

TAX CHAT - Updates



Monthly Newsletter from SSJCO

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Dear Madam / Sir,

Ganapati Bappa Morya

It is time to welcome Vigna Harta Shree Ganesh who will be coming on this Wednesday to bless all of us.

The coming month is full of festivals and celebrations along with lots of compliances under the income tax front. By doing this Prabhu is giving us a message that
"do your work as celebration".

Over the last couple of years we find that there is a stricter compliances is being provided under the Income Tax Law for charitable trusts. Somewhere this is required also, as once a fund is given or provided to a charitable institution, it is a public fund and it has to be utilized for the benefit of the public at large. Therefore, full transferency has to be there.

As in the earlier months, in this edition of Tax Chat, we are attempting to summarize some of these updates in direct taxes.

Rishabh has beautifully articulated his thoughts on "Term insurance v/s Home loan insurance, which is a better bet for you to protect your home loan".

Trust you will find this edition useful and as in all these years, we will be happy to receive your valuable inputs for improvement.

Happy Reading!
Stay Safe, Connected & Updated

With Regards,
Team - S S Jhunjunwala & Co

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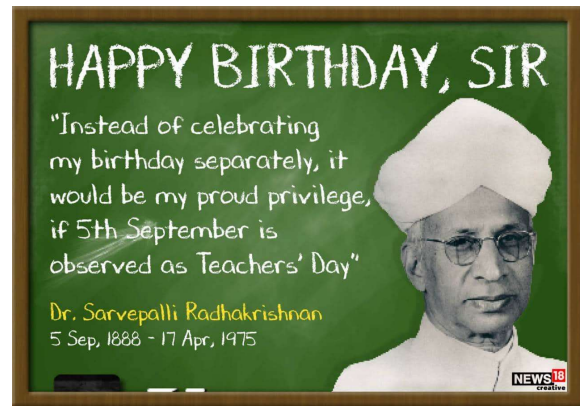
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**Circulars, Notifications and Others:**

(Compiled by: Ms Sonakshi Jhunjhunwala)

1. CBDT notifies procedures for allotment of PAN to an LLP incorporated by filing of Form FiLLip: Notification No. 04 of 2022, dated 26th July, 2022:

The Permanent Account Number (PAN) is a ten-digit alphanumeric number, issued for the purpose of identification of a taxpayer. PAN has to be mentioned in all communications with the Income-tax Dept. and in specified financial transactions which exceed the threshold limit.

A resident person can apply for PAN in Form No. 49A and a foreign citizen can apply in Form No. 49AA. As per proviso to Rule 114(1) an applicant may apply for allotment of a permanent account number through a common application form notified by the Central Government in the Official Gazette, and the Principal Director General of Income Tax (Systems) or Director General of Income-tax (Systems) shall specify the classes of persons, forms and format along with the procedure for the safe and secure transmission of such forms and formats in relation to furnishing of PAN.

In exercise of such power, CBDT has notified that the application for allotment of PAN will be filed in Form FiLLip by a newly incorporated LLP with the MCA. After the generation of the LLP Identification Number, the MCA will forward the data in Form 49A to the Income-tax authority under its digital signature.

2. OECD releases Report by Forum on Harmful Tax Practices on 12 nominal or no tax jurisdictions including UAE, BVI & Cayman Islands: Press Release dated 27th July, 2022:

OECD releases Report by Forum on Harmful Tax Practices (FHTP)'s new conclusions agreed upon in its April 2022 meeting on 12 regimes as part of the implementation of the BEPS Action 5 minimum standard on harmful tax practices. As part of the standard on substantial activities requirements in no or only nominal tax jurisdictions, the FHTP undertakes an annual monitoring exercise, commencing from 2021, to assess whether the standard operates effectively in practice. In its first annual monitoring process, FHTP reviewed 12 jurisdictions including British Virgin Islands (BVI), Cayman Islands, Isle of Man, Jersey, Bahamas and United Arab Emirates (UAE). In the Report FHTP makes recommendations for substantial improvement for four jurisdictions (Anguilla, the Bahamas, Barbados and the Turks and Caicos Islands) and also identifies the areas for focused monitoring for another four jurisdictions (Bahrain, Bermuda, the British Virgin Islands and the Cayman Islands). The Report identifies no issues for Guernsey, Jersey, the Isle of Man and the UAE. The OECD Press Release apprises that the next annual monitoring will take place over the second half of this year and the FHTP will then consider whether the overall compliance of jurisdictions is still satisfactory, particularly for those jurisdictions for which recommendations for substantial improvement were made. The update provided by FHTP also covers new results on preferential regimes, apprises that Eswatini and Honduras made government commitments, and therefore, three regimes are now in the process of being amended/eliminated. States that four regimes have been amended to be in line with the standard and are now not harmful (Costa Rica, Greece and Kazakhstan) and that Italy abolished its patent box regime. Updates that three regimes were concluded as potentially harmful (Armenia – Free Economic Zones and IT projects and Pakistan), while one new regime from Cabo Verde is under review and the FHTP will assess at its next meeting if these regimes are actually harmful.

3. CBDT Reduces time limit for verification of ITR filed on or after 1st August, 2022 from 120 days to 30 days of transmitting the data of ITR electronically: Notification No. 5 of 2022 dated 29th July, 2022:

Where ITR data is electronically transmitted but e-verified or ITR-V submitted beyond the time limit of 30 days of transmission of date, in such cases the date of e-verification/ITR-V submission shall be treated as the date of furnishing the return of income and all consequences of late filing of return under the Act shall follow.

4. Govt. notifies Bullion Depository Receipts for Section 47(viiab) exemption: Notification No. 89 of 2022 dated 3rd August, 2022:

Central Government notifies 'Bullion Depository Receipt with underlying bullion' for the purpose of exemption under Section 47(viiab) by amending earlier Notification No. 16 of 2022 dated 5th March, 2022 in exercise of powers contained in Section 47(viiab)(d).

Section 47 of the Act provides list of transactions not regarded as transfer for the purposes of capital gains. This sub-section deals with transfer of capital asset by a non-resident on a recognized stock exchange located in any International Financial Service Centre (IFSC) and where the consideration for such transaction is paid or payable in foreign currency.

Sub-clause (d) provided the powers to the Central Government to notify any other security under this sub-section and accordingly now Bullion Depository Receipts with underlying bullion is notified under this clause (d).

Thus, transfer of Bullion Depository Receipts with underlying bullion as a capital asset by a non-resident on a recognized stock exchange located in any IFSC and consideration is paid or payable in foreign currency then it will not be liable for capital gain tax in India.

5. Australia Taxation Office (ATO) releases Consultation paper on thin capitalization, royalty and intangibles deduction rules, invites comments:

Australian Taxation Office (ATO) releases consultation paper on 'Multinational tax integrity and enhanced tax transparency'. ATO seeks consultation on

- The implementation of proposals to thin capitalization - amend Australia's existing thin capitalization rules to limit interest deductions for MNEs in line with the OECD's recommended approach under Action 4 of BEPS program.
- Seeks consultation on proposal to introduce a new rule limiting MNEs' ability to claim tax deductions for payments relating to intangibles and royalties that lead to insufficient tax paid.
- Seeks consultation on proposal to ensure enhanced tax transparency by MNEs through measures such as public reporting of certain tax information on a country-by-country basis, mandatory reporting of material tax risks to shareholders and requiring tenderers for Australian Government contracts to disclose their country of tax domicile.

With the said changes contemplated in this paper, ATO seeks to target activities deliberately designed to minimize tax, while considering the need to attract and retain foreign capital and investment in Australia, limit potential additional compliance cost considerations for business and continue to support genuine commercial activity. ATO highlights that the *“said consultation paper complements the Government’s other MNE tax initiatives, including Australia’s ongoing participation in negotiations on the OECD ‘two-pillar’ solution to address the tax challenges of the digitalization of the economy, which includes a 15 per cent global minimum effective tax rate on the profits of large MNEs”*.

ATO invites comments on this paper up until 02 September 2022.

6. CBDT notifies Form Nos. 1 & A to be furnished by person claiming COVID-19 tax exemptions: Notification No. 91 & 92 of 2022, dated 5th August, 2022:

Section 56(2)(x), inter-alia, provides that where any person receives any sum of money, without consideration and the aggregate value of such sum exceeds Rs. 50,000, then the whole of the aggregate value of such sum shall be chargeable to tax under the head income from other sources.

However, certain exceptions have been provided in this respect under proviso to said section. The Finance Act, 2022 had inserted two new clauses, i.e., Clause (XII) and Clause (XIII) under the said proviso,

Clause (XII) provides that any sum of money received by an individual, from any person, in respect of any expenditure actually incurred by him on his medical treatment or treatment of any member of his family in respect of any illness related to COVID-19, shall not be considered as income of such person.

Clause (XIII) provides that where any sum of money received by family member of a person who died due to COVID-19, the money so received shall not be considered as income of the family member where such money is received from the employer of deceased person. If the money is received from any other person, the exemption amount shall be limited to Rs. 10 lakh in aggregate.

However, the benefit of both the clauses shall be allowed subject to certain conditions as may be notified by the Government on this behalf. The Board has notified the following conditions in this regard:

1. For the purpose of Clause (XII)

An individual shall be required to keep a record of the following document:

- a) The COVID-19 positive report of the individual or his family member, or medical report if clinically determined to be COVID-19 positive through investigations in a hospital or an in-patient facility by a treating physician for a person so admitted; and
- b) All necessary documents of medical diagnosis or treatment of the individual or family member due to COVID-19 or illness related to COVID-19 suffered within six months from the date of being determined as a COVID-19 positive.

Such an individual shall be required to furnish a statement in Form No. 1 in respect of any amount received for any expenditure actually incurred by him for medical treatment or treatment of any member of his family for any illness related to COVID-19.

The statement in Form no. 1 shall be furnished to the Income-tax Dept. within 9 months from the end of such financial year or 31.12.2022, whichever is later.

2. For the purpose of Clause (XIII)

To claim the benefit of exemption, the death of the individual should be within six months from the date of testing positive or from the date of being clinically determined as a COVID-19 case, for which any sum of money has been received by the member of the family.

The family member of the individual shall keep a record of the following document:

- a) COVID-19 positive report of the individual, or medical report if clinically determined to be COVID-19 positive through investigations in a hospital or an inpatient facility by a treating physician;
- b) A medical report or death certificate issued by a medical practitioner or a Government civil registration office, in which it is stated that the death of the person is related to coronavirus disease (COVID-19).

Further, the family member of the individual shall be required to furnish a statement in Form No. A in respect of any sum of money received on death of

such individual. Form No. A shall be furnished to Assessing Officer within 9 months from the end of such Financial Year or 31-12-2022 whichever is later.

7. CBDT notifies list of documents to be submitted by employee to claim exemption on sum received for COVID-19 treatment: Notification No. 90 of 2022, dated 5th August, 2022:

Finance Act, 2022 had inserted a new sub-clause (c) under clause (ii) of the first proviso to section 17(2) to provide that any sum paid by the employer in respect of any expenditure actually incurred by the employee on his medical treatment or treatment of any member of his family in respect of any illness relating to Covid-19, shall not be taxable as perquisite in the hands of the employee.

CBDT has notified conditions that shall be fulfilled by the employee seeking the benefit of this sub-clause. To claim the benefit, an employee is required to submit the following documents to the employer:

- a) The COVID-19 positive report of the employee or family member, or medical report if clinically determined to be COVID-19 positive through investigations, in a hospital or an in-patient facility by a treating physician of a person so admitted;
- b) All necessary documents of medical diagnosis or treatment of the employee or his family member for COVID-19 or illness related to COVID-19 suffered within six months from the date of being determined as COVID-19 positive; and
- c) A certification in respect of all expenditure incurred on the treatment of COVID-19 or illness related to COVID-19 of the employee or of any member of his family.

The notification shall be deemed to have come into force from Assessment Year 2020-21.

8. CBDT notifies books & other documents to be maintained by entities under Section 10(23C)/12A: Notification No. 94 of 2022, dated 10th August, 2022:

Under the Income-tax Act, ordinary taxpayers are required to maintain books of accounts and get them audited. The requirement to maintain the books of account is prescribed under Section 44AA. However, there is no specific

provision under the Act providing for the books of accounts to be maintained by trusts or institutions.

The Finance Act 2022 amended Section 12A and Section 10(23C) to provide that where the total income of the trust or institution under both regimes, without giving effect to an exemption under Section 10(23C) or section 11 and 12, exceeds the maximum amount which is not chargeable to tax, such trust or institution shall keep and maintain books of account and other documents in such form and manner and at such place, as may be prescribed.

CBDT has notified Rule 17AA prescribing books and other documents to be kept and maintained by trust or institution registered under section 12A/10(23C). The key extracts of the newly notified Rule 17AA are given in the below paragraphs.

1) Every fund or institution or trust or any university or other educational institution or any hospital or other medical institution is required to keep and maintain the following books of account and other documents:

a) Books of account, including the following:

- Cash Book;
- Ledger;
- Journal;
- Copies of bills;
- Original bills;
- Any other book that may be required to be maintained to give a true and fair view.

b) Books of account for business undertaking and business carried on by assessee other than business undertaking referred to in section 11(4).

c) Other documents for maintaining:

- Record of all projects and institutions run by the person containing details of their name, address, and objectives;
- Record of income in respect of voluntary contribution containing details of donor, income from property held under trust along with list of such property, and other income of fund or institution or trust, etc.;

- Record in respect of the application of income in India & outside India, deemed application of income, income accumulated or set apart, money invested in the specified mode, etc.;
- Record of voluntary contribution received & its application;
- Records of loans and borrowings;
- Record of properties held by trust;
- Record of the specified person.

2) The books of account and other documents may be kept in written form or in electronic form or in digital form or as printouts of data stored digitally.

3) The books of account and other documents shall be kept and maintained by the entities at their registered office. However, books may be kept in another place if management decided to do so by passing a resolution.

4) The books of account and other documents shall be kept and maintained for a period of 10 years from the end of the relevant assessment year.

9. CBDT notifies 'INQ Holding LLC' for Sec. 10(23FE) exemption: Notification No. 95 of 2022, dated 16th August, 2022:

CBDT has notified Sovereign Wealth Fund, namely, INQ Holding LLC, for the purpose of exemption under section 10(23FE). The notified funds shall be eligible to claim exemption in respect of investment made in India on or before 31-03-2024 subject to prescribed conditions.

10. OECD Global Forum on Transparency and Exchange of Information releases eight new peer review reports on transparency and exchange of information on request: Published on 16th August, 2022:

OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes published eight new Peer Review Reports on transparency and exchange of information on request (EOIR) for Finland, Sweden, Portugal, Poland, Pakistan, Cook Islands, Ecuador, and Sint Maarten. With respect to Sweden, the Peer Review Report concludes that overall the legal and regulatory framework is 'in place' which generally ensures the availability, access and exchange of all relevant information for tax purposes in accordance of international standard and thus, the Report rated Sweden as

'Compliant' overall. Portugal's overall rating was upgraded from 'Largely Compliant' to 'Compliant' since its last review, highlighting significant improvements. The Report states that Portugal has made progress in all aspects of the EOIR standard since its previous review in 2015, and more particularly in respect to access and exchange of banking information, which now conforms to the standard, and on abolishing bearer shares.

The Report also identifies deficiencies with respect to supervision mechanism to ensure the availability of accurate and up-to-date information available on the central beneficial ownership register and in cases of remaining bearer shares that have not been converted. It downgrades the rating for Finland from 'Compliant' to 'Largely Compliant', but remains satisfactory and recommends that work should be taken to address the deficiencies identified in its definition of beneficial ownership and should enhance its supervision activities to ensure the availability of adequate, accurate and up-to-date information. While Cook Islands was rated largely compliant, Ecuador, Pakistan, Poland and Sint Maarten was not given any overall rating and would be rated upon completion of Phase 2 review which was not undertaken owing to COVID related travel restrictions.

11. [CBDT amends Rule 17 and Form 10 providing accumulation of Income by an entity registered u/s. 10\(23C\): Notification No. 96 of 2022, dated 17th August, 2022:](#)

Under the provisions of the Income-tax Act, trust or institution is required to apply 85% of its income during any previous year. If it is not able to apply 85% of its income during the previous year, it can accumulate such income for a period not exceeding 5 years. As per Section 11(2), the accumulation of income is allowed subject to the fulfillment of certain conditions. However, there were no such conditions provided explicitly under the *third proviso* to Section 10(23C).

The Finance Act, 2022 has inserted *Explanation 3* to the *third proviso* of Section 10(23C) to provide for accumulation-related conditions similar to Section 11.

Rule 17 of the Income-tax Rules provides for furnishing of Form 10 and Form 9A. If a trust is not able to apply 85 percent of its income in a particular year, it can accumulate the shortfall to be used for religious or charitable purposes within the next 5 years. This accumulation is allowed if the assessing officer is informed in Form 10 about the purpose of the accumulation and the period for which the income is being accumulated.

Now, CBDT has amended Rule 17 to incorporate norms for filing of Form 10 by an entity approved under section 10(23C). Rule 17 has been amended to provide that a statement in Form no 10 shall be furnished to the Assessing Officer or the prescribed authority under clause (a) of Explanation 3 to the third proviso to section 10(23C).

The form shall be furnished before the expiry of the time limit to file the original return of income under section 139(1). CBDT has also amended Form 10 incorporating necessary changes.

12. CBDT notifies Form 29D to get refund of Tax deducted under section 195: Notification No. 98/2022/F. No. 370142/33/2022-TPL, dated 17th August, 2022:

CBDT notifies Rule 40G and Form No. 29D for claiming refund under Section 239A. Section 239A deals with refund where tax deductible on any income, other than interest, under Section 195 as per a written agreement or other arrangement is borne by the person by whom the income is payable, and such person after paying such tax to the credit of the Central Government claims that no tax was required to be deducted on such income.

The application in Form No. 29D shall be accompanied by a copy of an agreement or other arrangement referred to in Section 239A and can be presented by the claimant himself or through a duly authorised agent.

13. CBDT notifies 'CPPIB India Private Holdings Inc.' for Sec. 10(23FE) exemption: Notification No. 97 of 2022, dated 17th August, 2022:

CBDT has notified pension fund, namely, CPPIB India Private Holdings Inc, for the purpose of exemption under section 10(23FE). The notified funds shall be eligible to claim exemption in respect of investment made in India on or before 31-03-2024 subject to prescribed conditions.

14. TCS Provisions u/s. 260C(1G) not to apply to Non-Residents not having PE in India: Notification No. 99/2022/F.No. 370142/9/2022-TPL Part (2), dated 17th August, 2022:

Central Government notifies that the provisions of Section 206C(1G) shall not apply to a buyer who is a non-resident in terms of Section 6 and who does not have a permanent establishment in India. Section 206C(1G) provides for collection of tax at source from a person remitting money out of India under

RBI's Liberalised Remittance Scheme or on purchasing an overseas tour package.

This Notification supersedes earlier Notification dated 30th March, 2022 except as respects things already done or omitted.

15. CAG's Performance Audit on Exemption of Charitable Entities reveals lack of effective monitoring; Recommends stronger IT system for cross-verification: Report No 6 and 12 of 2022:

The Comptroller and Auditor General of India lays down its Report before the Parliament on Exemptions to Charitable Trusts and Institutions covering assessments relating to the AYs 2014-15 to 2017-18. The Performance Audit was conducted pursuant to the Report of Parliament's Public Account Committee that expressed concerns over the nature of the violations and failure of the Revenue in monitoring whether the charitable entities were fulfilling the objectives under which they were established and asked CAG to make recommendations for remedying the gaps and prevent future recurrences. CAG thus, performed a Performance Audit with the objective of examining whether:

- (i) CBDT ensures in an effective manner that the Charitable Trusts and Institutions availing the benefits under Sections 10(23C), 11, 12, 13 and 80G(5) complied with the prescribed procedures regarding registration/approval and ensures monitoring,
- (ii) the Revenue is efficient in granting the exemptions accurately and in a timely manner, and
- (iii) the existing provisions are sufficient or are there any lacuna/ambiguity /inconsistency.

CAG also lays down its report on performance audit of assessments in gems and jewellery sector conducted during FYs 2015-16 to 2018-19 to examine regulatory adequacy, efficiency of the officials and sufficiency of the systems, controls, monitoring and coordination mechanism.

16. CBDT extends time-limit for furnishing of Form 67; FTC can be claimed at time of filing belated & updated ITR: Notification No. 100 of 2022, dated 18th August, 2022:

Where an assessee has paid tax in any country or specified territory outside India, he can claim a credit for the same. The credit is allowed in the year in which assessee offers such income to tax. The credit shall be lower of the tax payable on such income under the Income-tax Act and foreign tax paid on such income. If the amount of foreign tax exceeds the amount of tax payable as per the provisions of the DTAA, such excess shall be ignored while calculating the Foreign Tax Credit (FTC).

Rule 128 of the Income-tax Rules, 1962 provides norms for allowing FTC to a taxpayer. As per said rule, to claim the foreign tax credit, the assessee shall furnish a statement of income offered to tax for the previous year and foreign tax which has been deducted or paid on such income. Such statement shall be furnished electronically in Form No. 67 on or before the due date for furnishing his return of income under section 139(1), i.e., original return of income.

The Central Board of Direct Taxes (CBDT) has amended Rule 128 to provide that Form 67 can be furnished:

- a) On or before the due date of furnishing return of income within the time specified under section 139(1), i.e., original return of income; or
- b) On or before the due date of furnishing return of income within the time specified under section 139(4), i.e., belated return of income; or
- c) On or before the due date of furnishing return of income within the time specified under section 139(8A), i.e., updated return of income.

The amendment is effective from 01st April, 2022 and thus applies to all the FTC claims furnished during the financial year 2022-2023.

17. CBDT amends Rule 17CB to replace 'trust or institution' with 'specified person' to incorporate FA 2022 amendment: Notification no. 101 of 2022, dated 22nd August, 2022:

Section 115TD of the Income-tax Act provides that trust or institution is liable to pay additional income tax on the accreted income, which arises on the conversion of trust into the non-charitable form or on transfer of assets of a charitable trust on its dissolution to a non-charitable institution.

The Finance Act, 2022 had amended provisions of section 115TD with effect from 1st April 2023 to make them applicable to any institution covered under

section 10(23C)(iv)/(v)/(vi)/(via). Broadly, the amendment has been carried out by substituting the words “trust or institution” with the words “specified person” and “specified person” has been defined as follows:

- (a) any fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10; or
- (b) a trust or institution registered under section 12AA or section 12AB;’.

Rule 17CB of the Income-tax Rules 1962 provides for the method of valuation of accreted income for the purposes of section 115TD.

To incorporate the changes brought by the Finance Act 2022, the Central Board of Direct Taxes (CBDT) has Income-tax (28th Amendment) Rules, 2022 to amend Rule 17CB.

Rule 17CB has been amended to replace the words “trust or institution” with the words “specified person” wherever they occur in the Rule. Further, an Explanation has been added to define the meaning of ‘specified person’. A specified person shall have the same meaning as assigned to it in clause (iia) of the Explanation to section 115TD.

18. CBDT notifies ‘Andhra Pradesh Pollution Control Board’ for exemption under section 10(46): Notification 103 of 2022, dated 24th August, 2022:

The Central Board of Direct Taxes (CBDT) has notified ‘Andhra Pradesh Pollution Control Board’ constituted under the State Government of Andhra Pradesh under the Water (Prevention and Control of Pollution) Act, 1974 for the purposes of section 10(46) exemption.

Consent fee received under the Water (Prevention and Control of Pollution) Act, 1974 & Air (Prevention and Control of Pollution) Act, 1981, analysis fees/air ambient quality survey fees/ noise level survey fees; biomedical authorization fees, etc. are the incomes that shall be exempt under section 10(46).

ARTICLE:

Term Insurance Vs Home Loan Insurance: Which is a better bet for you to protect your home loan?

(by: CA Rishabh Adukia)

Home loan insurance can be beneficial both for the lender and the borrower. However, it's critical to make an informed decision factoring in your financial requirements.

Buying a home, a place of your own, is a dream most of us strive to fulfil. That being said, if you have taken a home loan, you may have had to deal with lenders pushing some form of home loan protection plan at you at the time of loan approval. Although such home loan protection plans, commonly known as mortgage insurance or home loan insurance, are not mandated by any regulatory body, lenders insist that you get a home loan insurance so that they can protect themselves against credit or lending risks.

This is not to say that home loan insurance protects only the lender. It can be beneficial to you (the borrower) as well. Say, for example, if the lender dies before clearing the home loan in full, the mortgage insurance plan can pay off the outstanding loan amount to the lender if the insurance policy allows for such a provision.

Let's dig a bit deeper on this.



So, what exactly is home loan insurance?

This is a type of insurance plan that offers you (a home loan borrower) coverage against loan repayment risk for the period of the loan tenure. In the event of your

sudden demise or disability (or even temporary job loss in some cases), the insurer will pay the outstanding loan amount to the lender. In this way, both the lender and your dependents are protected as the burden of debt liability will not fall on the shoulders of your spouse or heirs.

Lenders, usually, offer a single premium insurance plan with your home loan. Under such a plan, the single premium amount is likely to be added to your home loan and subsequently, there will be an increase in your home loan Equated Monthly Instalment (EMI). At times, lenders seek a separate premium payment during the loan approval process.

How beneficial is home loan insurance?

The surviving family members will be saved from taking up the responsibility of settling your loan liabilities after your demise during the loan tenure. There will be a marked decrease in bad debts for the lender, i.e. the number of loans turning into bad debts every year will reduce when the loans are paid off by the insurance company when the borrower is unable to do so. Opting for a loan protection plan can work in your favour when applying for a home loan as lenders tend to look at credit or lending risks before approving or rejecting a loan application. With a loan protection plan, the chances of you defaulting on a loan are negated.

Term insurance Vs. Mortgage insurance

Two ways by which you can get protection against loan repayment risks are a term insurance plan and a separate home loan protection plan. A term insurance plan, upon your demise, will pay out a lump sum amount as a death benefit to your dependent or beneficiary who in turn can use it to pay off the outstanding loan amount.

Home loan offers tax benefits of up to Rs. 2 lakh on the interest paid under Section 24B, and now an additional benefit of up to Rs. 1.5 lakh under Section 80EEA for loans on property valued not more than Rs. 45 lakh after the Finance Minister Nirmala Sitharaman's Union Budget 2019 speech. Also, the home loan principal component and term insurance premiums can be used to claim tax benefit of up to Rs. 1.5 lakh under Section 80C. As such, if you're yet to exhaust your 80C tax benefits, another term insurance for home loan protection can help you do the same.

Term insurance is the common type of protection plan. These plans are low-cost, pure risk cover plans with no maturity benefit. Mortgage insurance and term insurance may seem similar in terms of cost, add-ons such as critical illness cover,

disability cover, unemployment cover, etc. depending on the policy terms and conditions. Both come with no maturity benefit. However, they do differ in various other ways. Let's discuss some of them to help you make a decision.

Which one should you go for?

When it comes to the cost of insurance premium, term insurance is more affordable as the premium for a separate loan protection plan is comparatively higher when it is added to the overall cost of the loan. In terms of coverage, a term plan is an umbrella cover that pays out death benefit which can be used for any purpose. Whereas a home loan insurance plan covers only the outstanding loan amount. Therefore, the sum assured will decrease over the policy term (as the loan gets repaid) until it becomes zero. However, when refinancing a home loan or changing its tenure to suit your loan repayment capability, the tenure of the existing home loan insurance plan can't be changed. Also, insurance portability is not allowed under home loan protection plans if you decide to switch lenders. Also, under term plans, life cover can be increased to include your sanctioned loan amount, but the same can't be done in the case of home loan protection plans. If you choose to foreclose the loan, the one-time premium paid for home loan insurance will not be refunded.

The key is to make an informed decision

If you already have adequate term insurance coverage, you may not need another insurance to cover your loan. However, it's critical to underscore that the sum assured of your term insurance plan should be **at least 10 times** your current annual income.

On the other hand, if you are not adequately insured, this might be a good option as you can enjoy additional tax benefits while safeguarding your family against a major financial liability. Since home loan insurance is optional, you can make an informed purchase decision by taking the above into consideration and based on your financial requirements. However, avoid buying a plan just because your lender pressurizes you to do so, especially when you already have adequate term insurance coverage. Buying one of the above is essential as it's protects your family, protects your assets with various tax benefits.

(The author Rishabh Adukia is a Chartered Accountant and qualified professional advising on wealth management to individuals, millennial's, emerging HNIs including others and can be reached on adukia.rishabh@gmail.com)

Action Points under Income Tax Act, 1961

For the Month of September 2022:

7 th September	TDS Payment for August
15 th September	Advance Tax second installment for the financial year 2022-23
30 th September	E-filing of audited statement of accounts of the charitable trusts with the office of Charity Commissioner for the year ended 31 st March, 2022
30 th September	Due date for filing Tax Audit Report for financial year 2021-22



.....STORY FOR THE MONTH.....

किसान की घड़ी:

एक बार एक किसान की घड़ी कहीं खो गयी. वैसे तो घड़ी कीमती नहीं थी पर किसान उससे भावनात्मक रूप से जुड़ा हुआ था और किसी भी तरह उसे वापस पाना चाहता था.

उसने खुद भी घड़ी खोजने का बहुत प्रयास किया, कभी कमरे में खोजता तो कभी बाड़े तो कभी अनाज के ढेर मेंपर तामाम कोशिशों के बाद भी घड़ी नहीं मिली. उसने निश्चय किया की वो इस काम में बच्चों की मदद लेगा और उसने आवाज लगाई, "सुनो बच्चों, तुममे से जो कोई भी मेरी खोई घड़ी खोज देगा उसे मैं १०० रुपये इनाम में दूंगा."

फिर क्या था, सभी बच्चे जोर-शोर दे इस काम में लगा गए...वे हर जगह की खाक छानने लगे, ऊपर-नीचे, बाहर, आँगन में ..हर जगह... पर घंटो बीत जाने पर भी घड़ी नहीं मिली.

अब लगभग सभी बच्चे हार मान चुके थे और किसान को भी यही लगा की घड़ी नहीं मिलेगी, तभी एक लड़का उसके पास आया और बोला, " काका मुझे एक मौका और दीजिये, पर इस बार मैं ये काम अकेले ही करना चाहूँगा."

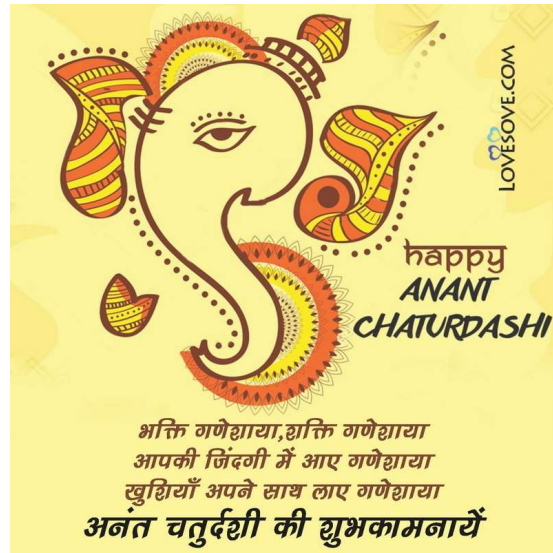
किसान का क्या जा रहा था, उसे तो घड़ी चाहिए थी, उसने तुरंत हाँ कर दी.

लड़का एक-एक कर के घर के कमरों में जाने लगा... और जब वह किसान के शयन कक्ष से निकला तो घड़ी उसके हाथ में थी.

किसान घड़ी देख प्रसन्न हो गया और अचरज से पूछा, " बेटा, कहाँ थी ये घड़ी, और जहाँ हम सभी असफल हो गए तुमने इसे कैसे ढूँढ निकाला?"

लड़का बोला, " काका मैंने कुछ नहीं किया बस मैं कमरे में गया और चुप-चाप बैठ गया, और घड़ी की आवाज़ पर ध्यान केन्द्रित करने लगा, कमरे में शांति होने के कारण मुझे घड़ी की टिक-टिक सुनाई दे गयी, जिससे मैंने उसकी दिशा का अंदाजा लगा लिया और आलमारी के पीछे गिरी ये घड़ी खोज निकाली."

जिस तरह कमरे की शांति घड़ी ढूँढने में मददगार साबित हुई उसी प्रकार मन की शांति हमें जिंदगी की ज़रूरी चीजें समझने में मददगार होती है. हर दिन हमें अपने लिए थोडा वक़्त निकालना चाहिए, जसमे हम बिलकुल अकेले हों, जिसमे हम शांति से बैठ कर खुद से बात कर सकें और अपने भीतर की आवाज़ को सुन सकें, तभी हम जिंदगी को और अच्छे ढंग से जी पायेंगे.



This Tax Chat is prepared only for information of our clients and colleagues in the office. In this Tax Chat an attempt has been made to summarize various changes / development in Direct Tax Law during previous months.

The information is of a general nature and is not intended to address specific facts and circumstances. Specific guidance may be obtained before acting on the same.

If you need full text of circular, notification, press release, etc., we will be happy to provide the same on hearing from you. We have compiled the information from Taxmann and Taxsutra websites and mails.

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India without abusing anyone,
You have attained inner peace.

