



throwing light

Finance Act 2008

The Finance Act 2008 has proposed the following further amendments to the Income Tax Law :-

Deduction u/s 10 A (for units located in a Free Trade Zone) and u/s 10B (for 100% Export Oriented Units) will now be available upto the year ending 31st March 2010. Earlier the said deduction was available only for profits upto the year ended 31st March 2009.

Disallowance of expenses u/s 40a(ia) for non deduction of TDS or failure to pay TDS on time:-

In respect of all cases where tax was deductible in March, there will be no disallowance u/s 40a(ia) provided the tax has been deducted and paid before the due date of filing the tax return. If the tax is paid thereafter, then the said expense will be disallowed and will be subsequently allowed in the year when the tax has actually been paid.

In respect of all other cases where tax was deductible otherwise than in March, there will be a disallowance u/s 40a(ia) if the tax has not been paid before the end of the year.

This amendment is retrospective in nature and is applicable from A Y 2005-06. In all cases where amounts have been offered for disallowance or assessment have been completed, the same must be revisited to determine the next course of action.

TDS on rental income u/s 194I

The CBDT has clarified by way of a circular that tax u/s 194I is to be deducted on rental income excluding the service tax component therein since service tax is not the recipient's income.