12AAA, after the words “first stage and second stage dealer”, the words “provider of taxable service” shall be inserted.

**Notification No. 26/2014 – Central Excise (N.T.) dated 27<sup>th</sup> August, 2014**

In the CENVAT Credit Rules, 2004, in rule 9, in sub-rule (1), after clause (f), the following clause shall be inserted, namely:-

“(fa) a Service Tax Certificate for Transportation of goods by Rail (herein after referred to as STTG Certificate) issued by the Indian Railways, along with the photocopies of the railway receipts mentioned in the STTG certificate; or”.

\*\*\*