

PAPER 3A: INCOME TAX LAW
STATUTORY UPDATE FOR JANUARY 2025 EXAMINATION

The June, 2023 edition of the Study Material, based on the provisions of income tax law as amended by the Finance Act, 2023 and notifications/circulars issued upto 30th April, 2023 is relevant for January, 2025 Examination. The relevant assessment year for January, 2025 examination is A.Y.2024-25. The significant notifications/circulars issued between 1.5.2023 and 30.06.2024, which are also relevant for January, 2025 examination, have been summarised hereunder -

Chapter No.	Chapter Name	Details of Notifications/Circulars
3	Unit 1: Salaries	Determination of value of rent free accommodation [Notification No. 65/2023 dated 18.8.2023 and Notification No. 72/2023 dated 29.08.2023]
	Unit 3: Profits and gains of business or profession	Time limit prescribed for furnishing statement of expenditure eligible for amortisation under section 35D [Notification No. 54/2023 dated 01.8.2023]
	Unit 4: Income from Other Sources	Guidelines u/s 10(10D) of the Income-tax Act, 1961 [Circular No. 15/2023 dated 16.08.2023]
		Manner of computation of taxable income from LIP under section 56(2)(xiii) [Notification No. 61/2023 dated 16.08.2023]
7	Advance Tax, Tax Deduction at Source and Tax Collection at Source	Interest on deposit with post office under a scheme eligible for non-deduction of tax at source under section 194A notified by the Central Government [Notification No. 27/2023 dated 16.05.2023]
		Guidelines to remove difficulties arising in implementation of the provisions of section 194BA [Circular No. 5/2023 dated 22.5.2023]
		Guidelines to remove difficulty in implementation of changes relating to Tax Collection at Source (TCS) on Liberalised Remittance Scheme (LRS) and on purchase of overseas tour program package [Circular No. 10/2023 dated 30.06.2023]
		Reserve Bank of India (RBI) excluded from the definition of specified person liable for deduction or collection of tax at higher rate [Notification No. 45/2024 and 46/2024 dated 27.5.2024]
8	Provisions for filing Return of Income and Self Assessment	Rule 114B, 114BA and 114BB relating to PAN amended [Notification No. 88/2023 dated 10.10.2023]
		Circular No. 3/2023 dated 28.03.2023 has been partially modified to provide relief to tax deductors and tax collectors for failure to deduct or collect tax at a higher rate, which applies as a consequence of failing to link Aadhaar with PAN, resulting inoperative of PAN [Circular No. 6/2024 dated 23.04.2024]

The above notifications and circulars are discussed hereunder:

CHAPTER 7 ADVANCE TAX, TAX DEDUCTION AT SOURCE AND TAX COLLECTION AT SOURCE

Reserve Bank of India (RBI) excluded from the definition of specified person liable for deduction or collection of tax at higher rate [Notification No. 45/2024 and 46/2024 dated 27.5.2024]

Section 206AB requires to deduct tax at source at the higher of

- twice the rate prescribed in the Act or
- twice the rate or rates in force mentioned in the Finance Act or
- at 5%

under certain sections on any sum or income or amount paid, or payable or credited by a person to a specified person.

Similarly, section 206CCA requires to collect tax at source at the higher of twice the rate prescribed in the Act or at 5% under certain sections on any sum or amount received by a person from a specified person.

Specified person is a person who has not furnished the return of income for assessment year relevant to the previous year immediately preceding the financial year in which tax is required to be deducted/ collected, as the case may be, for which the time limit for furnishing the return of income under section 139(1) has expired, and the aggregate of tax deducted at source and tax collected at source in his case is ₹ 50,000 or more in the said previous year.

However, the specified person, inter alia, would not include a person who is not required to furnish the return of income for the assessment year relevant to the said previous year and is notified by the Central Government.

Accordingly, the CBDT has, vide Notification No. 45 and 46 dated 27.5.2024, notified the RBI as a person to not include in the definition of specified person.

CHAPTER 8 PROVISIONS FOR FILING RETURN OF INCOME AND SELF ASSESSMENT

Circular No. 3/2023 dated 28.03.2023 has been partially modified to provide relief to tax deductors and tax collectors for failure to deduct or collect tax at a higher rate, which applies as a consequence of failing to link Aadhaar with PAN, resulting inoperative of PAN [Circular No. 6/2024 dated 23.04.2024]

Rule 114AAA(3) details the consequences of PAN becoming inoperative. These consequences include no tax refunds, no interest on refunds, and higher rates for TDS (under section 206AA) and TCS (under section 206CC). As per Rule 114AAA(4), these consequences would be effective for the period commencing from the date specified by the Board till the date it becomes operative.

Accordingly, the CBDT had, vide Circular No. 3/2023 dated 28.03.2023, specified that the consequences mentioned in Rule 114AAA(3) will be effective from 1.7.2023 continue till the PAN becomes operative.

Several grievances have been received from the taxpayers, reported receiving notices for short-deduction or collection of TDS/TCS while carrying out the transactions where the PANs of the deductees/collectees were inoperative. In such cases, as the deduction/collection has not been made at a higher rate, demands have been raised by the Department against the deductors/collectors while processing of TDS/TCS statements under section 200A or under section 206CB, as the case maybe.

To address these grievances, the CBDT has partially modified Circular No. 3/2023. Accordingly, the CBDT has, vide this Circular, specified that for the transactions entered into upto 31.03.2024 and in cases where the PAN becomes operative (as a result of linkage with Aadhaar)

on or before 31.05.2024, deductor/collector is not liable to deduct/collect tax at source at higher rate under section 206AA/ 206CC.