

TaxBook⁺ Statutory Update - Income Tax

For CA Inter May 2024

EXEMPTION IN RESPECT OF LIFE INSURANCE POLICY PROCEEDS [S. 10(10D)] [PARA 30 – GUIDELINES & ILLUSTRATIONS – CIRCULAR NO. 15/2023]

The CBDT has issued guidelines for removal of difficulties u/s 10(10D) in respect of provisions amended by the Finance Act 2023. The guidelines provide for the following:

1. *Illustrations explaining the impact of amended provisions:* Since the illustrations merely demonstrate the application of law, these have not been reproduced here. These have been covered and explained in the YouTube video referred above.
2. *GST component:* Premium is **exclusive** of the amount of GST payable on such premium.
3. *Term life insurance policy:* Any sum received under a **term** life insurance policy (i.e., where sum under the policy is only paid to the nominee in case of the death of the person insured during the term of the policy and no amount is paid to anyone if the insured person survives the policy tenure) shall continue to be **exempt** u/s 10(10D), irrespective of the amount of premium payable in respect of such policy. Further, the premium paid for such policies shall **not** be counted for checking Rs. 5 lakh limit.

DEDUCTION ONLY ON ACTUAL PAYMENT [S. 43B] [PARA 118 - CONTENT AMENDED]

The classification of micro enterprise and small enterprises given on page 193 should be read as follows:

Manufacturing enterprises and enterprises rendering services			
Classification	Investment in Plant and Machinery or Equipment	AND	Turnover
Micro enterprise	Not > 1 crore	AND	Not > 5 crore
Small enterprise	Not > 10 crore	AND	Not > 50 crore

