

4<sup>th</sup> June, 2008

Dear Clients,

The Finance Bill, 2008 was presented by Hon'ble Finance Minister on 28.02.2008 suggesting several changes in the Income-tax Act. When the said Bill was under scanner of Lok Sabha, additional proposals and amendments were suggested and these changes were approved and the Bill was passed in the Lok Sabha on 29.04.2008. These changes have been made while passing the Finance Bill.

We have already explained the changes proposed in the Income-tax Act by Finance Bill, 2008 in our earlier note circulated to you. The additional proposals passed in the Lok Sabha are explained below.

Section	Amendments	Our Comments
10(26AAB)	Exemption provided to APMC in respect of any income	Earlier, APMC incomes were exempt u/s. 11. Since Finance Bill 2008 withdrew exemption to associations providing service to Business sectors, the income of APMC was specifically exempt under this new section
10A/10B	Exemption provided upto A.Y. 2011-12	The exemption was earlier granted under these sections upto A.Y. 2010-11. The time period of exemption is extended upto 2011-12.
40(a)(ia)	Disallowance provisions rationalize	As per the existing provision, TDS has to be paid within due date to claim deduction of the expenditure. As such, the TDS on expense paid during the year should be paid before 31 <sup>st</sup> March and for expense for March, the TDS should be paid before May. By this amendment, no disallowance will be made if the TDS for the month of March is paid before the due date of filling the return.

44AB	Due dates for Tax audit is pre-poned	The tax audits u/s. 44AB was required to be carried out and the return of income was required to be filed on or before 31 <sup>st</sup> October every year. This period is now curtailed and the time limit is held at 30 <sup>th</sup> September.
80-IB	Withdrawal of deduction to refineries	<p>Henceforth, no deduction will be allowed to an undertaking engaged in refining of mineral oil if it begins refining on or after 01.04.2009. However, the deduction continues for the public sector company or any other company in which a public sector company or companies hold at least 49% if;</p> <ul style="list-style-type: none"> <li>• Such companies notified by the Central Government on or before the 31<sup>st</sup> day of May, 2008 and</li> <li>• It begins refining not later than the 31<sup>st</sup> day of March, 2012.</li> </ul> <p>Thus, exceptional concern is shown to the public sector undertakings as against the private sector companies.</p>
115JB	Incomes to be excluded from book profits	<p>Finance Bill, 2008 brought an amendment to s. 115JB thereby increasing the book profits by the amount of deferred tax debited to the profit and loss account. However, there was no corresponding provision or clarification with respect to the deferred tax provision credited to the profit and loss account.</p> <p>Hence, the amendment is proposed to reduce the deferred tax amounts credited to P &amp; L A/c. since if the amounts are not deductible while computing book profits, the same cannot be taxed as such.</p>
115WE	Notice for fringe benefit assessment – time limit	Time limit for issue of notice for regular scrutiny was amended in the Finance Bill, 2008. Identical amendment is now brought to time

		<p>limit for issue of notice to carry out fringe benefit tax assessments.</p> <p>Thus, the notice for carrying out FBT assessment will have to be issued within 6 months from the end of the Finance Year.</p>
143	Prima facie adjustments permitted u/s. 143(1)(a)	The prima facie adjustments are once again permitted while processing the return.
194C	AOP and BOI also covered under the TDS provisions	Earlier AOP and BOI were not covered by the provisions of TDS. This amendment also brings them within the fold of TDS.
251	Powers of CIT(A) expanded	CIT(A) is now empowered to take into cognizance the evidences before the Settlement Commission at the time of passing the order for the years which were earlier pending before Settlement Commission.
292BB	Approving the validity of notices with defects	It was proposed by the Finance Bill, 2008 that the notice issued under the Act shall be deemed to be validly served notice where the assessee took part in the proceedings. However, a savior is inserted for the assessee to challenge the notice if the assessee has raised such objection before the completion of such assessment or reassessment.

The above amendments are introduced in the Act.

Thanking you and assuring you of our best services at all times.

**For Smart Consultants Private Limited.**  
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**(Director)**