

GOVERNMENT GRANTS FURTHER EXTENSION IN TIMELINES OF COMPLIANCES. ALSO ANNOUNCES TAX EXEMPTION FOR EXPENDITURE ON COVID TREATMENT AND EX-GRATIA RECEIVED ON DEATH DUE TO COVID

PRESS RELEASE, DATED 25-6-2021

A. Tax exemption

I. Many taxpayers have received financial help from their employers and well-wishers for meeting their expenses incurred for treatment of Covid-19. In order to ensure that no income tax liability arises on this account, it has been decided to provide income-tax exemption to the amount received by a taxpayer for medical treatment from employer or from any person for treatment of Covid-19 during FY 2019-20 and subsequent years.

II. Unfortunately, certain taxpayers have lost their life due to Covid-19. Employers and well-wishers of such taxpayers had extended financial assistance to their family members so that they could cope with the difficulties arisen due to the sudden loss of the earning member of their family. In order to provide relief to the family members of such taxpayer, it has been decided to provide income-tax exemption to ex-gratia payment received by family members of a person from the employer of such person or from other person on the death of the person on account of Covid-19 during FY 2019-20 and subsequent years. The exemption shall be allowed without any limit for the amount received from the employer and the exemption shall be limited to Rs. 10 lakh in aggregate for the amount received from any other persons.

Necessary legislative amendments for the above decisions shall be proposed in due course of time.

B. Extension of Timelines

In view of the impact of the Covid-19 pandemic, taxpayers are facing inconvenience in meeting certain tax compliances and also in filing response to various notices. In order to ease compliances to be made by taxpayers during this difficult time, reliefs are being provided through Notifications nos. 74/2021 & 75/2021 dated 25th June, 2021 Circular no. 12/2021 dated 25th June, 2021. These reliefs are:

- (1) Objections to Dispute Resolution Panel (DRP) and Assessing Officer under section 144C of the Income-tax Act, 1961 (hereinafter referred to as "the Act") for which the last date of filing under that section is 1st June, 2021 or thereafter, may be filed within the time provided in that section or by 31st August, 2021, whichever is later.
- (2) The Statement of Deduction of Tax for the last quarter of the Financial Year 2020-21, required to be furnished on or before 31st May, 2021 under Rule 31A of the Income-tax Rules, 1962 (hereinafter referred to as "the Rules"), as extended to 30th June, 2021 vide Circular No. 9 of 2021, may be furnished on or before 15th July, 2021.
- (3) The Certificate of Tax Deducted at Source in Form No. 16, required to be furnished to the employee by 15th June, 2021 under Rule 31 of the Rules, as extended to 15th July, 2021 vide Circular No. 9 of 2021, may be furnished on or before 31st July, 2021.
- (4) The Statement of Income paid or credited by an investment fund to its unit holder in Form No. 64D for the Previous Year 2020-21, required to be furnished on or before 15th June, 2021 under Rule 12CB of the Rules, as extended to 30th June, 2021 vide Circular No. 9 of 2021, may be furnished on or before 15th July, 2021.
- (5) The Statement of Income paid or credited by an investment fund to its unit holder in Form No. 64C for the Previous Year 2020-21, required to be furnished on or before 30th June, 2021 under Rule 12CB of the Rules, as extended to 15th July, 2021 vide Circular No. 9 of 2021, may be furnished on or before 31st July, 2021.
- (6) The application under section 10(23C), 12AB, 35(1)(ii)/(iia)/(iii) and 80G of the Act in Form No. 10A/Form No. 10AB, for registration/provisional registration/intimation/approval/provisional approval of Trusts/Institutions/Research Associations etc., required to be made on or before 30th June, 2021, may be made on or before 31st August, 2021.
- (7) The compliances to be made by the taxpayers such as investment, deposit, payment, acquisition, purchase, construction or such other action, by whatever name called, for the purpose of claiming any exemption under the provisions contained in Section 54 to 54GB

of the Act, for which the last date of such compliance falls between 1st April,2021 to 29th September, 2021 (both days inclusive), may be completed on or before 30th September, 2021.

(8) The Quarterly Statement in Form No. 15CC to be furnished by authorized dealer in respect of remittances made for the quarter ending on 30th June, 2021, required to be furnished on or before 15th July, 2021 under Rule 37 BB of the Rules, may be furnished on or before 31st July, 2021.

(9) The Equalization Levy Statement in Form No. 1 for the Financial Year 2020-21, which is required to be filed on or before 30th June, 2021, may be furnished on or before 31st July, 2021.

(10) The Annual Statement required to be furnished under sub-section (5) of section 9A of the Act by the eligible investment fund in Form No. 3CEK for the Financial Year 2020-21, which is required to be filed on or before 29th June, 2021, may be furnished on or before 31st July, 2021.

(11) Uploading of the declarations received from recipients in Form No. 15G/15H during the quarter ending 30th June, 2021, which is required to be uploaded on or before 15th July, 2021, may be uploaded by 31st August,2021.

(12) Exercising of option to withdraw pending application (filed before the erstwhile Income-tax Settlement Commission) under sub-section (1) of Section 245M of the Act in Form No. 34BB, which is required to be exercised on or before 27th June, 2021, may be exercised on or before 31st July, 2021.

(13) Last date of linkage of Aadhaar with PAN under section 139AA of the Act, which was earlier extended to 30th June, 2021 is further extended to 30th September, 2021.

(14) Last date of payment of amount under Vivad se Vishwas(without additional amount) which was earlier extended to 30th June, 2021 is further extended to 31st August, 2021.

(15) Last date of payment of amount under Vivad se Vishwas (with additional amount) has been notified as 31st October, 2021.

(16) Time Limit for passing assessment order which was earlier extended to 30th June, 2021 is further extended to 30th September, 2021.

(17) Time Limit for passing penalty order which was earlier extended to 30th June, 2021 is further extended to 30th September, 2021.

(18) Time Limit for processing Equalisation Levy returns which was earlier extended to 30th June, 2021 is further extended to 30th September, 2021.

INCOME TAX AMENDMENT (EIGHTEENTH AMENDMENT), RULES, 2021 - AMENDMENT IN RULE 8AA AND INSERTION OF RULE 8AB AND FORM NO. 5C

NOTIFICATION NO. G.S.R. 470(E) [NO. 76/2021/F. NO. 370142/22/2021-TPL], DATED 2-7-2021

In exercise of the powers conferred by section 48 read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct taxes hereby makes the following rules further to amend the Income-tax Rules,1962, namely:

Short title

1. (1)These rules may be called the Income-tax Amendment (18th Amendment), Rules, 2021.

2. In the Income-tax Rules, 1962, (hereinafter referred to as the principal rules) in rule 8AA, after sub-rule (4), the following sub-rule shall be inserted, namely:-

“(5). In case of the amount which is chargeable to income-tax as income of specified entity under sub-section (4) of section 45 under the head “Capital gains”,—

(i) the amount or a part of it shall be deemed to be from transfer of short term capital asset, if it is attributed to,-

(a) capital asset which is short term capital asset at the time of taxation of amount under sub-section (4) of section 45; or

(a) capital asset forming part of block of asset; or

(b) capital asset being self-generated asset and self-generated goodwill as defined in clause (ii) of Explanation 1 to sub-section (4) of section 45; and

(ii) the amount or a part of it shall be deemed to be from transfer of long term capital asset or assets, if it is attributed to capital asset which is not covered by clause (i) and is long term capital asset at the time of taxation of amount under sub-section (4) of section 45.”.

3. In the principal rules, after rule 8AA, the following rule shall be inserted, namely: —

“8AB. Attribution of income taxable under sub-section (4) of section 45 to the capital assets remaining with the specified entity, under section 48.—

(1) For the purposes of clause (iii) of section 48, where the amount is chargeable to income-tax as income of specified entity under sub-section (4) of section 45, the specified entity shall attribute such amount to capital asset remaining with the specified entity in a manner provided in this rule.

(2) Where the aggregate of the value of money and the fair market value of the capital asset received by the specified person from the specified entity, in excess of the balance in his capital account, chargeable to tax under sub-section (4) of section 45, relates to revaluation of any capital asset or valuation of self-generated asset or self-generated goodwill, of the specified entity, the amount attributable to the capital asset remaining with the specified entity for purpose of clause (iii) of section 48 shall be the amount which bears to the amount charged under sub-section (4) of section 45 the same proportion as the increase in, or recognition of, value of that asset because of revaluation or valuation bears to the aggregate of increase in, or recognition of, value of all assets because of the revaluation or valuation.

(3) Where the aggregate of the value of money and the fair market value of the capital asset received by the specified person from the specified entity, in excess of the balance in his capital account, charged to tax under sub-section (4) of section 45 does not relate to revaluation of any capital asset or valuation of self-generated asset or self-generated goodwill, of the specified entity, the amount charged to tax under sub-section (4) of section 45 shall not be attributed to any capital asset for the purposes of clause (iii) of section 48.

(4) Notwithstanding anything contained in sub-rules (2) or (3), where the aggregate of the value of money and the fair market value of the capital asset received by the specified person from the specified entity, in excess of the balance in his capital account, charged to tax under sub-section (4) of section 45 relate only to the capital asset received by the specified person from the specified entity, the amount charged to tax under sub-section (4) of section 45 shall not be attributed to any capital asset for the purposes of clause (iii) of section 48.

(5) The specified entity shall furnish the details of amount attributed to capital asset remaining with the specified entity in Form No. 5C.

(6) Form No. 5C shall be furnished electronically either under digital signature or through electronic verification code and shall be verified by the person who is authorised to verify the return of income of the specified entity under section 140.

(7) Form No. 5C shall be furnished on or before the due date referred to in the Explanation 2 below sub-section (1) of section 139 for the assessment year in which the amount is chargeable to tax under sub-section (4) of section 45.

(8) The Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems), as the case may be, shall —

(i) specify the procedure for filing of Form No. 5C;

(ii) specify the procedure, format, data structure, standards and manner of generation of electronic verification code, referred to in sub-rule (6), for verification of the person furnishing the said Form; and

(iii) be responsible for formulating and implementing appropriate security, archival and retrieval policies in relation to the Form No 5C so furnished.

Explanation 1: For the purposes of this rule, the amount chargeable to tax under sub-section (4) of section 45 shall relate to revaluation of any capital asset or valuation of self-generated asset or self-generated goodwill, of the specified entity, if the revaluation is based on a valuation report obtained from a registered valuer as defined in clause (g) of rule 11U.

Explanation 2: For the removal of doubt it is clarified that revaluation of an asset or valuation of self-generated asset or self-generated goodwill does not entitle the specified entity for the depreciation on the increase in value of that asset on account of its revaluation or recognition of the value of self-generated asset or self-generated goodwill due to its valuation.

Explanation 3: For the purposes of this rule, the expressions “self-generated asset” and “self-generated goodwill” shall have the same meaning as assigned to them in clause (ii) of Explanation 1 to sub-section (4) of section 45.”.

4. In the principal rules, in Appendix II, after Form No. 5B, Form 5C shall be inserted.

INCOME TAX AMENDMENT (NINETEENTH AMENDMENT), RULES, 2021 - INSERTION OF RULE 8AC

NOTIFICATION G.S.R. 472(E) [NO. 77/2021/F. NO. 370142/23/2021-TPL], DATED 7-7-2021

In exercise of the powers conferred by proviso to section 50 read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:

Short title

1. These rules may be called the Income-tax Amendment (19th Amendment), Rules, 2021.

2. In the Income-tax Rules, 1962, after rule 8AB, the following rules shall be inserted, namely:—

“8AC. Computation of short term capital gains and written down value under section 50 where depreciation on goodwill has been obtained.

(1) For the purposes of proviso to section 50, the written down value of the block of the asset and short term capital gains, if any, for the previous year relevant to the assessment year commencing on the 1st day of April, 2021 shall be determined in accordance with this rule.

(2) Where the goodwill of the business or profession was the only asset or one of the assets in the block of asset “intangible” for which depreciation was obtained by the assessee in the assessment year beginning on the 1st day of April, 2020, the written down value of this block of asset for the previous year relevant to the assessment year commencing on the 1st day of April, 2021 shall be determined in accordance with the provisions of item (ii) of sub-clause (c) of clause (6) of section 43.

(3) Where the reduction under sub-item (B) of item (ii) of sub-clause (c) of clause (6) of section 43, for the previous year relevant to the assessment year commencing on the 1st day of April, 2021, exceeds the aggregate of the following amounts, namely:—

(i) the written down value of the block of assets at the beginning of the previous year relevant to the assessment year commencing on the 1st day of April, 2021 without giving effect to reduction under sub-item (B) of item (ii) of sub-clause (c) of clause (6) of section 43; and

(ii) the actual cost of any asset falling within the block of assets “intangible”, other than goodwill, acquired during the previous year relevant to the assessment year commencing on the 1st day of April, 2021, such excess shall be deemed to be the capital gains arising from the transfer of short-term capital assets.

(4) Without prejudice to the provisions of sub-rule (3) and section 55, where the goodwill of the business or profession was the only asset in the block of asset “intangible” for which depreciation was obtained by the assessee in the assessment year beginning on the 1st day of April, 2020, and the block of asset ceases to exist on account of there being no further asset acquired during the previous year relevant to the assessment year commencing on the 1st day of April, 2021 in that block, there will not be any capital gains or loss on account of the block of asset having ceased to exist.

(5) The capital gains or loss on transfer of goodwill, during the previous years relevant to the assessment year 2021-22 or subsequent assessment years, shall be determined in accordance with the provisions of section 48, section 49 and clause (a) of sub-section (2) of section 55.”

CBDT GRANTS FURTHER RELAXATION IN ELECTRONIC FILING OF INCOME TAX FORMS 15CA/15CB

PRESS RELEASE, DATED 20-7-2021

In view of the difficulties reported by taxpayers in electronic filing of Income-tax Forms 15CA/15CB on the portal www.incometax.gov.in, it had earlier been decided by CBDT that taxpayers could submit Forms 15CA/15CB in manual format to the authorized dealer till 15th July, 2021.

It has now been decided to extend the aforesaid date to 15th August, 2021. In view thereof, taxpayers can now submit the said Forms in manual format to the authorized dealers till 15th August, 2021. Authorized dealers are advised to accept such Forms till 15th August, 2021 for the purpose of foreign remittances. A facility will be provided on the new e-filing portal to upload these forms at a later date for the purpose of generation of the Document Identification Number.