

Elective course in Commerce
ECO-11
Elements of Income Tax

APPENDIX 2020
Assessment Year 2020-2021



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Dear Student,

As you know the Finance Bill is presented in the Parliament usually on the last date of February every year. Consequently, the Income Tax Rules undergo a number of changes. A student of Income Tax should know what these changes are and how are they affecting the Income Tax Act. The course material sent to you is relevant for the Assessment Year 2008-09 whereas the Assessment Year relevant to you is **2020-2021**. This booklet is an Appendix to the course material and contains the amendments in the Act as applicable to Assessment Year **2020-2021**. The Appendix is in two parts. Part I gives the changes made in the text and Part II gives the changes to be made in Check Your Progress exercises. This Appendix which is relevant for **Assessment Year 2020-2021** and **Pervious year 2019-2020** is to be used by the students who will appear in **June 2020** or **December 2020** examinations. However, students who are unable to appear or clear in **June 2020** or **December 2020** will have to obtain fresh Appendix relevant to the examination in which they appear.

Elective Course in Commerce

ECO-11 Elements of Income Tax

This Appendix is relevant for **assessment year 2020-2021** and **Previous Year 2019-2020** is to be used by the students who will appear in **June 2019 and Dec 2019** examinations. However, the students who are unable to appear or clear in June 2019 or Dec 2019 will have to obtain a fresh appendix relevant to the examination in which they appear.

Part - I

The following changes have been made in the Income Tax Act 1961 by the Finance Bill 2019 and are applicable to assessment year **2020-2021** and should be kept in view including these while going through the course material.

The A.Y. is 2020-21 and P. Y. is 2019-20 for all the Check Your Progress, Questions, Illustrations and Exercises. The year given in the Illustrations and Terminal Questions may be changed accordingly.

Block – I

(1) Amendment relating to definition of Income with effect from A.Y. 2013-14 Block -1 Page 8

A subclause (xvi) has been inserted in the definition of 'income' given in section 2(24) in order to extend the definition of income under the Act. According to this subclause (xvi), any consideration for issue of shares exceeding the fair market value of shares shall be included in income. For example share premium in excess of the fair market value will be treated as income of the company.

(2) Amendment in the meaning of land in definition of Agriculture Income Sec 2 (IA) Block – 1 Page 19 with effect from A.Y. 2014-15

Areas' measured aerially will not come under rural areas in the following conditions:

- (i) Any agricultural land if measured aerially, situated at a distance not being more than two kilometers, from the local limits of any municipality or cantonment board and which has a population of more than 10,000 but not exceeding 1,00,000.
- (ii) Any agricultural land if measured aerially situated at a distance not being more than six kilometers from the local limits of any municipality or cantonment board and which has a population of more than 1,00,000 but not exceeds 10,00,000.
- (iii) Any agricultural land if measured aerially, situated at a distance not being more than 8 kilometres from the local limits of any municipality or cantonment board and which has a population of more than 10,00,000.

(3) Insertion of exemption to income of a securitisation trust [Sec. 10 (23DA)] Block-1 page 47 [Inserted w.e.f. A.Y. 2014-15]

The Act has provided for exemption in respect of any income of a securitization trust from the activity of securitisation.

(4) Chargeability Casual Income Block – 1 Page 22

Casual income is now changed @ 3%; and casual loss cannot be set off against any other income. The expenses related to receipt of casual income are not to be deducted from any other income.

(5) Correction of Point F of fully exempted income under Sec 10 Block 1 Page 48 as

(iv) Profit of Newly Establishment industrial undertaking in free Trade Zone Sec (10A)

(v) New Provision for undertakings commencing Production in Special Economic Zone after 31 March, 2002 (w.e.f. 2003-04) Sec 10A (A)

(6) Insertion of exempted incomes Under Sec. 10 (26AAB) Block – 1 Page 47

With effect from A.Y. 2009-10 any income of an agricultural product market committee or board constituted under any law for the purpose of regulating the marketing of agricultural produce shall be exempt.

(7) Amendments of exempted income under Section 10 (10D) Block – 1 Page 46 Point 29

(vi) Amendment in relation to premium to be paid life insurance policies section 10(10D) has been made by inserting clause (D) with effect from A.Y. 2013-14. Under this clause the premium on the life insurance polices issued on or after 1.4.2012 would only be exempt upto the 10% of the policy amount. As against existing 20%.

(vii) With the effect form assessment year 2013-14 any income of the Prasar Bharti (Broad Casting Corporation of India) shall be exempt.

(8) Insertion of exemption to income of a securitization trust [Sec. 10 (23DA)] Block 1 page 47 [Inserted w.e.f. A.Y. 2014-15]

The Act has provided for exemption in respect of any income of a securitization trust from the activity of securitization.

(9) Insertion of exemption to income of Investor Protection Fund of depositories [Sec. 10 (23ED)] Block 1 page 46 [W.e.f.A.Y. 2014-15]

The Act has provided that the income, by way of contribution from a depository, of the Investor Protection Fund set up by the depository in accordance with the regulations prescribed by SEBI will not be included while computing the total income subject to same conditions as are applicable in respect of exemption to an Investor Protection Fund set up by recognized stock exchanges.

(10) Insertion of exemption to the shareholder on account of buy back of shares [Sec. 10 (34A)] Block 1 page 46 [W.e.f.A.Y. 2014-15]

As per newly inserted section 115QA, the company has to pay additional income-tax on any amount distributed as income on, buy back of shares listed on a recognized stock exchange. Therefore, according to newly inserted section 10(34A), any income arising to an assessee, being a shareholder, on account of buy back of shares (not being listed on recognized stock exchange) shall be exempt.

Block – 2

(11) Change in maximum exemption amount of gratuity Block – 2 Page 15 and 16.

Maximum exempted amount of gratuity for employees retired on or after 24-5-2010 has been raised to Rs 10,00 000 (from Rs 3,50,000).

(12) Fringe benefit tax under Sec. 115 WB Block-2 Page 32 has been removed w.e.f. A.Y. 2010-11.

(13) Change in of interest-free or concessional loan's rates Block – 2 Page 43

It may be notes that the rate of interest charged by the State Bank of India on loans taken for different purposes keeps us changing from time to time.

(14) Insertion of standard deduction Sec 16(1) Block-2 Unit Page

This clause provides standard deduction from the assessment year 2019-20 in computing income chargeable under the head 'Services'. The amount of standard deduction will be Rs. 40,000 or the amount of salary, whichever is lower.

Block – 3

(15) Insertion of the following para under Transactions not regarded as transfer (Sec 47) as point (xi) Block–3 Page 30 reorganization (i.e., amalgamation or demerger) of a co-operative bank.

Where with effect from 2008-09, a business reorganization (i.e., amalgamation or demerger) has taken place during any financial year, the following transactions shall not be regarded as transfer and hence there will be no capital gain in such cases.

- (i) Any transfer in a business reorganization, of a capital asset by predecessor co-operative bank to the successor co-operative bank.
- (ii) Any transfer by a shareholder, in a business reorganization, of a capital asset being a shares or share hold by him in the predecessor co-operative bank of the transfer in made in consideration of the allotment to him of any share or shares in the successor co-operative bank.

(16) Change of Sec 54 B in Capital Gain Block – 3 Page 32

- (i) w.e.f A.Y 2013-14 Section 54 B has also been amended by extending the benefit of this section to HUF also along with an individual.
- (ii) A new section 54 GB has been added w.e.f A.Y. 2013-14 in Capital Gain Block–3 Page–37

A new section 54GB has been added to the Income- Tax w.e.f A.Y. 2013-14. This section will provide benefit from Long term Capital Gain tax to an individual or a HUF on sale of a residential property at the time of investing the consideration money in purchasing the equity shares of a new start-up SME company in the manufacturing sector.

(17) Insertion of following the paras under 9.5.2 cost of acquisition of shares or security Block -3 Page 40

Cost of transferred capital asset in the hands of the amalgamated/resulting company in case of business reorganizations (Section 49 (1) (VICa) and (VICb) with effect from A.Y. 2008-09 has been amended to provide that on a transfer in a business reorganization, of a capital asset by the predecessor co-operative bank to the successor co-operative bank, the cost of such asset in the hands of successor company co-operative bank shall be the cost to the persons owner (i.e., the predecessor) co-operative bank.

(18) Insertion of the following Para regarding change in respect to capital gains (Sec 54D) Block – 3 Page -33

w.e.f A.Y. 2013-14 a new section 50 D has been added to determine the value of consideration on the basis of fair market value.

According to this section where the consideration in respect of transfer of an asset is not determinable then, for the purpose of computing capital gain, the fair market value of the Asset on the date of transfer shall be deemed to be the full value of consideration received or to be received at the time of transfer.

(19) Insertion of cost inflation index Block 3 Page 43 cost inflation index (CII) for the years 2009-10, 2010-11 and 2011-12 are 632, 711, 785, 2012-13 – 852, 2013-14 – 939, 2014-15 – 1024, 137, 148, 167, 184, 200, 220, 240, 254, 264, 272, 280 and 2019-2020 – 289 respectively.

(20) Change in short term capital gains under Sec. 111A Block 3 Page 43 with effect from A.Y. 2012-13

Short-term capital gains arising from the transfer of a short term capital asset being an equity share in a company or unit of an equity oriented fund where such transaction chargeable to STT, shall be chargeable to tax @ 15% instead of 10%. Rate of tax for long term capital gains U/S 112@20%.

(21) Insertion of Sec 56 (2) (VIIB) in Income from other sources Block – 3 Page 53

With effect from A-Y 2013-14 section 56(2) (viib) has been inserted in the income tax Act which provides that shares premium in excess of the fair market value shall be chargeable to “Income Tax under the head of ‘Income from Other Sources’”

(22) Insertion of the following Page under 10.5 relating to winnings from lotteries, Crossword Puzzles, Horse race, Card Games etc. Block-3 Page-56.

Rate of tax for income of Lottery, Crossword Puzzles Card Games, Betting etc under section 115 (BB) is @30%.

Block – 4

(23) Change the deduction in respect of contribution to pension funds (Sec. 80ccc) Block 4 Page 6.

With effect from A.Y. 2007-2008, the deduction in respect of contribution to pension fund shall be lower of the following amounts.

- (a) amount of contribution (b) Rs. 1, 00,000

(24) Charges regarding investment under equity saving scheme Sec 80CCG, Block – 4, Point 11,3,2, Page 7.

(a) Deduction to an individual who is a resident in India will be allowed in respect of investment made under than an equity saving scheme notified by Central Government with effect from A.Y. 2013-14. (Sec. 80 CCG) the deduction will be the least of the following”

- (i) 50% of the amount invested in such equity shares.
(ii) Rs. 25,000

Note: This deduction shall be allowed only when the gross total income of the assessee should not exceed Rs. 10,00,000

(25) Change the deduction in respect of Medical Insurance Premium (Sec. 80 D) Block-4 Page 7

With effect from A.Y. 2008-09, the deduction allowed to an individual shall be upto Rs. 15,000 in respect of insurance on the health of his parent (s) whether dependent or not. If the assessee parent (s), who has been medically insured, is a senior citizen, the deduction would be allowed upto Rs 20,000.

(26) Insertion of Deduction for expenditure on preventive health checkup (sec 80 D) w.e.f A.Y. 2013-14 Block 4 Page 7.

(a) w.e.f. Assessment Year 2013-14 Section 80D has been amended to allow deduction for expenditure on preventive health check-up of self, spouse, dependent children or parents during the previous year upto the maximum amount Rs. 5,000.

Note: The mode of payment of expenditure on health check-up may be in cash also.

(b) w.e.f. A.Y. 2013-14 a senior citizen of 60 years or more during the relevant previous year may avail the benefits of section 80D, 80DDB and 197A

(27) Amendment of Sec 80D (w.e.f) Assessment year 2019-20 Block 4 Page

The following amendment have been made to the Section 80D with effect Rs.

(28) Change the deduction in respect of Handicapped Dependent (Sec 80 DD) Block 4 Page -7

In case of severe disability Rs 1, 00, 000

(29) Addition of Sec. 80 CCE regarding limit of deduction U/S 80 C, 80 CCC and 80 CCD as 11.3.3 Block 4 Page 7.

The aggregate amount of deduction U/S 80 C, 80 CCC and 80 CCD shall not exceed Rs 1,00,000. It includes contribution of both employee and employer.

(30) Addition of Sec. 80 CCF regarding deduction in respect of amount investment in long term in infrastructure bases as 11.4.5 Block 4 Page 8

In computing the total income of an assessee being an individual or HUF, there shall be deducted, the whole of the amount, to the extent of such amount does not exceed Rs 20,000, paid or deposited, during the previous year relevant to assessment year beginning on 1 April, 2011 as subscription to long term in infrastructure bonds as may be notified by the central government for this purpose.

(31) Increase the tax exempt limit on interest income for senior citizens income Rs. 10,000 to Rs. 50,000 vide newly inserted section 80TTB w.e.f year 2018-19.

(32) Amendment of deduction in respect of interest on loan taken for Higher education (Sec. 80 E under 11.4.4 Block 4 Page 8)

Deduction in respect of interest on loan taken for higher education U/80 E has been amended and the meaning of the term 'Relative' has been extended. Relative of a person includes his/her spouse, their children, and also the students for whom the taxpayer is the legal guardian.

(33) Tax rebate is reduced to Rs. 2500 from Rs. 5000 per year for tax payers with income up to Rs. 35,000 (earlier Rs. 500,000) w.e.f. year 2017-18.

(34) Insertion of deduction in respect of interest on loan sanctioned during financial year 2013-14 for acquiring residential house property (Sec. 80EE) Block 4 page 8 w.e.f.A.Y. 2014-15

(A) To whom deduction is allowed: The deduction under this section shall be allowed to an individual only.

(B) Purpose for which deduction is allowed: Deduction shall be allowed on account of interest payable on loan taken by the individual from any financial institution for the purpose of acquisition of a residential house provided certain conditions are satisfied.

(C) Conditions to be satisfied:

(i) The loan is sanctioned by the financial institution during the period beginning on 01.04.2013 and ending on 31.03.2014;

(ii) The amount of loan sanctioned for acquisition of the residential house property does not exceed Rs. 25,00,000;

(iii) The value of the residential house property does not exceed Rs. 40,00,000;

(35) Insertion of Donation to National Children's Fund U/s 80G Block-4 page 10 w.e.f. 2014-15

Deduction of Donation to National Children Fund will be 100% from assessment year 2014-15.

(36) Deduction in respect of Investment made under Equity Saving Scheme. (Section 80 CCG) Block-4 page 6 w.e.f. A.Y. 2014-15

This deduction is allowed to an individual assessee who is resident in India and whose gross total income does not exceed Rs. 12,00,000.

(37) Amendment of contribution to Political Parties under Section 80 GGB and 80 GGC under

11.4.4 Block 4 Page 11

Contributions to political parties are eligible for 100% deduction U/S 80 GGB and 80 GGC for the assessment year 2011-12. For the purpose of section 80 GGB and 80 GGC political party means a party which is registered under section 29A of the Representation of the people Act 1951.

(37a) Amendment to (Section – 80 TTB) w.e.f Assessment year 2019-20 under Income Tax Act Block-7, Page 7.

Deduction u/s TTB respect of interest on Deposit in case of senior citizen available Income assessment year 2019-20.

1. The assessee is a senior citizen (i.e. a resident individual who is at least 60 years of age at any time during the previous year).
2. His income includes interest on deposited with a bank / Co-operative bank / Post-office (it may be interest on savings account or any other interest)
3. Amount of Deduction:-
If these conditions are satisfied, the assessee can claim deduction u/s 80TTB which is equal interest, whichever is lower.

(38) Insertion of Sec 80 G(5D) and 80GGA (2A) in respect of donation w.e.f. A.Y 2013-14, Block 4 11.5.2 Page 19

w.e.f. A.Y. 2013-14 section 80G (5D) and 80GGA (2A) have been inserted in the Income Tax Act. Under such section no deduction shall be allowed in respect of any donation or any sum exceeding Rs. 10,000 if paid in cash.

(39) Amendment of Sec 80TTA under deduction to encourage savings – Block 4 Page 7 with effect from A.Y. 2019-20.

A deduction of Rs. 10,000 will be allowed to an individual HUF in respect of interest on deposits in saving bank accounts under Section 80 TTA. The saving accounts may be with a bank a cooperative society carrying or the business of bank or a post office.

The year 2019-20 as follows:

1. Section 80, inter alia, provides that medical insurance (or preventive health check up of a senior citizen), deduction of Rs. 30,000 shall be allowed. Further, in the case of super senior citizen, the said section also provides for a deduction of a medical expenditure with in the overall limit of Rs. 30,000.

The above monetary limits have been extended so as to provide that the deduction of Rs. 50,000 in aggregate shall be allowed to senior citizens in respect of medical insurance or preventive health check up or medical expenditure.

(40) Change the deduction in case of a person with disability (Sec 80 U) Block 4 Page -15

In case of severe disability Rs, 1,00,000

(a) Insertion of Sec 193(v) related to TDS Block – 4 Page 31.

w.e.f. 1.7.2012 Section 193(v) has been substituted under this clause no deduction of tax should be made from payment of Interest on listed or unlisted debentures issued by a company in which public are substantially interested provided.

- (i) The amount of interest during the financial year should not exceed Rs. 5,000
- (ii) The Payment must be made by Account Payee Cheque only.

Note: This benefit will be allowed to a resident individual or H.U.F.

- (b) w.e.f. 1.7.2012 TDS on amount paid or payable to non-resident sports person and an entertainer under Section 194 E has been raised from rate of 10% to 20%.
- (c) w.e.f. 1.7.2012 TDS@ 10% will be deducted on the remuneration or fee or commission paid to a director under section 194 LA.
- (d) w.e.f.1.10.2012 a new Section 194 LAA has been inserted in the Income Tax Act. This section provides that a TDS will be deducted@ 1% of consideration for transfer of immovable property other than agricultural land if such consideration exceeds Rs. 50,00,000 (if property situated in a specified area), Rs. 20,00,000 (if property situated in any other area)

(41) Insertion under point 13.3 (ii) in respect of Advance Tax

With effect from: A.Y. 2013-14 senior citizens who are not having any taxable income under the head projects and gains of business or profession shall not be liable to pay advance tax.

(42) Insertion under Point 12.5 Rates of Income Tax in Block 4 Page 19

The rates of tax, surcharge and education cess applicable to total income of individual's resident in India with effect from A.Y.2020-21 are as follows:

(a) Senior Citizen : (Male & Female) (above 60 years and less than 80 years of age)

Up to Rs 250,000	NIL
Above Rs 250,001 to Rs 500,000	05%
Above Rs 500,001 to Rs 10,00,000	20%
Above Rs 10,00,000	30%

(b) For very senior citizen (Male and Female both 80 years or more of age) at any time during the Financial Year.

		Rate
Up to 300,000	Rs. 5,00,000	05%
Above 5,00,001 to	Rs. 10,00,000	20%
Above Rs. 10,00,000		30%

(c) Other Individuals [Except (a) and (b)]

	Tax Rate	Tax Amount (Rs.)
(i) Up to Rs 2,50,000	Nil	Nil
(ii) On Next Rs. 25,000 of Total Income	5%	12,500
(iii) On Next Rs. 3,00,000 of Total Income of Rs. 10,000	20%	1,00,000
(iv) Balance of Total Income (More than Rs. 10,0000)	30%	1,12,500

Note: (i) Education Cess @ 2% and Secondary and Higher Education Cess @ 1% has been abolished and a new cess by the name "Health and Education Cess" at the rate of 4% will be levied on the amount of income tax and surcharge.

(ii) Cess levied on your tax liability has been hiked by 1 percent from the current 3 percent to 4 percent.

Part II

Appendix for Changes in Check your Progress

Changes in answers of all Check your Progress (CYP) exercises of four blocks have been made as per the amendments in the Act made upto A.Y. 2008-2009. Students are advised to change the answers given in all blocks accordingly.

Block – 1

- 1) No change.

Block – 2

- 2) Unit - 5. CYP (A) Q 5 (iii) False

Block – 3

- 3) No change.

Block – 4

- 4) Unit – 11CYP, Q1, (a) Medical Insurance Premium
- 5) Unit – 11CYP, Q1, (c) pension fund shall be lower of the following amount
 - (1) Amount of contribution or (ii) Rs. 100.000

Note:- For further reference you can read the income tax books relevant for A.Y. -2020-21. The books list is given in your study material at the end of each block.