

CORPORATE UPDATE

FOR CLIENT CIRCULATION ONLY

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INCOME TAX

I. Amendments in Form 2E

The Central Board of Direct Taxes (CBDT) has amended Form no. 2E – 'Naya Saral' – Income Tax Return form for Individuals / HUF not having income from Business or Profession or Capital Gains or Agricultural Income. The amendment is carried out vide notification no. 165/2005 dated 20.06.2005.

Specimen of the amended Form is attached herewith. The amended form may be used hereinafter by the above specified assesseees for filing their income tax return for the Assessment Year 2005-2006.

II. New Challan No. 283 Introduced

Challan no. 283 has been introduced for depositing Banking Transaction Tax (Major Head 0036) and Fringe benefit Tax (Major Head 0026) with the Govt. Treasury.

III. Introduction of New Rule 29D

Vide Notification No 163/2005 dtd 17.06.2005, CBDT has introduced Rule 29D prescribing Rules for furnishing a declaration by subcontractor, being an individual not owning more than two heavy goods carriages/trucks at any time during a financial year, for non-deduction of tax at source under second proviso to clause (i) of subsection (3) of section 194C.

Such declaration is required to be furnished to the Contractor in Form 15-I.

The particulars under the Third Proviso to clause (i) of subsection (3) of section 194C to be furnished by a contractor responsible for paying any sum to such subcontractor shall be in Form 15-J and shall be furnished to the authority prescribed under the Rules on or before 30th June following the financial year.

IV. Amendment in TDS/TCS Rules

CBDT has vide Notification No 178/2005 dtd 30.06.2005, amended various rules and forms relating to Tax Deduction at Source and Tax Collection at Source. Highlights of the amendments are as under:

1. Amendment in Rule 31A (Quarterly Statement of deduction of Tax (TDS) u/s 200(3)) and Rule 31AA (Quarterly Statement of collection of Tax (TCS) u/s 206C(3))

- Due date of filing TDS statement for the quarter ending 31st March has been changed to 15th June from 30th April.
- Income Tax Authority for furnishing Quarterly returns has been prescribed as "Director General of Income Tax

(Systems) or the person authorized by the Director General of Income Tax (Systems)".

- Every office of Government and every Company responsible for deduction / collection of tax at source shall furnish such Quarterly returns on computer media.
- TAN No and PAN No of the deductors are required to quoted on such Returns.
- PAN No of the deductee's are required to be quoted on such Returns.
- Returns on Computer media are required to be prepared as per the data structure provided by the e-filing administrator designated by the board for the purpose of administration of Electronic Filing of Returns.

2. Amendment in Rule 37A (Returns regarding tax deducted at source in case of Non Residents)

- Assessing officer for such returns has been prescribed as "Director General of Income Tax (Systems) or the person or agency authorized by the Director General of Income Tax (Systems)".
- Form 27 omitted and has been replaced by Form 27Q;

3. Amendment in Rule 36A (Income Tax authority for the purpose of section 200), Rule 37 (Prescribed returns regarding Tax deducted at source under section 206), Rule 37E (Prescribed returns regarding tax collected at source u/s 206 C(5A))

- Income Tax authority/Assessing officer has now been prescribed under the above Rules as “Director General of Income Tax (Systems) or the person or agency authorized by the Director General of Income Tax (Systems)”.

4. Amendment in Rule 31AB (Annual Statement of Tax deducted /Collected or paid)

- Income Tax authority/Assessing officer for furnishing such return has now been prescribed as “Director General of Income Tax (Systems) or the person or agency authorized by the Director General of Income Tax (Systems)”.
- Date of furnishing the Annual Statement by such authority has been changed to 31st July from 15th June.

5. Certain modifications have been made in Form 16, 16A, 16AA, issued by persons deducting tax at source.

V. Substitution of Rule 11A

CBDT has vide Notification No 177/2005 dtd 29th June 2005 amended Rule 11A. The amended Rule now defines Medical Authority authorized for certifying autism, cerebral palsy and multiple disabilities and the Form of Certificate to be obtained from the medical authority for the purposes of deduction under section 80DD and 80U.

New Form 10-IA has been introduced under the said Rule.

SERVICE TAX

Recent Notifications

1. Notification No. 15/2005 – Service Tax dated 07.06.2005: With the passing of the Finance Act 2005, the Central Government has notified provisions as proposed in the Budget 2005-06 in respect of service tax regulations with effect from 16.06.2005. The important provisions of the same are given below:

1.1 Nine new services as introduced in the Finance Act 2005 which are liable to service tax with effect from 16.06.2005 are as under:

<p>(1) Transport of goods other than water, through pipeline or other conduit;</p> <p>(2) Site formation and clearance, excavation, earth moving and demolition services;</p> <p>(3) Dredging services of rivers, ports, harbours, backwater and estuaries.</p> <p>(4) Survey and map-making;</p> <p>(5) Cleaning activity other than in relation to agriculture, horticulture, animal husbandry or dairying;</p> <p>(6) Membership of Clubs or Associations;</p> <p>(7) Packaging activity;</p> <p>(8) Mailing list compilation and mailing; and</p> <p>(9) Construction of residential complexes.</p> <p>The detailed scope of these new services has already been published in the 'Corporate Update' issue for the month of February 2005.</p> <p>1.2 Further, the scope of some of the existing services which has been extended by the Finance Act 2005 is also effective from 16.06.2005. These relate to :</p>	<p>(1) Commercial or industrial construction service to:</p> <p>(i) Include renovation of such building or civil structure</p> <p>(ii) Include post construction completion and finishing services for such building or civil structure</p> <p>(iii) Include construction, repair, alteration, renovation or restoration of pipeline or conduits.</p> <p>(2) Erection, commissioning or installation services to include specified installation services.</p> <p>(3) Maintenance or repair services to include</p> <p>(i) Maintenance or management of immovable properties</p> <p>(ii) Maintenance or repair including re-conditioning or restoration undertaken as part of any contract or agreement.</p> <p>(4) Broadcasting services to include charges recovered by broadcasting agencies from multisystem operator (MSO) and provision of direct to</p>
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<p>home (DTH) signals to the customers.</p> <p>(5) Sound recording to include recording of sound on any media and include post-production services such as sound mixing or re-mixing.</p> <p>(6) Video-tape production to include recording of any programme, event or function on any media and includes post production services.</p> <p>(7) Taxable services provided by authorized service station to include reconditioning or restoration of motor-cars, two-wheeled and light motor vehicles.</p> <p>(8) Beauty parlours service to include all services provided by beauty parlours.</p> <p>(9) Manpower recruitment service to include supply of manpower, temporary or otherwise.</p> <p>(10)The franchisee service to cover all agreements by which, the franchiser grants representational rights to franchisee to sell or manufacture goods or provide services identified with the franchiser.</p> <p>(11) Business Auxiliary Service to include production of processing of goods for or on behalf of the client.</p>	<p>(12)Outdoor catering service, to include catering from a place or premises provided, by way of tenancy or otherwise, by the person receiving such services.</p> <p>The details of the extended scope of these services have already been published in the 'Corporate Update' issue for the month of February 2005.</p> <p>1.3 Other important provisions as inserted by Finance Act 2005 effective from 16.06.2005 are briefly given below:-</p> <p>1.3.1 <u>Taxable Service</u></p> <p>(a) The scope of 'taxable service' has been extended to include "service to be provided" also. In other words, any advance received for services to be provided will also attract service tax at the time of such receipt.</p> <p>(b) 'Taxable Service' even if rendered from outside India to a recipient in India will also be subject to service tax.</p> <p>2. <u>Amendment in Export of Service Rules</u></p> <p><u>Notification No. 28/2005 – Service Tax dated 07.06.2005 – Export of Services (Amendment Rules, 2005) effective from 16.06.2005.</u></p>
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<p>2.1 The following are the salient features of the amendment:</p> <p>2.1.1 According to Rule 3(1) of the Export of Services Rules, 2005, the specified services relating to immovable property situated outside India shall qualify as export of services.</p> <p>According to the present amendment, such services will qualify as export of services provided :-</p> <p>(a) Such service is delivered outside India, and used in business or for any other purpose outside India, and</p> <p>(b) Payment for such service is received by the service provider in convertible foreign exchange.</p> <p>2.1.2 According to Rule 3(2) of the Export of Services Rules, 2005, the specified services as are performed outside India, wholly or partly, shall qualify as export of services.</p> <p>According to the present amendment, such services will qualify as export of services provided :-</p>	<p>(a) Such service is delivered outside India, and used in business or for any other purpose outside India, and</p> <p>(b) Payment for such service is received by the service provider in convertible foreign exchange.</p> <p style="text-align: center;">DATES TO REMEMBER</p> <ol style="list-style-type: none"> 1. The last date for filing TDS Statements for the quarter April, 2005 to June, 2005 is 31st July, 2005. 2. The last date for filing annual e-TCS return for the financial year 2004-05 is 31st July, 2005. 3. The last date for deposit of Advance Fringe Benefit Tax for the quarter April, 2005 to June, 2005 is 15th July, 2005. 4. The last date for filing income tax return by non corporate assesses and other persons whose accounts are not required to be audited is 31st July, 2005.
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