



FINANCE ACT 2018
Amendments at a glance

Sections	Amendments in brief	Applicable from
Sec. 2 (22) Explanation A inserted	<p>It is proposed to insert a new Explanation to section 2 (22) by adding Explanation 2A to provide that in the case of an amalgamated company, “accumulated” profits or loss in the hands of the amalgamated company shall be increased by the accumulated profits of the amalgamating company as on the date of amalgamation.</p> <p>Dividends distributed by domestic companies suffer Dividend Distribution Tax (DDT) at 15% in the hands of such companies as per section 115-O. By deleting <i>Explanation</i> to section 115Q, deemed dividend which used to be assessed under section 2 (22) (e) in the hands of the substantial shareholders has now been brought within the scope of DDT under section 115-O. Such deemed dividends would be taxed in the hands of the company at 30%.</p>	AY. 2018-19
Insertion of sec. 2 (24) (xiia) and sec. 28 (via)	Fair market value of inventory when such inventory is converted into, or treated as a capital asset is brought within the definition of “income” and assessable under the head business or profession.	AY. 2019-20
Insertion of sec. 2 (24) / (xviib) / sec. 56 (2) (xi)	As per newly inserted clause (xi) under section 56 (2), any compensation or other payment, due to or received by any person, by whatever name called, in connection with the termination of his employment or the modification of the terms and conditions relating thereto is to be treated as income under the head “other sources” . Such compensation or other payment is brought within the definition of “income” by insertion of clause (xviib) in section 2 (24).	AY. 2019-20
2 (42A) - insertion of cl. (ba) in Explan.1 (i)	Conversion of inventory into capital asset – In the event of transfer of the said capital asset, holding period will be reckoned from the date of conversion of the inventory.	AY. 2019-20
Section 9	There are certain amendments in section 9, Explanation 2, concerning “business connection”. Existing clause (a) is substituted by new clause (a). Explanation 2A inserted – “significant economic presence” defined.	AY. 2019-20
Sec. 10 (6D)	Royalty or fees for technical services received by non-resident from National Technical Research Organization, exempted	AY. 2018-19
Sec. 10 (12A)	Exemption in respect of payment from National Pension System Trust – the benefit hitherto was only to an “employee”. The word “employee” has been substituted by the word “assessee” so that every assessee can avail the exemption.	AY. 2019-20

Sec.10 (23C)	Provisions of Sec. 40A(3), 40A(3A) and section 40 (a) (ia) have been made applicable to institutions approved under section 10 (23C) of the I.T. Act.	AY. 2019-20
Sec. 10 (38) – long-term capital gains	Exemption in respect of long-term capital gains on transfer of equity shares in a company or units of equity-oriented fund or units of business trust withdrawn. Sec. 112A inserted.	AY. 2019-20
10(46)	Income of non-resident on sale of left-over stock of crude oil – exemption made applicable also in the event of termination of the agreement or the arrangement	AY. 2018-19

Sec. 11	Explanation 3 inserted - Provisions of Sec. 40A(3), 40A(3A) and section 40 (a) (ia) have been made applicable to institutions registered under section 12AA of the I.T. Act.	AY. 2019-20
Insertion of Sec. 16 (ia)	Standard deduction for salaried persons comes back – deduction is Rs.40000 or amount of salary whichever is less	AY. 2019-20
Section 17	In proviso to clause 2, clause (v) omitted. Hitherto medical expenditure reimbursed by the employer up to an extent of Rs.15000 per annum was not treated as perquisites and was exempt in the hands of the employees. The exemption has been withdrawn.	AY. 2019-20
Insertion of sec. 28 (ii) (e)	Under sec. 28 (ii) (a), (b) (c) & (d), compensation or other payment due to or received by a person under certain instances is treated as income under the head business or profession. Clause (e) is inserted whereby compensation due to or received by any person, at or in connection with the termination or the modification of the terms and conditions of any contract relating to his business is also to be treated as business income.	AY. 2019-20
Insertion of sec. 28 (via)	Conversion of inventory into capital asset – fair market value of inventory as on the date on which it is converted into, or treated as a capital asset, will be treated as income under the head business or profession	AY. 2019-20
Insertion of section 36 (1) (xviii)	Marked to market loss or other expected loss as computed in accordance with the Income Computation and Disclosure Standards (ICDS) notified under section 145 (2) shall be allowed as deduction while computing income.	AY. 2017-18
Sec. 40A (13)	No deduction or allowance shall be allowed in respect of any marked to market loss or other expected loss, except as allowable under section 36 (1) (xviii)	AY. 2017-18
Sec. 43 (1) – Explanation 1A inserted	Conversion of stock in trade into capital asset – if such capital asset is used for the purpose of business or profession, the actual cost of such asset to the assessee shall be the fair market value which has been taken into account for the purpose of section 28 (via).	AY. 2019-20
Insertion of proviso to Sec. 43 (5) (e)	In respect of trading in agricultural commodity derivatives, requirement of chargeability of commodity transaction tax (CTT) shall not apply. [speculative transaction]	AY. 2019-20
Sec. 43AA – taxation of foreign	Any gain or loss arising on account of any change in foreign exchange rates shall be treated as income or loss and such	AY. 2017-18

exchange fluctuation	loss or gain shall be computed in accordance with the ICDS. [applicable in respect of all foreign currency transactions]	
Insertion of proviso Sec. 43CA (transfer of asset other than capital asset)	Where the value adopted or assessed or assessable by the stamp valuation authority does not exceed one hundred and five per cent of the consideration, such consideration shall be deemed to be the full value of the consideration for the purpose of computing profits and gains from transfer of such asset.	AY. 2019-20

Sec. 43CA (4) – mode of payment	For the words “ <i>by any mode other than cash</i> ”, the words “by way of an account payee cheque or an account payee bank draft or by use of electronic clearing system through a bank account” shall be substituted.	AY. 2019-20
Insertion of sec. 43CB – retention money to be included as income of the year	<p>Profits and gains arising from a construction contract or a contract for providing services shall be determined on the basis of percentage of completion method in accordance with ICDS.</p> <p>Profits and gains arising from contracts for providing services:</p> <p>(i) with duration of not more than ninety days shall be determined on the basis of project completion method;</p> <p>(ii) involving indeterminate number of acts over a specific period of time shall be determined on the basis of straight line method.</p> <p>It is further provided that for the purpose of percentage of completion method, project completion method or straight line method, the contract revenue shall include retention money, and the contract costs shall not be reduced by any incidental income in the nature of interest, dividends or capital gains.</p>	AY.2017-18
Sec. 44AE – goods carriages	<p>Presumptive income shall be :</p> <p>For heavy goods vehicles: Rs. 1000 per ton of gross vehicle weight or un-laden weight, for every month or an amount claimed to have been actually earned from such vehicle whichever is higher;</p> <p>For others : Rs.7500 for every month or part of a month or an amount claimed to have been actually earned from such vehicle whichever is higher.</p> <p>“goods carriage”, “gross vehicle weight” and “un-laden weight” – meaning as per sec. 2 of the Motor Vehicles Act 1988.</p> <p>“heavy goods vehicle” means any goods carriage, the gross</p>	AY. 2019-20

	vehicle weight of which exceeds 12000 kg.	
Insertion of Sec. 47 (viiab) transaction, not a transfer	Any transfer of a capital asset being (a) bond or Global Depository Receipt referred to in sec. 115AC(1), or rupee denominated bond of an Indian company, or a derivative, made by a non-resident on a recognized stock exchange located in any International Financial Services Centre (IFSC) and where the consideration for such transaction is paid or payable in foreign currency shall not be regarded as transfer for the purpose of sec. 45.	AY. 2019-20
Sec.48 – proviso added	Indexation benefit not available for capital gains arising from the transfer of long-term capital assets being equity shares in a company or a unit of an equity oriented fund or a unit of a business trust referred to in section 112A.	AY. 2018-19

Insertion of sec. 49 (9) – conversion of stock in trade into capital asset – <i>cost of acquisition</i>	Where the capital gain arises from the transfer of a capital asset referred to in sec. 28 (via) [<i>conversion of inventory into capital asset</i>] the cost of acquisition shall be deemed to be the fair market value which was taken into account at the time of conversion of the inventory into capital asset.	AY. 2019-20
Sec. 50C	Where the value adopted or assessed or assessable by the stamp valuation authority does not exceed one hundred and five per cent of the consideration, such consideration shall be deemed to be the full value of the consideration for the purpose of computing profits and gains from transfer of the asset.	AY. 2019-20
Sec. 54EC	Benefit of claiming exemption under section 54EC restricted to long-term capital gains on transfer of land or building, or both only . Not applicable to capital gains arising on transfer of other capital assets. Holding period of the “bonds” (three years for those invested before 1-4-2018) extended to five years from the existing three years .	AY. 2019-20
Sec. 55 – capital gains on shares etc.,	Cost of equity shares or units of equity oriented fund or a unit of a business trust acquired before 1-2-2018 – changes consequent to the new provision taxing capital gains	AY. 2018-19
Sec. 56 (2) (x) – item (B) in sub-clause (b) amended	Where any person receives any immovable property for a consideration, the stamp duty value of the property as exceeds such consideration, if the amount of such excess is more than fifty thousand rupees or the amount equal to five per cent of the consideration, whichever is higher, shall be charged to tax under the head “Income from other sources”.	AY. 2019-20
Insertion of sec. 56 (2) (xi)	any compensation or other payment, due to or received by any person, by whatever name called, in connection with the termination of his employment or the modification of the terms and conditions relating thereto is to be treated as income under the head “other sources”	AY. 2019-20
Insertion of proviso to Sec. 79	Carry forward and set off of loss in case of companies – restriction not to apply to a company where a change in the shareholding takes place pursuant to a resolution plan approved under the Insolvency and Bankruptcy Code 2016.	AY. 2018-19
Substitution of	Deductions in respect of certain incomes contained in Part C of	AY. 2018-19

Sec. 80AC	Chapter VI-A will not be allowed if the return of income is not furnished on or before the due date specified in section 139 (1).	
Sec. 80-D	<p>Deduction in the case of an individual for contribution towards annual premium on health insurance policy or contribution to CGHS or preventive health check- up, (Rs. 25000) or on medical expenditure of himself and members of family (Rs.30000) – total claim not to exceed Rs. 50,000 (<i>increased from Rs.30,000</i>).</p> <p>Deduction in the case of an individual to effect or to keep in force an insurance on the health of the parent or parents of the assessee, or any payment made on account of preventive health check up of the parent or parents of the assessee (Rs.25000), or any amount paid on account of medical expenditure incurred on the health of any parent of the assessee (Rs.30,000) - total claim not to exceed Rs. 50000 (<i>increased from Rs.30,000</i>)</p>	AY. 2019-20

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Sec. 80DDB	<p>Deduction towards medical treatment for specified diseases – individual, his dependent, any member of HUF Rs. 40,000.</p> <p>Where the patient is a senior citizen, amount increased to Rs. 100,000 lakh from Rs. 60,000, [concept of “very senior citizens” whose eligibility was Rs. 80,000 goes.]</p>	AY. 2019-20
Sec. 80-IAC – deduction for eligible start-ups	<p>Substitution of definition of “eligible business”:</p> <p>(a) “Eligible business” means a business carried out by an eligible start up engaged in innovation, development or improvement of products or processes or services or a scalable business model with a high potential of employment generation or wealth creation.</p> <p>(b) Incorporation period for eligibility changed as “on or after 01-04-2016 but before 01-04-2021” instead of “on or after 01-04-2016 but before 01-04-2019”</p> <p>(c) Total turnover of its business shall not exceed Rs.25 crores in the previous year relevant to the assessment year for which deduction under this section is claimed.</p>	AY. 2018-19
Sec. 80JJAA	<p>Amendment to cover manufacture of footwear or leather products also.</p> <p>Proviso added to cover persons employed for less than 240/150 days during the year, if they are employed for 240/150 days in succeeding year</p>	AY. 2019-20
Insertion of section 80PA – incomes of producer companies	<p>Provision is made for 100% deduction for Producer Companies (<i>defined in Companies Act</i>) in respect of their profits from the business of (a) marketing of agricultural produce grown by its members (b) purchase of agricultural implements, seeds, livestock or other articles intended for agriculture for the purpose of supplying them to the members, or (c) processing of the agricultural produce of the members.</p>	AY. 2019-20 to 2025-26

Section 80TTA – interest on SB account	As per the existing provisions, deduction up to a maximum of Rs.10000 is allowed in respect of interest on savings bank Accounts. As per amendment this deduction will be available Only to persons <i>other than senior citizens / very senior citizens</i> .	AY.2019-20
Insertion of new sec. 80TTB – for senior citizens	Deduction in respect of interest on deposits with banking companies, co-operative societies engaged in carrying on business of banking, or post office - admissible deduction is a maximum of Rs. 50000, applicable to resident individuals who are of the age of sixty years or more.	AY. 2019-20

Insertion of Sec. 112A – tax on capital gains	<p>Where assesses has derived income under the head capital gains, and such income has arisen from transfer of long-term capital assets being equity shares in a company, or units of equity oriented fund or units of a business trust, such long-term Capital gains in excess of rupees one lakh shall be taxed at 10%.</p> <p><i>Conditions:</i></p> <p>Where the long-term capital asset is equity shares in a company, securities transaction tax should have been paid <i>both on Acquisition and on transfer of the asset</i>.</p> <p>Where the long-term capital asset is a unit of an equity oriented fund or a unit of a business trust, securities transaction tax Should have been paid <i>on transfer of the asset</i>.</p> <p>The condition of payment of STT shall not apply to transfers undertaken on a recognized stock exchange located in any International Financial Services Centre and where the Consideration is received / receivable in foreign currency.</p> <p>Capital gains are to be computed without indexation (see <i>amendment in section 48</i>).</p> <p>In the case of resident individuals / HUFs where the total income as reduced by LT capital gains is below the maximum amount which is not chargeable to income-tax then the LT gains shall be reduced by the amount by which the total income falls short of the maximum amount which is not chargeable to Income-tax.</p>	AY. 2019-20
Sec. 115AD	Tax on income of FII's from securities or capital gains arising from their transfer – proviso added after clause (iii), to provide that in case of income being LT capital gains referred to in sec.	AY. 2019-20

	112A, tax shall be charged @ 10% on such income in excess of one lakh rupees.	
Sec. 115BA	Reference to sections 111A and 112 – substituted by the words “other provisions of this Chapter)	AY. 2017-18
Sec. 115JB - MAT	It is provided that while computing the book profits of a company against which an application for corporate insolvency resolution process has been admitted by the Adjudicating Authority under sections 7 or section 9 or section 10 of the Insolvency and Bankruptcy Code 2016, the profit as per P & L Account shall be reduced by aggregate amount of unabsorbed depreciation and loss brought forward. <i>[In the case of other companies it is “loss brought forward or unabsorbed depreciation” whichever is less as per books of account”.</i>	AY. 2018-19

Sec. 115JC – AMT / 115JF	Tax rate applicable to the persons referred to in section 115JC – if the person is a unit located in an IFSC and derives its income solely in convertible foreign exchange, alternate minimum tax (AMT) shall be chargeable at nine per cent (instead of 18 ½ % in other cases). Consequential amendment in section 115JF also.	AY. 2019-20
Sec. 115-O	Dividend Distribution Tax – deemed dividend referred to under section 2 (22) (e) is brought under the purview of DDT, and tax shall be charged at 30% on such deemed dividends in the hands of the company. <i>[Hitherto deemed dividend under section 2 (22) (e) is to be assessed in the hands of the substantial shareholder]</i>	AY. 2018-19
Sec. 115-R	Tax on income distributed to unit holders : New rates: (i) 25% on income distributed by money market mutual fund (MMF) or a liquid fund (LF) to Individuals or HUFs. (ii) 30% on income distributed to any other person by the above Funds. (iii) 10% on income distributed to any person by an equity oriented fund (EOF). (iv) 25% on income distributed by a fund other than a MMF or LF or an EOF, to an individual or HUF. (v) 30% on income distributed to any other person by a fund other than a MMMF or LF or EOF.	AY. 2018-19
Sec. 139A	Obtaining PAN made mandatory for (i) any person other than an individual which enters into a financial transaction of an amount aggregating	01-4-2018

	<p>to two lakh fifty thousand rupees or more in a financial year, and</p> <p>(ii) (ii) a person who is the managing director, director, partner, trustee, author, founder, kartha, chief executive officer, principal officer or office bearer of the persons referred to in (i) above or any person competent to act on behalf of the person referred to in (i) above.</p>	
Sec. 140 – person competent to sign ROI	Where in respect of a company, against whom an application for corporate insolvency resolution process has been admitted by the Adjudicating Authority under sections 7 or section 9 or section 10 of the Insolvency and Bankruptcy Code 2016, ROI shall be verified by the insolvency professional appointed by the Adjudicating Authority.	01-04-2018

Sec. 143 (1) (vi)	Adjustment of total income while processing the return of income – no adjustment as provided in this clause need to be made – [adjustments with reference to sec. 26AS / Form 16 / Form 16A, was inserted wef. 1-4-2017: AY.2017-18]	AY. 2018-19
Sec. 143 (3A) / (3B), (3C)	<p>Central Government authorized to make a scheme for the purpose of making assessment of total income or loss under section 143 (3) so as to impart greater efficiency, transparency and accountability by</p> <p>(a) eliminating the interface between AO and the assessee to the extent technologically feasible</p> <p>(b) optimizing utilization of the resources through economies of scale and functional specialization;</p> <p>(c) Introducing a team-based assessment with dynamic jurisdiction.</p> <p>Central Government also empowered to issue appropriate notifications to implement the scheme.</p>	To be made effective before 31-3-2020
Sec. 145A	Amendments consequent to notification of ICDS concerning methods of accounting	AY. 2017-18
Sec. 145B	Interest received by an assessee on any compensation or on enhanced compensation shall be deemed to be the income of the previous year in which it is received.	AY. 2018-19
Sec. 194A	Interest on deposits with banking companies, co-operative societies engaged in carrying on business of banking or post office - admissible deduction is a maximum of Rs. 50000, applicable to resident individuals who are of the age of sixty years or more. TDS provisions not to apply where the amount paid is Rs.50000 or less.	Effective from 01-4-2018
Sec. 253 /	Penalty for furnishing incorrect information or report by Accountant, a	Effective from

Sec. 271J	merchant banker or a registered value – penalty Rs.10,000 for each report / certificate. Appeal provided against this order before the ITAT	01-04-2018
Sec. 271FA	Penalty for failure to furnish statement of financial transactions or reportable account – quantum of penalty increased from Rs.100 a day to Rs. 500 a day.	Effective from 01-04-2018
Sec. 276CC	Prosecution for failure to furnish return of income – no prosecution if the tax payable on regular assessment as reduced by advance-tax, and TDS does not exceed three thousand rupees. Monetary limit not to apply to companies.	Effective from 01-04-2018
Tax rates	No change in the slab rates. Primary Education Cess of 2% and Secondary & Higher Education Cess of 1% are replaced by a Health & Education Cess of 4%.	

Compiled by bhaskaranmp/

Note: Amendments to the finance act 2018

This note is a compilation of all the necessary changes made in the Financial Act 2018. This note is a summary not an opinion. The readers are requested to refer to the Financial Act 2018 while concluding on opinions. The company, nor any of its employees would be held responsible for any views or information.