

[Major amendments in the Finance Bill, 2018 as passed by the Lok Sabha](#)

Matter	Proposed Finance Bill, 2018	Finance Bill, 2018 as passed by the Lok Sabha
<p>'Significant Economic Presence' even if agreement is entered into outside India</p>	<p>The Proviso to Explanation 2A to section 9 clarified that 'Significant Economic Presence' in India shall constitute 'Business Connection' in India, whether or not the non-resident has a residence or place of business in India or renders service in India.</p>	<p>The passed bill expands the scope of this proviso by adding that transactions or activities shall constitute significant economic presence in India whether or not the agreement for such transactions or activities is entered into in India.</p>
<p>Computation of actual cost of capital asset acquired on conversion of stock-in-trade</p>	<p>It was proposed that conversion of an inventory into capital asset shall be charged to tax as business income under Section 28. However, no corresponding provisions were introduced for computation of actual cost of acquisition of the capital asset so obtained on conversion of inventory.</p>	<p>The bill passed by the Lok Sabha, has now inserted a new Explanation 1A to Section 43 to provide that the FMV of the inventory as on the date of conversion shall be deemed to be the actual cost of capital asset in hands of business entity.</p>
<p>Streamlining provisions of section 48 and section 55 in case of taxation of long-term capital gains</p>	<p>The mechanism to compute long-term capital gains from listed equity shares was provided for in the provisions of Section 112A itself, instead of in other specific provisions.</p>	<p>The bill passed by the Lok Sabha, shifts a few provisions from Section 112A to Section 48 and Section 55. In the above scenario, the taxpayer is allowed to take the benefit of indexation of cost of acquisition of such unlisted equity shares which is otherwise not available for purpose of capital gains tax under Section 112A.</p>
<p>Withdrawal of Sec. 54EC exemption if bonds issued on or after 01-04-2018 are redeemed within 5 years</p>	<p>It was proposed to restrict the scope of exemption under Section 54EC only in respect of long-term capital gains arising from land or building or both. And increase the lock in period for investment from 3 years to 5 years. The bill didn't propose any amendment for reversal of exemption</p>	<p>The Finance Bill, 2018 as passed by Lok Sabha inserts a new proviso in section 54EC (2) that exemption shall be withdrawn if bonds issued on or after 01-04-2018 are transferred or redeemed within 5 years.</p>

	if these bonds are transferred or redeemed within 5 years.	
Amendment to section 80-IAC for requirement of threshold limit of turnover for Startups	It was proposed that the condition of 'turnover does not exceed Rs. 25 crores shall be checked in 7 previous years commencing from the date of incorporation.	The bill passed by Lok Sabha now provides that condition of 'turnover does not exceed Rs. 25 crores shall be checked in 7 previous years commencing from the previous year in which deduction under section 80-IAC is first claimed.
Only resident non-individual entity is required to obtain PAN	It was proposed amendment to Section 139A to provide that that every non-individual entity will have to obtain a PAN as its Unique Entity Number (UEN) if they enter into a financial transaction of an amount aggregating to Rs. 2.50 lakhs or more in a financial year.	The bill passed by Lok Sabha restricts the scope of this provision to only non-individual resident persons.
Valuation of securities held by bank or financial institution	It was proposed to amend Section 145A to provide that the inventory, being unlisted securities or securities listed but not quoted on a recognized stock exchange, shall be valued at actual cost initially recognized in accordance with the Income Computation and Disclosure Standards (ICDS). The inventories of other securities shall be valued at lower of actual cost or net realizable value in accordance with ICDS.	The Finance Bill, 2018 as passed by Lok Sabha has inserted a new proviso in section 145A to provide that the securities held by a scheduled bank or public financial institution shall be valued in accordance with ICDS after taking into account the extant guidelines issued by the RBI in this regard.
Amendments to the Government Savings Banks Act, 1873	No such provision was present in the proposed bill.	A new Section 14A has been proposed to be inserted in the said Act, whereby immunity has been provided from attachment of any amount standing credit to the account of any depositor in the Public Provident Fund Scheme from any decree or order of any court in respect of any debt or liability incurred by the depositor.

Best Regards,

"IBA Team"

New Delhi (Head Office)

S-217, Panchsheel Park
New Delhi – 110017
Tel - +91-11-40946000

Mumbai

1102 Peninsula Business Park,
Tower B, SB Road, Lower Parel
Mumbai - 400013

Bangalore

Golden Square Serviced Office,
1101, 24th Main, JP Nagar, 1st
Phase, Bangalore – 560078

For more information kindly visit our website www.ibadvisors.co

You can also follow us at:

