

1. BASICS OF INCOME TAX

Supreme Court had an occasion to consider a similar issue in the case of **Prabhu Dayal Sesma vs. State of Rajasthan** & another wherein it has dealt with on the general rules to be followed for calculating the age of the person. In this judgment, Apex Court observed that while counting the age of the person, whole of the day should be reckoned and it starts from 12 O'clock in the midnight and he attains the specified age on the preceding, the anniversary of his birthday

In view of the aforesaid judgment, CBDT, hereby clarifies that a person born on 1st April would be considered to have attained a particular age on 31st March, the day preceding the anniversary of his birthday. In particular, the question of attainment of age of eligibility for being considered a senior/very senior citizen would therefore be decided on the basis of above criteria. Therefore, if a person is born on 1 April, 1961/1941 then he shall get slab of ₹ 3,00,000/ ₹5,00,000 in PY 31.3.2021

SIMPLIFIED ANALYSIS - Individual who has attained the age of 60/80 years on the 1st April would be eligible for higher basic exemption limit

NOTES FOR NORMAL RATES:

1) Rebate u/s 87A

- 1) Assessee is Individual
- 2) He is Resident in India
- 3) whose total income (From All Heads after Deduction) (Normal + Special excluding Agriculture Income and Exempt Income) **does not exceed ₹5 lakh**

Rebate = ₹12500 or 100% of tax payable, whichever is lower.

Rebate not available for tax computed u/s 112A [FA'18]

2) Cess is applicable @ 4% on income taxable & renamed as HEC.

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3) Rounding Off

Sec 288A - Rounding Off of Income : The amount of total income computed in accordance with the foregoing provisions of this Act shall be rounded off to the nearest multiple of ten rupees and for this purpose any part of a rupee consisting of paise shall be ignored and thereafter if such amount is not a multiple of ten, then, if the last figure in that amount is five or more, the amount shall be increased to the next higher amount which is a multiple of ten and if the last figure is less than five, the amount shall be reduced to the next lower amount which is a multiple of ten; & the amount so rounded off shall be deemed to be total income of the assessee for the purposes of this Act.

Sec 288B - Rounding off amount payable and refund due : Any amount payable, & the amount of refund due, under the provisions of this Act shall be rounded off to the nearest multiple of ten rupees and for this purpose any part of a rupee consisting of paise shall be ignored & thereafter if such amount is not a multiple of ten, then, if the last figure in that amount is five or more, the amount shall be increased to the next higher amount which is a multiple of ten and if the last figure is less than five, the amount shall be reduced to next lower amount which is a multiple of ten

SIMPLIFIED FORM -

| | | |
|----------|---------------------------|--------------------------------|
| Sec.288A | Round off of Total Income | R/o to nearest multiple of ₹10 |
| Sec.288B | Round off of Total Tax | R/o to nearest multiple of ₹10 |

Rule of 5 is applicable.

Eg:- Tax calculated is 81501, tax shall be rounded off to 81500.

4) Income chargeable at Special rate (refer to next page)

- 5) If Assessee (Resident) has special Income i.e. LTCG (112 / 112A) / STCG (111 / 111A) (Not casual Income) & BEL is not exhausted then such special income shall be first used to cover up basic exemption limit and balance ,if any,

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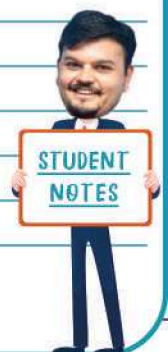
shall be chargeable to special rate of Tax

6) Surcharge : FA'19 has changed the Surcharge & new rate were provided. However, on 20th Sept'19 FM brought Taxation laws (Amendment) Ordinance which has further changed surcharge rate for I / HUF / AOP / BOI / AJP as:

| | Income | u/s 111A & 112A | Other |
|----|---|-----------------|-------|
| 1) | TI [Including Income u/s 111A & 112A does not exceed 50L | Nil | Nil |
| 2) | TI [Including Income u/s 111A & 112A exceed 50L but does not exceed 1cr. | 10% | 10% |
| 3) | TI [Including Income u/s 111A & 112A exceed 1cr but does not exceed 2cr. | 15% | 15% |
| 4) | TI [Excluding Income u/s 111A & 112A exceed 2cr but does not exceed 5cr. | 15% | 25% |
| 5) | TI [Excluding Income u/s 111A & 112A exceed 5cr | 15% | 37% |
| 6) | TI [Including Income u/s 111A & 112A exceed 2cr but not covered by situation 4 & 5. | 15% | 15% |

Special rates

| Income | Rates |
|---|-----------------------------|
| STCG referred to in sec 111A (Securities) | 15% |
| LTCG referred to in sec 112 | 20% |
| LTCG U/s 112A Beyond ₹1Lakh | 10% |
| Casual incomes (e.g. Lottery, horse winnings, etc.) (Sec 115BB) | 30% |
| Unexplained Cash/Expenses/Investment-115BBE | 60% |
| Maximum Marginal rate | 42.744% [30% + 37% + 4%] |



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Sec 115BAA - New reduced Tax rate for Domestic Co inserted by Ordinance '19

Following conditions needs to be satisfied in order to avail benefit of lower tax rate u/s 115BAA:

1) Company should be a domestic co

Analysis & Interpretation:

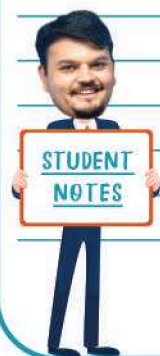
- > Public/Private/listed/unlisted
- > without restriction of Annual turnover.
- > Shareholder of co may be R or NR
- > Such Co may be controlled by Domestic / foreign entity
- > It may be a newly incorporated or existing co
- > No restriction on formation of co i.e. if a proprietor is converted into co, converted co be eligible for exemption

2) Total income computed without claiming following deduction

Analysis & Interpretation:

- > Deduction u/s 10AA.[SEZ]
- > Additional Depreciation u/s 32.
- > Deduction u/s 32AD.[Investment Allowance]
- > Deduction u/s 33AB.[Tea development Account]
- > Deduction u/s 33ABA.[Site restoration fund]
- > Deduction u/s 35/35[2AB]/352[AA] [Scientific Research]
- > Deduction u/s 35AD.[Specified business]
- > Deduction u/s 35CCC [Agriculture Extension project]
- > Deduction u/s 35CCD [Skill Development Expenditure]
- > Deduction under any provision of Chapter VIA but other than 80JJAA

3) Total Income of company is calculated without adjusting B/f losses from any earlier years, moreover such loss will not be carried forward.



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- 4) Total Income of Co so calculated after claiming depreciation
- 5) Company has opted this scheme in prescribe manner before filling ROI, however once the co has taken the option it cannot be withdrawn.

If the above conditions are satisfied then tax rate = 22% + 10% Sur [irrespective of quantum of Income] + 4% HEC, further special income such as CG shall be liable to Special rate only. Effective Rate 25.17%.

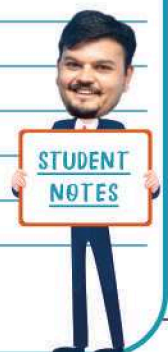
If option is exercised in Sec.115BAA MAT provision is not applicable u/s 115JB, The benefit of b/f credit u/s115JAA shall not be available.

| Domestic Co which opts for lower taxation u/s 115BAA | Surcharge on tax on Income Chargeable u/s 115BAA | Surcharge on tax on Income under other provisions of Chap XII (i.e Sec 110 - 115BBG other than 115BA & 115BAB) |
|--|--|--|
| TI of Domestic Co > 1cr | 10% | Nil |
| TI of Domestic Co 1cr < 10cr | 10% | 7% |
| TI of Domestic Co > 10Cr | 10% | 12% |

Circular 29/2019 Clarification in respect of option exercised u/s 115BAA of IT Act,1961 inserted through the Ordinance,2019

Representations have been received from stakeholders seeking clarification on following issues relating to exercise of option u/s 115BAA:

- a) Allowability of b/f loss on account of additional depreciation :



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- 1) A Domestic Co which would exercise option for availing benefit of lower tax rate u/s 115BAA shall not be allowed to claim set off of any b/f loss on a/c of additional depreciation for an AY for "which the option has been exercised and [or any subsequent AY].
 - 2) Further: as there is no time line within which option u/s 115BAA can be exercised. it may be noted that domestic co having b/f losses on account of additional depreciation may if it so desires exercise the option after set off of the losses accumulated.
- b) Allowability of b/f MAT credit
- 1) As regards allowability of b/f MAT credit, it may be noted that as the provisions of sec 115JB relating to MAT itself shall not be applicable to the domestic co which exercises option u/s 115BAA. it is hereby clarified that the credit of MAT paid by domestic co exercising option u/s 115BAA of the Act shall not be available consequent to exercising of such option
 - 2) Further, as there is no time line within which option u/s 115BAA can be exercised, it may be noted that domestic co having credit of MAT may, if it so desires, exercise the option after utilising the said credit against the regular tax payable under the taxation regime existing prior to promulgation of the Ordinance



Sec 115BAB - New Domestic Manufacturing Company

Section has been inserted through ordinance w.e.f AY 20-21

1) Company should be a domestic co.

Analysis & Interpretation:

> Public/Private/listed/unlisted

> without restriction of Annual turnover.

> Shareholder of co may be R or NR

> Such Co may be controlled by Domestic / foreign entity

2) Company has been setup & registered on / after 1st oct'19 & commenced manufacturing on or before 31st March '23

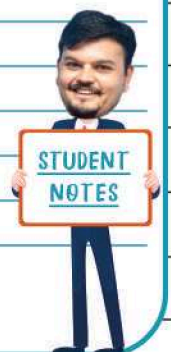
3) The business is not formed by splitting up, or the reconstruction, of a business already in existence. This condition shall not apply in respect of a company, business of which is formed as a result of the re-establishment, reconstruction or revival by the person of the business of any such undertaking as is referred to in sec 33B, in the circumstances & within period specified in the said sec.

4) The Company does not use any machinery or plant previously used for any purpose. For the purpose of this clause, any machinery or plant which was used outside India by any other person shall not be regarded as machinery or plant previously used for any purpose, if the following conditions are fulfilled, namely:

a) such machinery or plant was not, at any time previous to the date of the installation used in India;

b) such machinery or plant is imported into India from any country outside India

c) no deduction on account of depreciation in respect of such machinery or plant has been allowed or is allowable



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under the provisions of this Act in computing the total income of any person for any period prior to the date of the installation of machinery or plant by the person.

Where in the case of a person, any machinery or plant or any part thereof previously used for any purpose is put to use by the company and the total value of such machinery or plant or part thereof does not exceed 20% of the total value of the machinery or plant used by the company, then, for the purposes of this clause, condition specified therein shall be deemed to have been complied with.

- 5) The Co. does not use any building previously used as a hotel or a convention centre, as the case may be, in respect of which deduction under section 80-ID has been claimed and allowed.
- 6) The company is not engaged in any business other than the business of manufacture or production of any article / thing and research in relation to, or distribution of, such article or thing manufactured or produced by it. The following business shall not be included in the above mentioned :
 - a) development of computer software in any form / media;
 - b) mining;
 - c) conversion of marble blocks or similar items into slabs;
 - d) bottling of gas into cylinder;
 - e) printing of books or production of cinematograph film; or
 - f) any other business as may be notified by Central Govt.
- 7) Total income computed without claiming following deduction
 - > Deduction u/s 10AA.[SEZ]
 - > Additional Depreciation u/s 32.
 - > Deduction u/s 32AD.[Investment Allowance]
 - > Deduction u/s 33AB.[Tea development Account]

