



INCOME TAX ALERT

N. A. SHAH **BULLETIN**

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EXECUTIVE SUMMARY

- In view of considerable disputes relating to computation of 14A disallowance, the Hon'ble Finance Minister in his budget speech delivered on 29.02.2016, proposed to rationalize the computation of 14A disallowance as prescribed in Rule 8D of Rules. CBDT has now vide notification no. 43 dated 02.06.2016 amended rule 8D.
- Finance Bill 2016 introduced new levy viz., Equalisation Levy however rules governing the same were not notified. CBDT has now vide notification no. 38 dated 27.05.2016 notified certain rules in relation to Equalisation Levy.

Notification No. SO 1949(E) [F.NO.370142/7/2016-TPL]dated 02.06.2016

- a. CBDT has vide notification no. 43 dated 02.06.2016, amended Rule 8D of Rules providing that disallowance u/s. 14A of the Income-tax Act, 1961 would be a sum of the following amounts:
- The amount of expenditure directly relating to exempt income
 - an amount equal to one per cent of the annual average of the monthly averages of the opening and closing balances of the value of investment, income from which does not or shall not form part of total income
- b. It is also provided that the above disallowance shall not exceed the actual expenditure claimed by the assessee.

Highlights of Equalisation Levy Rules, 2016:

- The amount of Equalisation levy shall be paid by remitting it into the RBI or in any branch of SBI or any authorized bank accompanied by an equalization levy challan.
- The statement of specified services shall be furnished in Form 1 on or before 30th June immediately following the financial year either electronically under digital signature or electronically through electronic verification code.
- Where the assessee fails to furnish the statement of specified services, the Assessing Officer may issue a notice of demand in Form no. 2 specifying the sum so payable. The Assessing Officer may give thirty days' time to file the statement of specified services.
- An appeal shall be made to CIT (Appeals) in Form No. 3 with the accompanying documents either electronically under digital signature or electronically through electronic verification code.
- The form of the appeal shall be verified by the persons authorized to verify the statement of specified services.
- An appeal shall be made to ITAT in Form No. 4 and the form of the appeal, the grounds of the appeal and the form of verification appended thereto shall be signed by the authorized person.

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